



Reconstructing Student Financial Aid in Alberta

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Executive Summary

Insufficient financial support coupled with the rapid increases in tuition costs over the last two decades have created a crisis of student debt in Alberta. Not only does the current system of student financial aid often provide insufficient funding for students, but the limitations of these programs prevent the most vulnerable students from accessing this, thus reducing accessibility to post-secondary education. This paper will focus on the current student financial aid system in Alberta, student debt in the province, and will provide an analysis of the positives and negatives of student financial aid systems from across the country. The final discussion will reconsider the purpose of student financial aid, and offer recommendations based upon the research.

The Council of Alberta University Students (CAUS) calls on the Government of Alberta to exemplify the principles of accessibility and affordability by adopting the four recommendations based upon the discussions and evidence provided in this research project. The four recommendations include:

- The reallocation of all tax credits into up-front grants for low-income and middle-income students.
- Increased investment into non-repayable student aid through scholarships, bursaries, and grants.
- Ensuring that all assessments for future up-front grants are based on the personal income of the student, and not household or family income.
- Increases to the repayment threshold in light of increases to the cost of living and minimum wage.

Introduction

Affordability and accessibility affect the lives of post-secondary students in multiple ways as they manage the growing pressures of advanced education. For many potential post-secondary students, the most stressful challenge they will face in their post-secondary careers is being able to afford their education. The issue of affordability and accessibility with regards to attending publicly funded post-secondary institutions remain as some of the most important issues in our society. Throughout Canada, the provinces have established different avenues through which students can fund their education; one of the most common used is student financial aid, including loans, grants, and other funding and tax credit mechanisms. With a variety of models and methods, which allow greater access to education, student aid is intended to break down the walls that limit those with financial concerns from participating in post-secondary education. CAUS is dedicated to ensuring that the students we represent gain the most holistic experience during their time at our institutions. CAUS works to ensure that the costs associated with post-secondary programs are affordable, predictable, and bring the greatest quality of education.

One of the ways to ensure that post-secondary education is affordable is through an effective system of student financial aid. Student financial aid, through its wide range of programs, lowers barriers to access for students attempting to obtain a post-secondary credential. In discussing student financial aid, many questions arise, including: are there more affordable and efficient ways in which the Government of Alberta can adapt student financial aid to ensure that those who need this help the most are receiving it? Does the current hybrid program of loans, grants, and tax credits truly provide an efficient and quality service to those in society who require it the most? Ultimately, CAUS has researched what exactly students envision as the most effective program when they think of student financial aid.

It is the intent of the research and discussion to answer these overarching questions regarding student financial aid. Through a detailed discussion of student financial aid in Alberta, student debt in Alberta, and student financial aid systems from across the country, this paper will examine best practices from a number of jurisdictions and make recommendations based upon relevant research.

Furthermore, this discussion of student financial aid will highlight escalating student debt levels and the rising costs of living that are affecting students everyday, and often forcing their hand when it comes to gaining a post-secondary credential.

Finally, through a detailed examination and analysis of secondary data, expert publications on student financial aid, and the daily anecdotal accounts we receive from students, CAUS will continue the discussion around the reconstruction and modernization of student financial aid in Alberta. This includes a reconceptualization of back end regressive tax and education credits, which tend to benefit those in higher-income socio-economic groups. **CAUS believes that a transfer of those tax credits to up-front needs based grants for low-income and middle-income students would be the most efficient and beneficial system for all students.** CAUS believes in a student financial aid system that can foster greater participation in post-secondary from all areas of society, including those who have been previously barred due to financial pressures and socio-economic status.



Background to Student Financial Aid in Alberta

Over the course of the last half-decade, student financial aid in Alberta has adapted itself to changing societal and fiscal forces. Initially formed on the federal level as a way to offer students and their parents the opportunity to defer some of the costs of tuition, tax deductions were offered on federal income tax. Moving forward, the governments at both the provincial and federal levels have adapted their programs to include repayable assistance such as student loans and financing, and non-repayable assistance such as grants, bursaries and scholarships. In addition, there has been the offering of various tax credits on tuition, educational costs, and textbooks that can be used to offset costs once the individual or their family member has incurred income tax payments.

