

# Millennium Scholarship Foundation

## A Failed Experiment in Student Financial Aid

### Background

Announced in the 1998 “education” budget, the Millennium Scholarship Foundation was a belated acknowledgement by the federal government of the student debt crisis in Canada. In the face of average debt levels of \$25,000, the Millennium Scholarship Foundation (MSF) was to be the centrepiece of the federal government’s student debt reduction strategy. At the time of its introduction, then Finance Minister Paul Martin declared in the House of Commons that the Foundation would reduce the debt of those in the greatest need by \$12,000 and increase access to post-secondary education. However, nearing the verge of its scheduled expiry in 2009, the Foundation has proven to be at best a public relations gimmick, or at worst, a champion of higher student debt.

### The Record

In theory, the Foundation’s mandate is to disburse \$250 million annually in student financial assistance. The federal government chose to have the Foundation dispense the funds through an annual allotment to the provinces based on population size. Without any advanced agreement from the provinces about implementation, the hastily conceived structure of the Foundation made most provinces resentful participants. The result has been a provincial patchwork of programs that struggle to be classified as financial aid.

### Provincial Misuse

When the MSF was introduced, provincial governments were asked to sign non-binding agreements to maintain their existing contributions to student financial assistance. In places where Foundation dollars overlapped (“displaced”) provincial dollars, the provincial savings were supposed to be re-directed into financial aid. Sadly, the record of re-investment has been minimal at best. The Nova Scotia government simply ignored the agreement, consciously re-directing funds intended for students into other government revenues. Four years

passed before the Foundation decided to enforce the agreement, and, in 2003, a new provincial program using Millennium Scholarship Foundation funds was announced. The program is a complicated “back-end” debt remission scheme that will do nothing to improve access to post-secondary education in Nova Scotia.

In Ontario, where approximately 40% of the Foundation funds are allocated, the provincial government has directed less than 15% of displaced savings back into student financial assistance.

In Saskatchewan, the provincial government has re-invested none of the displaced money back into student financial assistance. Despite the signed agreement to invest in reducing student debt, the Saskatchewan government has informed the MSF that it used Foundation funds to keep tuition fee increases moderate. However, since the inception of the MSF, tuition fees have risen in Saskatchewan by 69%. MSF officials consider these hikes to be in line with its agreement with Saskatchewan. Thus, the high-need student in Saskatchewan who was promised by Paul Martin to graduate with \$12,000 less debt has actually seen her debt increased by over \$1500. Senior MSF officials are adamant that the program is working perfectly well in Saskatchewan and that the MSF was never really designed to reduce student debt.

An external review of the Foundation conducted in 2003 concluded that the Foundation’s impact on access to post-secondary education has been “limited and indirect to non-existent”<sup>1</sup>. The Foundation continues to deny that the misuse of the endowment has diminished its effectiveness, and refuses to consider re-negotiating its agreements with the provinces that have not re-invested displaced funding.

### The Public Relations Smokescreen

From the very beginning, the Foundation functioned as a public relations vehicle for the federal government. In its first year of implementation, the Foundation sent students letters telling them they had won scholarships. In fact, students had “won” nothing; in most cases,

## “Millennium Fund Gets Failing Grade”

Ottawa Citizen headline, August 31, 2001

## “The direct impact of the CMSF on access therefore likely ranges from limited and indirect to non-existent.”

*Evaluation of the Foundation's Performance*, Institute of Intergovernmental Relations, May 30, 2003

the scholarships replaced provincial loan remission. Recipients were simply getting a portion of their student financial assistance from a different source. To further the federal government's own partisan goals, the Foundation included sample news releases and encouraged students to celebrate their “winnings” by sharing the news with the local community.

More recently, the Foundation has sponsored experiments in student financial aid with several provincial governments. On an individual basis, these pilot projects assist a handful of students and likely improve access to post-secondary education for a tiny subset of the student population. However, the projects' budgets are a sliver of the Foundation's grants budget, and the Foundation's management deliberately assigns the pilot projects a disproportionate level of attention in public reports and briefs to federal policy-makers. In other words, objective research on financial aid that should be done by government departments is being undertaken by the Foundation for a deeply political goal: to justify an extension of its mandate.

## The Research Smokescreen

Despite (or perhaps because of) the fact that it has been unable to address the issue of student debt, the Millennium Scholarship Foundation has embarked on a campaign to downplay the crisis of student debt and the harmful impact of high tuition fees. The Foundation has taken on a prominent role as a partisan think-tank in debates about post-secondary education policy. In briefings to government committees, federal bureaucrats, and university and college presidents, Foundation officials have argued that higher student debt and higher tuition fees will not affect accessibility. In other words, a supposedly arms-length, non-partisan, publicly funded foundation has evolved into an apologist for the federal government's record on post-secondary education. The Foundation's annual research budget would have paid for over 3,300 scholarships each year.

## Public Accountability

In addition to its operational shortcomings, the Foundation has recently become the subject of ethical concerns resulting from lucrative research contracts awarded to former employees. In 2005, the Foundation awarded a \$4 million contract to two of its former employees who left the Foundation to work at a U.S.-based consulting firm. The Canadian Federation of Students is not alone in its concern with the Foundation's accountability: in testimony before a Standing Committee, Auditor General Sheila Fraser criticized the fact that the finances and operations of the MSF are essentially the business of a private board despite its vast expenditures of tax dollars. As a result, Parliament has little recourse to investigate or prosecute the actions of the Foundation's senior management.

## Conclusion

The federal government's desire for good publicity in the area of post-secondary education funding led to the creation of a new and unnecessary bureaucracy. The funds allocated to the Foundation could have easily and more efficiently been distributed through existing infrastructure at the federal level.

The approach of the Foundation can be summed up in the words of their former research officer: student debt levels are irrelevant “because it doesn't matter how much debt a student has, what matters is their ability to pay it back”.

In response to the failure of the Foundation at delivering grants and its more recent campaign to downplay the effects of student debt and financial barriers, the Canadian Federation of Students has called for the Foundation to be replaced with a national system of needs-based grants administered through the Canada Student Loans Program.

## Footnotes

1. *Evaluation of the Foundation's Performance*, Institute of Intergovernmental Relations, May 30, 2003.