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sleepwalking

TOWARDS THE PRECIPICE

The looming \$350 million hole in
Canada's financial aid system



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WHO WE ARE

- We are a collective of seven provincial and national student organizations representing approximately 600,000 post-secondary students from across the country.
- Our collective includes: Alliance of Nova Scotia Student Associations (ANSSA), Alberta College and Technical Institute Student Executive Council (ACTISEC), the Canadian Alliance of Student Associations (CASA), College Student Alliance (CSA), Council of Alberta University Students (CAUS), New Brunswick Student Alliance (NBSA), and the Ontario Undergraduate Student Alliance (OUSA).
- Over the past two years, our organizations have convened several meetings to discuss the many challenges facing our postsecondary system at both the federal and provincial levels. The following document overviews our common priority for the coming year: urging the Federal government to continue providing the over \$350 million in annual non-repayable grants currently distributed by the soon-to-expire Canada Millennium Scholarship Foundation (CMSF) through the allocation of a new base endowment to the CMSF or to a newly created federal endowment program.

OUR CONCERN: THE LOOMING \$350 MILLION CUT TO FINANCIAL AID

The mandate of the Canada Millennium Scholarship Foundation, which distributes \$350 million in student aid annually, is set to expire in 2009. The Foundation was established in 1998 by the Government of Canada, with the mandate of improving access to post-secondary education. The Foundation was endowed with \$2.5 billion, to be disbursed, along with interest earned, to Canadian students – the endowment is administered as a 'sinking fund', slated to be fully exhausted by the end of 2009.¹

Eliminating \$350 million from the Canadian financial aid system will have a disastrous impact on the accessibility and affordability of a post-secondary education in Canada. Currently, the Foundation provides assistance to over 100,000 students annually, making it responsible for about 30 per cent of all non-repayable grants awarded in Canada.²

Most provinces rely on the Foundation to fund a significant portion of non-repayable assistance programs they provide to students. If the Foundation funding disappears it is very likely that provinces will be forced to replace grants with loans, increasing student debt burdens for high-need students. This could yield two significant consequences for students already underrepresented in the system, such as Aboriginal students, or students from low-income families – increasing debt loads can act to reduce post-secondary completion rates, leaving students

¹ Accessed Sept. 5, 2007 at: <http://www.millenniumscholarships.ca/en/index.asp>

² Junor, S., Usher, A. (2006) *Student Aid Time-Bomb: The Coming Crisis in Canada's Financial Aid System*. Toronto, ON: Educational Policy Institute.

without a credential yet burdened with loan repayment³; and, eliminating grants increases the net-price of higher education, and could work to detract underrepresented students from applying in the first place.⁴

Examples of provincial programs that could be impacted⁵:

- Millennium – Alberta Rural Incentive Bursary: provides assistance to students living in rural areas.
- Millennium – Saskatchewan Aboriginal Access Bursary: provides assistance to First Nations, Inuit, and Métis students.
- Joint Loan Remission Programs in BC and Manitoba: provides debt remission assistance for high-need borrowers.
- Millennium – Manitoba Opportunities Grant: provides assistance for dependant students from low-income families, and for First Nations, Inuit, and Métis students.
- Ontario Student Opportunity Grant and Millennium-Ontario Access Grant: increases retention rates by capping debt loads for high-need students, and provides tuition waivers for low and modest income students in their first year of studies.
- Millennium – BC, New Brunswick, Nova Scotia, PEI and Newfoundland and Labrador Access Bursaries: provides non-repayable assistance to low-income students.

The federal government has demonstrated a frightening lack of urgency in addressing this challenge. This lack of urgency makes it appear to students that the government is sleepwalking towards the precipice, with no sign of waking up. This has created a high degree of uncertainty and anxiety from provincial governments, financial aid administrators, and students.

OUR RECOMMENDATIONS: AVERTING DISASTER REQUIRES IMMEDIATE ACTION

The federal government must continue to provide a commitment equal to or greater than the Foundation's original endowment in non-repayable student financial assistance. This would require the government to provide, at minimum, a \$2.5 billion base endowment to the Canada Millennium Scholarship Foundation⁶, or to a newly established federal endowment program that provides comparable benefits to students. The endowment must also be indexed annually starting from 1999 to account for inflation and enrolment growth. Indexing the fund is critically important as a Foundation bursary in 2000 covered approximately 33 per cent of need, whereas today it covers only about 25 per cent.⁷

³ Berger, J., Motte, A., Parkin, A. (2006) *Student Debt: Trends and Consequences*. Montreal, QC: Canada Millennium Scholarship Foundation.

