

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, 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. However, nearly seven years after its implementation, 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.

Provincial Misuse

Provinces were asked to sign a non-binding agreement not to reduce their 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, but 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. Unfortunately, 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 in line with what was agreed to with the province. So, the high-need student in Saskatchewan who Paul Martin promised in 1998 would see her debt reduced by \$12,000, actually graduated in 2004 with 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 actually reduce student debt.

An external review of the Foundation conducted in 2003 also concluded that the Foundation’s impact on student debt was minimal. Sadly, the Foundation continues to deny that the misuse of the endowment has diminished its effectiveness.

The Public Relations Smokescreen

From the very beginning, the Foundation functioned as a partisan 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, the scholarships replaced provincial loan remission. Recipients were simply getting a portion of their student financial assistance from another source. To further the federal government’s own partisan goals, the Foundation included sample news releases with letters that encouraged students to celebrate their “winnings” by sharing the news with the local community.

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

“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

to downplay the crisis of student debt. 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.

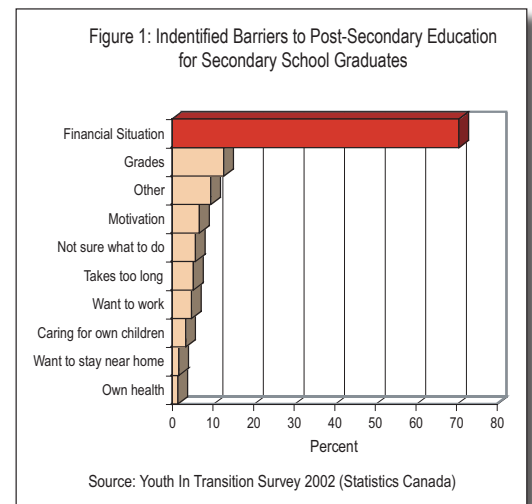
The Foundation's efforts to downplay the student debt crisis rely on a misreading of the data. For example, using research involving interviews with young Canadians who did not go to college or university, the Foundation wilfully ignored the fact that direct financial barriers were the most commonly reported reason for non-attendance. Instead, the Foundation chose to emphasise the other barriers cited by non-attendees to challenge the generally accepted importance of financial barriers. Recently, the MSF research department claimed that finances were only the third most important barrier for poor students behind lack of information and poor grades.

When the data is more closely examined, it is even more clear that the Foundation's presentation of the results is misleading. Many of the so-called “non-financial barriers” cited by non-attendees are often indirectly related to insufficient personal resources. In this light, the number of people who “chose” not to attend university or college due to financial barriers is much higher. Moreover, this data was collected in 1991 and 1995, which means its results fail to take into account the effects of the enormous increases in tuition fees across Canada since the mid-nineties.

A Credible Reading of Existing Data

Foundation officials have publicly claimed that higher tuition fees have little or no effect on access to post-secondary education, and that money is not the primary factor in determining who continues to higher education. However, most reliable evidence points to the contrary. For example, Statistics Canada has consistently reported that high-income Canadians are twice as likely to attend university as low-income Canadians.

This conclusion is further supported by Statistics Canada's Youth in Transition Survey. The Survey found that financial obstacles were a barrier for over 70% of the 18 to 20 year old high school graduates who cited barriers to their participation in higher education (see Figure 1). This Statistics Canada survey is another example of research that the Foundation has reported upon without concluding that high costs of post-secondary education are a deterrent to students from low-income backgrounds.



Conclusion

The Millennium Scholarship Foundation's primary role has been to perpetuate the appearance that the federal government has been active in tackling student debt. This effort has been bolstered by the Foundation's so-called “research project”. 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 deny the effects of student debt, the Canadian Federation of Students has called for the Foundation to be dismantled. The money saved by dismantling the Foundation should be used to fund a national system of needs-based grants administered through the Canada Student Loans Program.