Here in Alberta, there is a complex and detailed system of student financial aid used to support students in their post-secondary experience. Primarily relying on both loans and tax credits as a way to offer financial support to post-secondary students, Alberta's student financial aid system has both its strengths and its shortcomings when evaluated from the student perspective. The following portion will highlight the current system in Alberta and acknowledge the successes and the opportunities for improvement that exist in that context.

Alberta has what could be described as a standard student financial aid system, which determines student need based on a student's resources minus that student's expenses. This is then placed into a complex formula to determine the amount and composition of support. Both the amount and composition are determined by a variety of factors, three of which are the most important, and will briefly be addressed here.

The first determination made is whether or not a student is eligible for student financial aid in Alberta. The primary determination is based on citizenship or status within Canada; Canadian citizens, permanent residents, and protected persons qualify for student financial aid through the province. Additionally, the student, or their family, contingent on dependency, must be a resident of Alberta — defined as living in the province for the last consecutive 12 months. If a student meets these requirements they can move on to the next stage.¹

Once status in Alberta is established, determination of post-secondary load status can be evaluated. A student can either be full time or part time. As defined by Student Aid Alberta, a student would be classified as full time status when they have registered in 60% or more of a full course load, with a full course load being left up to the local institution to determine.² If a student falls below that 60% course load, they would be classified as part time for student financial aid purposes.³ The reason this is important is because the funding formulas for full and part time students are different, including the amounts one would receive in loan and grant funding. The idea behind the difference is that a part time student would have more time to be working while completing their part time studies, and therefore would ideally not need as much support. However, that this is not always the case.

Finally, and particularly for undergraduate students, the determination of dependent or independent student status will matter significantly with regards to the amount given in loans and grants. Independent students have to meet a list of criteria to be assigned this determination and it will mean that they are no longer dependent on parents



or guardians for support. If a student is single with a dependent, married or common-law, out of high school for more than four years, available to work for two periods of twelve consecutive months, 23 years or older, or single and a family caretaker, then they would qualify as independent students for student aid purposes. All other students would be classified as dependent and therefore are subject to different financial and resident eligibility requirements than independent students.⁴

Beyond eligibility for Student Aid Alberta, there are certain allowable expenses that have been identified by the government that may be covered by student financial aid. Specifically, these costs include tuition, mandatory fees, textbooks, supplies, computer related costs, a monthly living allowance, and funding for the specific amount of in-study months.⁵ The amounts associated with all of these costs would be dependent on the previously listed qualification factors, such as full or part time status, or a dependent/independent student.⁶

The ideal situation for a full time student would be to not only have their tuition and fees covered by financing but to have enough funding to help cover the additional costs of education while in post-secondary. This means that the student can focus on their academic success without having to enter the labour force beyond a reasonable amount. Studies have shown that students who are able to work only a small amount while in full time study have better chances of academic success than those who must work more.^{7,8} Therefore, student financial aid is a key way to ease the financial burden on students and to prevent students from having to work a detrimental amount. Additionally, student debt levels, student employment, and a skyrocketing cost of living are all changing the student financial aid landscape for post-secondary students and these topics will be addressed in more detail further in this discussion.

With regards to the current forms of funding and tax relief open to Albertan post-secondary students, the



largest source of funding currently comes in the form of repayable assistance such as loans. Loans are distributed from two major sources, the federal and respective provincial governments. Here in Alberta, there are the Canada Student Loan and Alberta Student Loan Programs. Typically, there is a break down of 60% from federal loans and 40% from provincial loans based on a needs assessment like the one mentioned above.⁹

Furthermore, there are sources of non-repayable funding available. The different forms of non-repayable funding include grants, scholarships, awards, debt manageability programs, and tax credits. According to Alberta's Department of Advanced Education, funding from the province for non-repayable aid is broken down as follows – 36% grants, 52% scholarships, 10% awards, and 2% debt manageability programs through the Repayment Assistance Plan.¹⁰ Tax credits also make up a significant portion of non-repayable aid, but are funded by the Treasury Board and Finance. According to the Government

of Alberta's 2016 budget, total spending for tax credits amounted to \$200.6 million.¹¹