⁴ Usher, A.(2006) *Grants for Students: What They Do, Why They Work*. Toronto, ON: Educational Policy Institute. Pp. 8

⁵ Accessed Sept. 5, 2007 at: <http://www.millenniumscholarships.ca/en/programs/access.asp>

⁶ Policy Statement: *Canada Millennium Scholarship Foundation Renewal*. Ottawa: ON. Canadian Alliance of Student Associations. Can be accessed at:

<http://www.casa.ca/documents/MILLENNIUM%20SCHOLARSHIP%20FOUNDATION%20RENEWALColour.pdf>

⁷ Canada Millennium Scholarship Foundation. For exact calculation, contact Noel Baldwin: nbaldwin@bm-ms.org

A renewed Foundation or comparable new federal endowment program should be mandated to continuously improve access to post-secondary education. The mandate should ensure the Foundation continues to evaluate the impact of its programs, and to adapt its offerings when necessary to have a greater effect on improving access to post-secondary education. Through the introduction of the Access Bursary program in 2005 the Foundation has already demonstrated a capacity to adapt programming to meet needs identified through research and evaluation, and should be encouraged to build on this success in the future.

Provincial and territorial agreements established to govern the distribution of funds must guarantee that no existing student financial aid monies are displaced, and ensure portability of grants inter-jurisdictionally. Funds provided must work to compliment provincial programs, not replace them. Lessons learned in the early days during the Foundation's establishment must be applied to ensure provinces do not see a renewed federal endowment as an opportunity to trim their financial aid budgets.

The federal government must make its post-Foundation intentions clear in the 2008 federal budget to allow provinces, post-secondary institutions, and students to plan for contingencies. Action is needed now. Provincial governments budget on 3-year cycles, and will thus be addressing this situation in the coming fiscal year; and, students entering college and university this September face the prospect of their assistance disappearing before they graduate, and deserve ample opportunity to plan for contingencies.

APPENDIX: primer of the Canada Millennium Scholarship Foundation⁸

BACKGROUND

The Canada Millennium Scholarship Foundation (CMSF) was established in 1998 by the Government of Canada, with the mandate of improving access to post-secondary education. The Foundation was endowed with \$2.5 billion, to be disbursed, along with interest earned, over a ten-year period. Each year since 2000, the Foundation has allocated bursaries and scholarships among the provinces and territories, according to each jurisdiction's share of the population of Canada. To date, the Foundation has delivered more than half a million bursaries and scholarships worth more than \$2.2 billion to students across Canada.⁹

Millennium bursaries are fully portable and may be used at any recognized post-secondary institution in Canada. Ninety-five percent of the scholarships that the Foundation provides are allotted based on need, while five percent are granted based on merit. In total, the Foundation provides about \$350 million in grants to Canadian students each year. This figure represents 30 per cent of the grants handed out nationwide and nearly half of grant funding in many provinces. As such, it is very concerning that the CMSF will be exhausted of its funds in 2009 and is set to dissolve thereafter.¹⁰ The expiration of the Foundation should be of serious concern to Canadian leaders, as its disappearance leaves a gaping hole in student financial assistance in Canada.

Millennium Bursaries

The Millennium Bursary program is the Foundation's main grant program. 84.8 per cent of the Foundation's grant funding goes towards the Millennium Bursaries, which helps to ensure that high-need students are able to access and continue their post-secondary studies. Awards are valued at an average of \$3,000, and almost 100,000 high-need Canadian students benefit from this program each year. To be eligible for a Millennium Bursary, a student must:

- Be a Canadian citizen or permanent resident;
- Be enrolled as a full-time undergraduate student in an eligible program;
- Be enrolled at a Canadian post-secondary institution that is recognized by the Canada Student Loans Program;¹¹
- Be eligible for student assistance in the province or territory of residence;

The Millennium Bursaries are *not* income-based and are available to any student based on their assessed financial need.

Access Bursaries

The Foundation currently awards up to 34,000 Millennium Access Bursaries each year. These bursaries constitute 11.4 per cent of the Foundation's grant funding and are valued between \$1,000 and \$5,000 each. These grants support groups that are traditionally under-represented in

⁸ Sections reproduced with permission from: *Primer on Renewing the Canada Millennium Scholarship Foundation*. Ottawa: ON. Canadian Alliance of Student Associations (2007)

⁹ <http://www.millenniumscholarships.ca/en/index.asp>

¹⁰ http://www.millenniumscholarships.ca/images/Reports/evaluation_en.pdf. pp. 22

¹¹ Check with your province or territory for details

post-secondary education, such as students from low-income families, rural students, Aboriginal students, and adult learners. These bursaries are for first-year students entering post-secondary studies, and second-year students in some jurisdictions – notably New Brunswick, Saskatchewan, and Alberta. Students are eligible for the funds regardless of whether they are entering college, professional college or undergraduate studies, so long as the program leads to a degree, certificate or diploma that has a study period of at least two years in length.¹²

Millennium Excellence Award Program

Each year, the Foundation distributes approximately 1000 merit-based Millennium Excellence Awards to students enrolling in post-secondary studies for the first time. The awards are valued between \$4,000 and \$20,000 each. Other merit-based scholarships, known as National In-course Awards, are available for high-achieving students who have already begun college or university. Students are eligible to receive an In-course award if they are in at least their first or second year¹³ at a post-secondary institution, have at least a B+ average, and have contributed significantly to their communities. Awards typically range between \$4,000 and \$10,000 each.¹⁴

The most recent statistics of bursaries distributed are displayed in the chart below. If you would like information specific to your province, you can find it here: <http://www.millenniumscholarships.ca/en/map.asp>

Millennium Bursaries	Cumulative	One Complete Year: 2006	YTD: 2007
Number of awards:	738,521	98,861	91,421
Value of awards:	\$2,250,771,869	\$289,757,321	\$260,631,715
Access Bursaries	Cumulative	One Complete Year: 2006	YTD: 2007
Number of awards:	48,204	20,462	26,360
Value of awards:	\$84,852,039	\$39,096,207	\$42,622,882
Millennium Excellence Awards*	Cumulative	One Complete Year: 2006	YTD: 2007
Number of awards:	15,995	3,099	1,077
Value of awards:	\$65,510,830	\$12,649,452	\$4,333,000

GETTING THE FACTS STRAIGHT ABOUT THE MILLENNIUM SCHOLARSHIP FOUNDATION

The Foundation has faced a good deal of criticism in the past, and unfortunately there are some who do not wish to see it renewed. Much of this criticism focused around the initial establishment of the Foundation by the federal government, and the creation of its bursary programs. The Foundation had the unenviable task of negotiating deals with the provinces. This proved somewhat difficult because the provinces had not been consulted on the actual creation of the Foundation. Inevitably, some existing provincial student aid funding was displaced and saving accrued to the provinces when their students began to receive Millennium Bursaries. The Foundation addressed

¹² <http://www.millenniumscholarships.ca/en/programs/access.asp>

¹³ Year of eligibility differs depending on the kind of institution you are attending. Students attending CEGEP in Quebec are also eligible.

¹⁴ http://www.excellenceaward.ca/incourse/_e/index.php?page=32

this issue by creating agreements with each province to reinvest displaced funds and realized savings into the post-secondary sector. Today, there is more funding for post-secondary education and more grants available per provincial student loan recipient in every province than prior to the introduction of the Foundation, some of which is attributable to the reinvestment agreements.

There are some who suggest that instead of the CMSF, the Canada Student Loans Program could provide grants to replace the \$350 million handed-out annually by the Foundation. While our partnership would support another mechanism which ensured that students throughout Canada continued to receive grants with the same level of benefit as those issued by the Foundation, there are several reasons why we believe the Foundation is the best body through which to provide the grants.

The Foundation is fiscally efficient and has lower administrative costs than government departments, ensuring that students receive the maximum benefit from federal funds. Further, the CMSF is the only body currently able to distribute grants to students in all thirteen provinces and territories. The CSLP only operates in nine provinces (not Quebec) and does not operate in all of the territories. While there were initial problems with displacement, the Foundation now has agreements in place to ensure students across Canada receive the full benefits of the grants. Any new program replacing Millennium would have to start from scratch and would potentially encounter the same problems the Foundation did in its early years.