Grants are similar to loans in the fact that they are evaluated and awarded based upon specific need assessments and very specific eligibility criteria. For example, to be eligible for the Canada Student Grant, one must be from a low-income or middle-income family, have a disability, or have dependents. Grant values will range from \$100-\$250 per month and supplement any loan amounts that have been dispersed. When a student applies for student financial aid through Student Aid Alberta, they will automatically be considered for the maximum grant amount available, with loans supplementing the extra assessed need.¹²

The Government of Alberta has its own grant program as well, which includes the Alberta Low Income Grant, the Maintenance Grant, and the Alberta Grant for Students with Disabilities. While this grant system has been praised

for targeting needs-based populations such as those who are part time, have dependents, or are disabled, the restrictions around the grant program ensure that it remains exclusive. This in turn means that we see many students who have high need and come from low socio-economic backgrounds being unable to access these specific grant programs. Student Aid Alberta has shown a desire to tweak these programs as the Department of Advanced Education completes its Tuition and Fees Review and it is CAUS' hope that we see an expansion of this grant program to allow a greater amount of students accessing non-repayable aid.

Scholarships and awards are very similar and make up a significant portion of the amount of non-repayable funding offered by the province at almost 30%. Typically, when making the distinction between the two, one can view a scholarship as an amount given based on academic merit, while an award would be one based on varying criteria, such as membership in a group, talents, and other considerations. The largest scholarship in the province at the moment is the Alexander Rutherford Scholarship given to high school students with high academic achievement to pay for a portion of their university costs.

While CAUS continues to advocate for strong and sustainable scholarship opportunities, we want to highlight the fact that awards and scholarship distribution should be more equalized. With scholarships being based almost exclusively on academic merit, they often discourage or

turn away the most vulnerable students who may not have the time or resources to reach the top of their class due to family responsibilities, part time jobs, and other financial stressors – essentially solidifying the classist structure of scholarship distribution. Instead, CAUS calls for a wide range of scholarships and awards that benefit those that may not have the highest academic average in their cohort, but are able to contribute to their academics and communities through volunteerism, athletics, music, student leadership, and more. CAUS strongly believes that government funding should be used to break down barriers to access. One way to do this is increase funding for awards and grants.

Finally, is the topic of tax credits. As a general rule, tax credits are applied to taxable income to decrease the amount one owes in federal and provincial income tax.¹³ In the case of Alberta, the tuition and education tax credits are based on the amount of tuition paid, the length of time spent in post-secondary (in months), and course load (full or part time). The credits work so that that the amount that is claimed as a credit is multiplied by the lowest tax bracket in that jurisdiction to produce a dollar amount, that dollar amount is then removed from the students tax owing. For example, in Alberta, the lowest tax rate is 10%, so if a student pays \$6000 dollars in tuition and claims this credit on their taxes, they will receive a reduction of their tax owing by \$600 ($\$6000 \times 10\% = \600).¹⁴ Federally that rate is 15%.¹⁵



Table 1

The value of tuition and education tax credits, by province, 2006 tax year (assuming hypothetical tuition amount of \$5,000)

	Tuition Amount	Education Amount	Total Credit Value	Tax Credit Rate	Tax Saving	Total Tax Saving
Federal	\$5,000	\$3,720	\$8,720	15.25%	\$1,329.80	
NF	\$5,000	\$1,600	\$6,600	10.57%	\$697.62	\$2,027.42
PEI	\$5,000	\$1,600	\$6,600	9.80%	\$646.80	\$1,976.60
NS	\$5,000	\$1,600	\$6,600	8.79%	\$580.14	\$1,909.94
NB	\$5,000	\$1,200	\$8,200	9.68%	\$793.76	\$2,123.56
QC	\$5,000	\$0	\$5,000	20.00%	\$1,000.00	\$2,329.80
ON	\$5,000	\$3,200	\$8,608	6.05%	\$520.78	\$1,850.58
MB	\$5,000	\$3,608	\$8,200	10.90%	\$893.80	\$2,233.60
SK	\$5,000	\$3,200	\$8,200	11.00%	\$902.00	\$2,231.80
AB	\$5,000	\$3,672	\$8,672	10.00%	\$867.20	\$2,197.00
BC	\$5,000	\$1,600	\$6,600	6.05%	\$399.30	\$1,729.10

Table 2

The value of tuition and education tax credits, by province, 2006-2007 provincial average undergraduate tuition fees.

	Tuition Fee Plus Ancillaries	Federal Tuition and Education Credit	Provincial Tuition Credit Value	Total Tax Savings	Net Costs of University
NF	\$3,072	\$6,792	\$4,672	\$1,530	\$1,542
PEI	\$5,675	\$9,395	\$7,275	\$2,146	\$3,529
NS	\$7,143	\$10,863	\$8,743	\$2,425	\$4,718
NB	\$5,669	\$9,389	\$8,869	\$2,290	\$3,379
QC	\$2,540	\$6,260	\$1,916	\$1,338	\$1,202
ON	\$5,889	\$9,609	\$9,497	\$2,040	\$3,849
MB	\$3,796	\$7,516	\$6,996	\$1,909	\$1,887
SK	\$5,494	\$9,214	\$8,694	\$2,361	\$3,133
AB	\$5,395	\$9,115	\$9,067	\$2,297	\$3,098
BC	\$5,402	\$9,122	\$7,002	\$1,815	\$3,587

The concern raised by CAUS, other student groups, and those calling for more affordable and accessible education is the fact that tuition and education tax credits tend to benefit those who are in the middle and upper socio-economic classes to a far greater extent, due to the fact that they, on average, pay more taxes, and therefore qualify for a greater credit. The tax and education credits are also non-refundable, and applicable after tuition is paid. Therefore, lower income students, who must pay tuition upfront, are less likely to benefit from tax credits.¹⁶ This again emphasizes the key to CAUS overall argument that government funding should be opening doors to access, not closing them. Tax credits are an out-dated and ineffective way to increase accessibility to post-secondary education. A rethinking and reconstruction of the meaning and purpose of student financial aid is needed in Alberta, and this will be addressed later in the discussion.

That being said, Alberta for its part has taken into account the recommendations of students when readapting their student financial aid system and does certain aspects of its program very well. Over the past decade, students, including those CAUS represents, have asked for the removal of part-time earnings and parental contributions into the formula to determine student need and those requests have been answered. Additionally, we have asked for the student contribution each year to be a flat amount not based on income in order to ensure that students have equal access to loans. Finally, as mentioned, Student Aid Alberta has made strong efforts to re-evaluate programming to meet the needs of learners, and it is through continued collaboration that CAUS hopes to see major changes to the opening of access in the future.

Student Debt in Alberta

Student debt has become an increasingly significant issue during the last 20 years, not only in Alberta, but also throughout the country. This is due to a number of factors, which include government cuts, government inaction, and a lack of political will to address this extremely important issue in the post-secondary landscape. Prior to the 1990s, Canada was viewed as having a relatively affordable post-secondary system; students from low-income households were able to take out government-subsidized loans to make-up for a much smaller financial gap than there is today, mostly due to the lower tuition rates of the time.¹⁷ Since 1990, post-secondary students have seen a 350% increase in tuition levels, which is an extreme and unprecedented increase.^{18 19} Furthermore, government inaction, and in some cases, government action, has made this situation far worse for students. With regards to government inaction, student loan programs in Canada have failed to keep pace with rising tuition costs, while government action has negatively impacted students by way of significantly reduced grant programs.²⁰ Additionally, in 2010, the Government of Alberta began making significant cuts to non-repayable forms of student financial aid such as grants and bursaries. CAUS is very concerned about rising student debt and hopes that the Government of Alberta will work towards solutions to this serious crisis, rather than continuing to exacerbate the problem through government inaction or attempts to balance the budget through slashing education funding.

Rising tuition costs not only mean that more students are seeking financial assistance, but due to the fact that student loan programs have been unable to keep up with rising tuition costs, students now have more debt than ever before. According to the Canadian University Survey Consortium's 2015 Graduating Student Survey, 50% of participating undergraduates accumulated some sort of debt during their studies; 40% of that was from government loans.²¹ Furthermore, undergraduate borrowers in Alberta leave their studies with an average debt of \$23,000. Since this average also encompasses students who did not need financial aid and graduated with no debt, the amount owing for many students is over \$23,000.²² Furthermore, government loans are

currently the most utilized form of borrowing for students, and thereby account for the highest levels of student debt.²³