Indeed, one of the Foundation's greatest strengths is its ability to negotiate agreements that meet the provinces and territories' unique needs. This is especially evident in the development of the Foundation's new targeted grants that are tailored to different students' needs. The Foundation's new grants for rural students in Alberta and low-income students in Ontario serve as testaments to this strength. Due to legislative reasons, the CSLP cannot deliver different programs in different provinces.

To date, there have been three completed external reviews of the CMSF, one conducted by the Institute of Intergovernmental Relations (IIGR), one conducted by the Treasury Board, and the other by the Auditor General of Canada. A review of the Foundation by the Canada Student Loans Program is still pending. Using a question and answer format, the following section draws heavily on these external reviews to set the facts straight about Millennium.

Myth 1: The Foundation should be replaced by a national system of needs-based grants, distributed through the Canada Student Loan Program.

Fact:

First and foremost, the CMSF *is* a national system of needs-based grants. With the exception of the small Merit Awards program, all Millennium Bursaries and Access Bursaries are awarded on the basis of need or low-income. Further, the CSLP would not be capable of distributing grants nationally, as it does not operate in Québec, or all of the territories. As such, only the Foundation has the ability to deliver a national system of needs-based grants.

Myth 2: The CMSF wastes money on administrative costs and is inefficient in their operations. It is a private organization which is unaccountable to the public.

Fact:

The reviews of the CMSF by the Institute of Intergovernmental Relations (IIGR) in 2003, the Treasury Board in 2007 and the Auditor General of Canada in 2007, found that the CMSF was an efficient and accountable organization. The IIGR and the Auditor General reported that the Foundation only had an overhead of 3 per cent and 4 per cent respectively. To quote from the Auditor General's report directly: "The Canada Millennium Scholarship Foundation's bursary programs are well managed. The Foundation has the necessary controls in place to ensure that bursaries are distributed correctly. It also obtains reasonable assurance that the provinces and territories are fulfilling their responsibilities in delivering the programs."¹⁵ Further, the IIGR report states that: "Overall, we believe that the CMSF is an effective, innovative organization that, within its mandate, has accomplished much."¹⁶

The Treasury Board Report also found that foundations are effective, cost-efficient ways to deliver public policy. More specifically, the report concluded that foundations:

- Are achieving intended results;
- Have very lean structures and staffing levels, keep operating and administrative costs low, and deliver their programs in a timely and flexible manner;
- Are able to more easily enter into agreements with provincial and territorial governments than are federal departments;
- Avoid overlap with other government programs;
- Use research to broaden understanding of the issues they address;
- Conduct independent evaluations of their programs and make use of the findings to improve those programs; and,
- Put in place systems to measure performance that surpasses those of government departments.¹⁷

In addition to these external reviews, the CMSF itself puts out annual reports and maintains up-to-date information about their operations on their website, and the Foundation is also now subject to federal Access to Information laws. It ensures transparency by providing comprehensive and ready access to information about how many scholarships have been disbursed, in which jurisdiction, the dollar value of these scholarships, the scholarship selection process, eligibility criteria, and their various research endeavors. If the Foundation is renewed, Parliament will also have the ability to add any additional accountability measures they feel are necessary.

¹⁵ [http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20070502ce.html/\\$file/20070502ce.pdf](http://www.oag-bvg.gc.ca/domino/reports.nsf/html/20070502ce.html/$file/20070502ce.pdf). Chapter 2. pp. 35

¹⁶ http://www.millenniumscholarships.ca/images/Reports/evaluation_en.pdf pp.15

¹⁷ http://www.millenniumscholarships.ca/images/PressReleases/070429_TB_PR_EN.pdf

Myth 3: The Foundation does not have a good relationship with the provinces and territories.