Excessive increases in tuition over the past two decades, coupled with government loan programs that have been unable to keep pace with rising tuition costs means that students are being forced to take out more loans and accumulate more debt. As a result of this, students have less money for food, shelter and clothing. This thereby forces a student to borrow even more money. However, the money available through Alberta Student Aid's monthly living allowance is often insufficient, resulting in a student being forced to go hungry or to seek assistance through campus food banks. According to Student Aid Alberta, a single student paying rent or a mortgage is eligible for \$1,153 per month, whereas a married/common law student without children is eligible for \$2,222 per month.²⁴ Additionally, a single parent with one child is eligible for a \$2,036 per month, whereas a married/common law student with one child is eligible for \$2,828 per month; for each additional child, a student is eligible for an additional \$606 in monthly living allowance.²⁵

According to data from Statistics Canada, the average household of 2.6 people in Alberta spent \$6,707 on groceries in 2016; which is \$558.92 per month and \$223.57 per person each month.²⁶ Furthermore, according to a 2017 report from the Canada Mortgage and Housing Corporation, the average rent in Alberta is \$1,090 per month, which includes an average of \$988 per month for a one bedroom apartment, and \$1,188 per month for a two-bedroom apartment.²⁷ Applying this data to a married/

common law student with one child, the student would pay \$1,858.71²⁸ for rent and groceries, leaving only \$969.29 left for clothing, childcare, parking, transportation, and other everyday expenses for the family, and that is only the case if they are eligible for the maximum amount. For a student with no dependents who has to pay rent (assuming they split a two bedroom apartment with a roommate, which would make rent \$594 per month) the student would pay \$817.57 per month for rent and groceries²⁹, leaving only \$335.43 per month for clothing, transportation, parking, and other everyday expenses.

Insufficient monthly living allowances can force students to find additional funds elsewhere, such as part-time work during their studies, in order to afford their most basic necessities. This seems to be the reality for many students, as full-time students are more likely to work part-time now than in past decades.³⁰ According to the Canadian University Survey Consortium's 2015 Graduating Student Survey, 59% of participating students were employed and were working an average of 18 hours per week.³¹ Additionally, 42% of students working reported that their work had "at least somewhat of a negative impact on their academic performance."³² CAUS believes that undergraduate students already accumulate too much debt during their studies; therefore the solution to this problem is not to increase loan eligibility and loan amounts, but to offset the costs with non-repayable student financial aid for low-income and middle-income students. The next section of this paper will explore how other provinces in Canada deal with student financial aid, including some interesting changes that have been made in both Ontario and New Brunswick.

The Pan-Canadian Experience with Student Financial Aid

In recent years, a number of provincial governments from across the country have re-evaluated how their province distributes student financial aid. One of the most recent changes is the Ontario Student Assistance Program (OSAP). In 2016, the Government of Ontario announced that a significant amount of OSAP grants would be bundled into a single Ontario Student Grant (OSG) that would come into effect during the 2017-18 academic year. The OSG would ensure that students who are from families with a combined household income under \$50,000 have no student debt and that most students with families that have a combined household income of \$83,000 or less receive non-repayable grants that exceed the average cost of university or college tuition.³³ Furthermore, the Government of Ontario also promised to increase access to interest-free and low-cost student loans for students from middle- and upper-income families that are not otherwise eligible for OSG, along with expanding financial support for mature and married students, and promising to raise the maximum level of the Ontario weekly assistance for individuals, as well as married and sole-support parents.³⁴

The Government of Ontario was able to create the OSG by redirecting 100 per cent of the funding offered by OSAP grants such as the Ontario Tuition Grant, Ontario Student Opportunity Grant, and the Ontario Access Grant. The Ontario Tuition and Education tax credits were also redirected into the OSG. The OSG will be an interesting case study for other provinces that are considering

changes to their own student financial aid systems. The redirection of tax credits to upfront grants for low-income students in Ontario is a positive development. However, the OSG still remains inaccessible for students due to the restrictive eligibility requirements of parental and household income. This requirement is flawed because it assumes, with no context, that parents will contribute to their child's education, when that is not a universal occurrence. By including parental and household income in the eligibility assessment, the OSG program is leaving behind students who may still be considered dependents of parents who are high-income earners, but parents who do not contribute to their education, thus forcing those students to take out more loans and accumulate more debt. Despite its flaws, the OSG has been a remarkable accomplishment in terms of opening doors and increasing accessibility for post-secondary education. CAUS is happy to see that the Government of Alberta is interested in the OSG program, but recommends that the eligibility requirements for student financial aid in Alberta (including future up-front grants for low-income and middle-income students) include personal income, rather than parental or household income, in order to ensure accessibility for all post-secondary students. (Please refer to the 'Recommendations' section of this paper)

In 2016, New Brunswick also announced a program that was initially called the New Brunswick Tuition Bursary Program, but has since been renamed to the Free

Tuition Program (FTP). However, it is not free tuition, but rather up-front grants for students from low-income and middle-income households, similar to the OSG program. This program works in conjunction with existing federal grants, and it aims to provide an amount equal to the cost of tuition, which will be available to students for the established timeline of their program.³⁵ To be eligible for this program, a student must be enrolled full-time, have a gross family income of \$60,000 or less, not have exceeded the loan year maximum of \$10,000 for university students or \$5,000 for college students, and not have exceeded the FTP lifetime limit.³⁶ Once again, the transition to upfront grants for low-income and middle-income students with financial need is a positive development. However, personal income, rather than parental or household income, is a much better mechanism for not only ensuring that students with financial need are able access higher education, but also making sure that no student is left behind due to circumstances that they cannot control.

While New Brunswick and Ontario are the main examples of provincial governments that have created a student financial aid model with up-front grants as opposed to tax credits, there are also other forms of student financial aid across the country. Saskatchewan has a number of needs-based assistance programs that are non-repayable. For example, the Government of Saskatchewan offers a program called the Saskatchewan Low Income and Middle Income Grants, which are intended to match

federal non-repayable grants for students who qualify.³⁷ Additionally, the Government of Saskatchewan also offers two universal programs for student financial aid. The first is the Saskatchewan Advantage Scholarship, which offers students \$500 per year for a period of up to four years.³⁸ The second universal program is the Graduate Retention Program, which is offered not only to students from Saskatchewan, but also for students who choose to move to Saskatchewan. Eligible students who apply to this program have the potential to receive a rebate of up to \$20,000 for the tuition that they paid for their degree when they file an income tax return in Saskatchewan.³⁹

The Saskatchewan model of student financial aid has many problems. To begin, although the Saskatchewan Low and Middle Income Grants do provide more non-repayable grants for low-income students, the problem is that they have to match federal grants. Therefore, a student who is considered a dependent but is heavily burdened by student debt may not qualify for the Canada Student Loan Program (CSLP) due to parental income contributions in the needs assessment, and as a result, would not receive any funding from this particular program. Secondly, the Graduate Retention Program is flawed because it offers a rebate after a student has paid the entirety of their tuition. The first issue with this program is that it only helps students who have already completed their degree, and is not as effective as an up-front grant in making post-secondary more accessible for a student before they start their degree.

Additionally, the point of student financial aid is to help the student before they accumulate massive amounts of student debt, not after.

The last two jurisdictions that will be compared are British Columbia and Quebec. Student Aid BC participates in the CSLP, and as a result, the only non-repayable grants offered for full-time student is the Canada Student Grant.⁴⁰ In regards to student financial aid from the province, the Government of British Columbia provides some financial assistance to students who are pursuing degrees in areas that have been prioritized as labour market priorities.⁴¹ This is problematic because it does not help students who do not meet the CSLP's narrow definition of need, and only offering student financial assistance to degrees that are a "labour market priority" can be very limiting for a student in regards to their degree choice. Quebec, on the other hand, does not participate in the CSLP. Instead, the Government of Quebec receives a special transfer payment and then uses that money to administer student aid at the provincial level entirely.⁴² This allows the Government of Quebec to create needs assessments for student financial aid that is different from the rest of the country. In calculating needs assessment, the Government of Quebec uses the threshold of \$305 per month. If a student requires more than the \$305, then they will receive the \$305 per month in loans, and the remainder of their calculated assessment in grants.⁴³





Rethinking & Reconstructing Student Financial Aid in Alberta

CAUS is encouraged to see that other provinces are beginning to address issues of inequity when it comes to the accessibility and affordability of post-secondary education, and calls on the Government of Alberta to address these issues. As previously noted, in 2010, the Government of Alberta began making cuts to non-repayable student aid, essentially limiting accessibility for post-secondary education in Alberta. Furthermore, Alberta continues to have one of the lowest rates of participation in post-secondary education in the country.⁴⁴ Therefore, a rethinking of student financial aid is essential in order to change this reality.