Fact:

When the Foundation was first created it was tasked with negotiating the terms of bursary distribution on a province by province basis. While this can be a difficult task in and of itself (even the CSLP does not function in all provinces and territories), the CMSF had a particularly difficult time gaining favour from the provinces largely because of *when* the program was created. The creation of the CMSF followed closely on the heels of the formation of the Canada Health and Social Transfer (CHST). This caused tension with the provinces namely because in 1995/6, the federal government took \$2 billion out of post-secondary education funding when it created the CHST. This left the provinces scrambling to come up with other sources of post-secondary funding, and largely resulted in tuition increases in most provinces and territories.

Despite these initial tensions however, the IIGR review found that “the Foundation has functional relations with all jurisdictions. *The significance of this must not be underestimated.*”¹⁸ The report noted the Foundation has an exceptionally good relationship with the territories.

The report further acknowledged that:

*The Foundation has shown its administrative flexibility by quickly coming to agreements with the provinces and territories that respect provincial and territorial jurisdiction and student financial assistance priorities. For example, because it works with and through provincial and territorial governments, the CMSF is able to use provincial criteria for determining student need for its bursaries. Such flexibility not only respects differences in priorities among provinces and territories but also helps secure their cooperation in integrating the provincial and Foundation aid programs.*¹⁹

Myth 4: The Foundation’s programs simply displace provincial programs. The money is going to the provinces, not students.

Fact:

When the Millennium Program was first initiated, some provinces unfortunately took advantage of this new federal student funding to cut-back their existing provincial funding programs. Provinces such as Ontario and Nova Scotia flat-out eliminated provincial grants of equivalent value to Millennium awards. This meant that students in these provinces saw limited net benefit initially. Fortunately, the Foundation worked quickly to rectify such issues by signing side-agreements with each of the provinces and territories. Through these agreements, provinces and territories have guaranteed that they will not displace Millennium funds.

¹⁸ http://www.millenniumscholarships.ca/images/Reports/evaluation_en.pdf. pp.39

¹⁹ http://www.millenniumscholarships.ca/images/Reports/evaluation_en.pdf. pp. 10/11

The IIGR review found that Foundation effectively managed the issue of displaced funds and acted quickly to ensure that those funds were re-invested in post-secondary education. The reports states:

It (the Foundation) managed to come quickly to agreements with all the provinces and territories, agreements that allowed its bursary programs to start earlier than had been expected. It recognized the issue of displacement early on and came to side agreements with the provinces on the reinvestment of displaced funds.²⁰

Myth 5: The Foundation does not help enough students.

Fact:

It is true that most post-secondary students in Canada do *not* receive bursaries from the Foundation. While the Foundation operates with a fixed budget (meaning it cannot “raise” money), its administrative costs are extremely low and nearly every dollar goes to students. The only way the Foundation could help more students would be if it lowered the size of the grant students receive. This would have a very negative effect on those students who currently qualify for the needs-based funding, however. If the Foundation were renewed with a larger budget, they would be able to assist more students. The Foundation would certainly welcome this opportunity, as would our partnership.

Myth 6: The CMSF supports tuition increases.

Fact:

The Foundation has never supported a tuition increase, nor has it opposed a tuition freeze or reduction. In fact, the Foundation has pointed out that tuition and other financial costs of attending post-secondary education can be a serious barrier to affordability and accessibility. The CMSF has published research that points out that tuition and other financial barriers are not the *only* barriers to access. No reputable research into post-secondary education disagrees with this. Factors such as where a student lives (rural vs urban) and whether their parents went to post-secondary education play a very important role in determining post-secondary participation. It is for these reason that the Foundation believes that in addition to universal needs-based aid, such as student loans and the Millennium Bursaries, there need to be targeted programs to address the specific needs of under-represented students such as low income students, Aboriginal students, students with disabilities, rural students, northern students, and first-generation students.

Myth 7: The CMSF does not immediately benefit students financially.