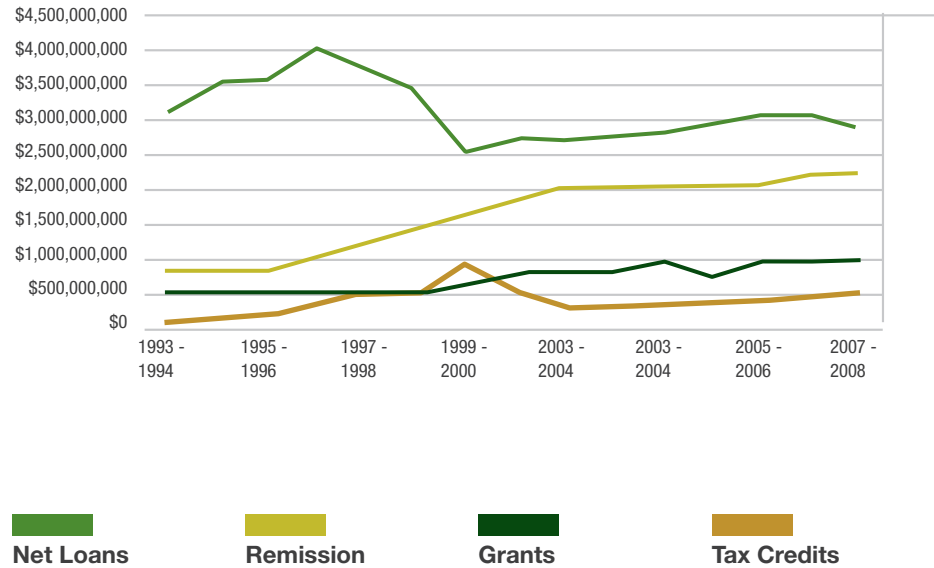
With the inaccessibility of student financial aid for low-income students, the myth of student reliance on student financial aid, including loans, tax credits and grants is proven untrue. According to Joseph Berger and Noel Baldwin, low-income students are only eligible for small amounts of student aid in Canada, and data from statistics Canada reveals, “fewer than half of all students from families earning less than \$50,000 per year receive student financial aid.”⁴⁵ The purpose of student financial

is to increase accessibility and affordability for post-secondary education, to remove financial barriers in order to allow students to fulfill their potential.

One of the main reasons why the current student financial aid system is so inaccessible for low-income students is due to the policy of tax credits. According to a report from the C.D. Howe Institute, “although only 10 percent of tax filers have an income above \$80,000, they accounted for about 42 per cent of the total tuition and education credits that are transferred to parents (or grandparents and spouses).”⁴⁶ Additionally, according to the same report, approximately one-half of all tax filers reported incomes below \$30,000, yet they accounted for only 7% of all education and tuition credits.⁴⁷ Furthermore, in the small percentage of cases when tax credits do benefit low-income families, they only benefit the family after the student has graduated, when financial aid is not as needed.⁴⁸ Therefore, the evidence is clear that tax credits disproportionately benefit wealthier families and do nothing to increase accessibility for post-secondary, especially for those who belong to disadvantaged socio-economic groups.

Total Student Financial Aid in Canada by Type of Aid, 1993 - 94 to 2007-08

Source: State of Student Aid Survey, 2009.⁴



According to data collected by Berger and Baldwin from the State of Student Aid Survey, net loans and tax credits make up a greater total of financial aid than grants in Canada.⁴⁹ This is problematic because research shows that non-repayable grants are a far more effective method to increase the accessibility of post-secondary education for low-income students. Lorne Carmichael and Ross Finnie note that students from low-income families face more hardship when trying to access post-secondary, and that hardship acts as a deterrent that tilts the access playing field away from lower income families.⁵⁰ Furthermore, Carmichael and Finnie state, “grants, not loans, would be required to equalize opportunities” and “student loans will not correct this problem”.⁵¹