Fact:

One major tension that the IIGR review recognized is that while the CMSF does much to reduce debt, it does less to encourage up-front access by targeting un-met financial need.²¹ That is, in most provinces Millennium Bursaries do not give students *more* money, they simply give students a

²⁰ http://www.millenniumsolarships.ca/images/Reports/evaluation_en.pdf pp.15

²¹ Note: Some Foundation programs do target unmet need: the Millennium Bursary in AB and NL partially cover unmet need: as well, the Access Bursaries in BC, SK, NS. And NL all cover unmet need to different degrees.

grant instead of a loan – thus reducing their debt. There appears to be a tension between the legislative requirements to improve access, and the verbal commitments made by the Government of Canada for Millennium to focus on reducing student debt.²²

There is an on-going debate about how the Millennium funds can best assist students in financing their post-secondary educations. The IIGR report acknowledges that in most jurisdictions, the Millennium Bursaries take the form of changing pre-existing (or pending) loans into grants. Though the Millennium Access Bursaries and the Excellence Awards somewhat address the need for up-front grants, the report notes that “much greater effect on access would almost certainly have been achieved had the money been directed toward unmet financial need that currently exists in the student financial aid system”²³

We must take into account the context in which the Foundation operates. As such, the IIGR report concurrently acknowledges that while directing more money toward unmet financial need would be an ideal answer to improving access, there are reasons the Foundation did not go this route. The report emphasizes that:

*...going this alternative spending route (i.e. targeting un-met need) would have required provincial agreement. It is impossible for us to disentangle the contributions of the various constraints faced by the Foundation, including the need to work with the provinces in deciding how the scholarships were to be directed, from the Foundation's own actions in terms of evaluating the way in which the money was spent. Put in other terms, re-directing the scholarship money towards unmet need rather than student debt would have required the agreement of the provinces, and it is not clear that such agreement would have necessarily been forthcoming.*²⁴

One of the main reasons the Millennium Bursaries tend to reduce debt rather than addressing unmet need is that the Foundation had to negotiate deals with the provinces. It is largely because of provincial constraints that the Foundation's funds are more effectively channelled towards reducing student debt. The fact that the CMSF has established a functional relationship with all the provinces and territories in the first place is a remarkable feat. Should the Foundation be renewed, there will be new negotiations with the provinces and territories. Now that the Foundation has a positive relationship with the provinces and territories there will be the opportunity to change the Bursaries to address unmet need, if that is in the best interest of students.

Myth 8: The CMSF wastes money on politically motivated research.

Fact:

Research is an essential component of policy development. Without research, informed policy decisions cannot be made, and ways to improve programs cannot be found. The IIGR review

²² http://www.millenniumscholarships.ca/images/Reports/evaluation_en.pdf. pp. 61

²³ http://www.millenniumscholarships.ca/images/Reports/evaluation_en.pdf. pp. 61

²⁴ http://www.millenniumscholarships.ca/images/Reports/evaluation_en.pdf. pp. 61

concluded that: "Overall, the CMSF research program is worthy of high commendation and its policy relevance is especially noteworthy."²⁵

The Millennium Research Program was launched in 2001 to assist the Foundation in carrying out its mandate to improve access to post-secondary education and provide students with the educational opportunities they need to prepare themselves for the future. The Research Program is not politically motivated, but rather is dedicated to advancing the study of barriers to post-secondary education and the impact of policies and programs designed to alleviate them. It ensures that policy-making and public discussion about opportunities in higher education in Canada can be informed by rigorous analysis and empirical evidence.²⁶

The CMSF engages in several research endeavours, and their most well known publications are their three editions of *The Price of Knowledge*. Through these comprehensive studies, released in 2002, 2004 and 2007, the Foundation has been able to gather statistics and analyze trends relating to post-secondary education. These books present the latest information on participation, barriers to access, the cost of post-secondary education, mechanisms for financing post-secondary education (including sources of student financial aid), the incidence and magnitude of student debt, government expenditures on post-secondary education, and graduate employment and earnings. Before the creation of the Foundation, there was very little centralized knowledge on post-secondary education and access in Canada. The Foundation's work is key to helping governments and stakeholders better understand the issue of access.

The Canada Millennium Scholarship Foundation has also been active in piloting projects across the country, aimed at encouraging high school students to pursue post-secondary education. Their programs provide services such as counselling and workshops dealing with career options and the importance of post-secondary studies. Some programs also promise financial assistance for post-secondary education to students from low-income families. Though comprehensive results of their programs are not yet available, early evaluation suggests that their programs are doing much to increase post-secondary enrolment, particularly among under-represented groups of students.

²⁵ http://www.millenniumscholarships.ca/images/Reports/evaluation_en.pdf. pp. 15

²⁶ <http://www.millenniumscholarships.ca/en/research/about.asp>