An increased investment in grants is beneficial for a number of reasons. As previously stated, an increased investment in grants is the most effective method to equalize opportunities and access to higher education. However, an increased investment in non-repayable grants will also lead to many more benefits as well. To begin, an increase in non-repayable grants would make many students less reliant on government loans, resulting in fewer loans and lower government expenditure on loans, which would help lower the cost of the in-study interest subsidy.⁵² Additionally, non-repayable grants will help prevent a student from taking on an unreasonable amount of debt, thereby making it less likely that they will need to access repayment assistance plans, and reducing the expenditure on debt relief.⁵³

Recommendations

CAUS believes that Alberta should have a post-secondary education system that is accessible and affordable for all. In previous years, CAUS has called upon the Government of Alberta to exemplify these principles by advocating for issues such as removing parental income contributions and part-time earnings on the Student Aid Alberta needs assessment, and replacing it with a flat rate contribution. The Government of Alberta responded, and student aid became more accessible because many students were able to access student loans for the first time. CAUS is once again calling on the Government of Alberta to continue to exemplify the aforementioned principles by adopting these four recommendations based upon the discussions and evidence provided in this paper.

1

The reallocation of all tax credits into up-front grants for low-income and middle-income students.

The Government of Alberta currently allocates roughly \$200 million on financial aid per year through tax credits.⁵⁴ As presented in the evidence above, tax credits disproportionately benefit higher income families, and in many cases do not benefit low-income student or their families. Additionally, tax credits do not benefit a student until after they have completed their studies; thus, it does nothing to address the root of the problem, which is low participation rates and inaccessibility. Therefore, CAUS calls for the complete reallocation of tax credits into upfront grants for low-income and middle-income students, administered on a sliding scale model based on demonstrated need. Similar programming has been implemented in other provincial jurisdictions, as well as on the federal level, resulting in increased support for students in dire financial straits.

2

Increased investment into non-repayable student aid through scholarships, bursaries, and grants.

Although CAUS is calling on the Government of Alberta to reallocate funds for tax credits into upfront grants for low-income and middle-income students, CAUS would like to see further investment in grants, bursaries, and scholarships for all students. Starting in 2010, the Government of Alberta began making significant cuts to non-repayable financial aid in the form of debt relief, grants, and bursaries. As the system became more focused on loans, there was a dramatic increase in the amount of student debt in Alberta. Additionally,

not only have students been forced to rely heavily on student loan programs, but also these programs are often insufficient and do not cover the full cost of tuition and living expenses. The empirical evidence is clear that the solution to this issue is not to increase loan eligibility and increase government expenditure on student loan programs, but to offset these costs with increased investment in grants. CAUS calls upon the Government of Alberta to follow the available evidence, end the drastic cuts to non-repayable aid for students, and help create a more accessible and affordable post-secondary system.

3

Ensuring that all assessments for future up-fronts grants are based on the personal income of the student, and not household or family income.

Although there are many positives with the student financial aid system in New Brunswick and Ontario, one of the biggest issues with both is that they include household income in the needs assessment. Including parental or household income in the needs assessment for non-repayable student financial aid is illogical because it assumes that a student's parents will contribute to their education if they fit within the government definition of a "dependent". This assumption is flawed because it is based upon out-dated assumptions that are no longer a reality for many students. According to a global survey conducted by HSBC in 2015, 68% of the 340 Canadian respondents expected their child to contribute financially to their own post-secondary education.⁵⁵ Additionally, this is why CAUS successfully advocated for the removal of parental income in the needs assessment for Student Aid Alberta in 2012. Therefore, CAUS recommends that the eligibility requirements for future up-front grants for low-income and middle-income students in Alberta be assessed by the personal income of the individual student, rather than parental or household income, in order to ensure accessibility for all post-secondary students.

4

Increases to the repayment threshold in light of increases to the cost of living and minimum wage.

As a result of the introduction of the Repayment Assistance Program through the federal government, repayment thresholds are currently based on the income of the borrower, with repayment beginning after the borrower begins earning a gross annual income of over \$25,000. It is important that the threshold for income for eligibility for the Repayment Assistance Program take into account the realities of the community the borrower is living in, and as basic incomes rise, so too should the threshold. That means in Alberta as both average incomes and minimum wage rises, students expect that the threshold for the Repayment Assistance Program would rise with it.

Endnotes

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