Federalism for a New Millennium:

A Case Study of the Canada Millennium Scholarship Foundation

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ABSTRACT

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The Canada Millennium Scholarship Foundation was created by the Government of Canada to provide ten years' worth of student aid in celebration of the new millennium. While often cited as an example of the federal ability to spend in areas of provincial jurisdiction, the CMSF relied on provincial government direction to establish the parameters of its program and administer its scholarships. Using a case study approach, the thesis demonstrates how the CMSF's approach to policymaking, through a method known as collaborative federalism, ensured positive outcomes for the students who benefited from its program.

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Chapter 1

In its 1998 budget, the Government of Canada allocated $2.5 billion to the creation of an independent foundation charged with reducing student debt and improving access to post-secondary education in Canada. The agency, known as the Canada Millennium Scholarship Foundation (CMSF) would be charged with managing its endowment as a sinking fund, with the intention of handing out approximately one million bursaries and awards to Canadian students in the amount of approximately $3,000 each over the course of ten academic years.

The creation of the CMSF was notable for a variety of reasons. First, it represented a major federal investment in social policy, one of the first such expenditures following the deficit-eliminating budgets of the mid-1990s, which saw Ottawa slash its transfer payments to the provinces. The CMSF was heralded at the time of its creation as a major Canadian government project in celebration of the millennium. Second, through independent foundations like the CMSF,[1] the federal government offered a new model for program delivery. The CMSF was established as a private entity, governed by two boards (one of directors and one of members) that were partially appointed by Governor in Council. While the CMSF reported annually to Parliament, it was not subject to ministerial responsibility, even though a logical home for an agency like the CMSF already existed within the federal bureaucracy via the Canada Student Loans Program,

[1] Other federal foundations include the Canada Foundation for Innovation, which provides federal cost-sharing funding for large-scale research projects at Canadian universities; the Aboriginal Healing Foundation; the Canada Health Infoway, which is mandated to work collaboratively with the provinces and territories to create electronic health records; Genome Canada; the Foundation for Sustainable Development Technology; and others.

which came into effect in 1964. The legislation creating the CMSF established a mandate, to reduce student debt so as to improve access to post-secondary education, and a series of parameters within which the CMSF was to operate; it did not impose significant business rules, deferring instead to the two boards. Third, the CMSF represented a major, long-term investment in student financial aid in Canada, at a moment when a doubling of tuition fees across most of the country had led to a rapid expansion of student debt. Finally, the creation of the CMSF appeared to represent the exercise of the federal government's so-called spending power, the longstanding practice whereby Ottawa makes payments to individual Canadians in areas of provincial jurisdiction.

For all of these reasons, the Canada Millennium Scholarship Foundation is worthy of academic study. The focus of this thesis, however, will be narrower. Despite initial appearances, this thesis will argue that the most instructive lesson can be gained by understanding how the CMSF in operation served as a model collaborative federalism. Through two case studies – the implementation of the CMSF's main program in Ontario and Quebec – the thesis will demonstrate that the version of collaborative federalism practiced by the CMSF offers valuable lessons to students of Canadian federalism, particularly those interested in measuring the relationship between program delivery models and the effectiveness of programs in a federal state. To a large extent, the debate in the academic literature about federalism in Canada is restricted to the establishment of programs and policies by different levels of government. Debate often focuses on territory – not process or outcomes. While a cursory analysis of the CMSF would conclude that it amounts to little more than an exercise of the federal spending power, the thesis will contend that the CMSF experience exposes a paradox of the spending power and federalism. A multi-billion dollar federal expenditure in an area of provincial jurisdiction would normally be interpreted as an indication of centralization. However, as David Cameron and Richard Simeon have argued, we are in a period of "collaborative federalism" that requires analysis beyond the mere exercise of the spending power. The paradox, then, is that it is the *practice* of federalism that matters, not the *presence* of the spending power.

The thesis will demonstrate that the development, introduction and operation of the CMSF include features identified in both the spending power model and the collaborative federalism model. It will argue, however, that the theoretical approach of collaborative federalism offers the best explanation for the manner in which the CMSF operated and for the success it achieved. The thesis will conclude by arguing that the model of collaborative federalism practiced by the CMSF, which involves the presence of an independent third-party to execute a federal policy in an area of provincial jurisdiction in collaboration with the provinces, represents a new and viable mode of federalism in the Canadian context. The thesis contributes to the academic discussion of federalism in Canada by focusing not simply on the creation of a program, but by examining the outcomes of a particular policy course.

Understanding Federalism: The Importance of Policy Outcomes

The literature on federalism in Canada has shifted in recent years. As Fafard and Rocher (2008) note, while studies that feature a discussion of federalism are common, fewer and fewer political scientists are examining federalism as the focus of their work. Instead, federalism is typically discussed for its analytic and explanatory purposes (Fafard and Rocher 2008, 22-24). This is not to say that a consensus has emerged in the literature on federalism. As the thesis will demonstrate, there has been a distinct evolution in federalism studies in Canada. Certain authors examine the nature of conflict between levels of government in Canada. Others examine the validity of the federal government's actions in areas of provincial jurisdiction, establishing a subset of literature on fiscal federalism and the spending power. Still others demonstrate how the practice of federalism has shifted, particularly through the development of executive federalism and, more recently, collaborative federalism – a shift that has enabled the examination of the practice of policymaking itself and allowed for a meaningful analysis of policy outcomes. Despite this development, the literature still focuses on issues of intergovernmental relations and fiscal federalism, rather than public policy (Fafard and Rocher 2008, 31). Authors who examine the spending power phenomenon argue that the spending power is necessary for the development of welfare-state programs like the CMSF; others point out that a program like the CMSF's should not exist, on the grounds that the Constitution forbids federal intrusion into areas of provincial jurisdiction. The thesis will argue that the model of collaborative federalism, which emerged following Simeon's description of Canadian executive federalism, offers an adequate framework to explain the introduction of a program like the CMSF's. That framework allows for an outcome-based analysis of the CMSF that leaves room for the program to be measured on its merits – not its origins or its placement within the constellation of spending power/fiscal federalism.

Wallner (2010) notes that the literature on federalism may be at odds with outcome-based study. In assessing Canada's elementary and secondary school performance, Wallner reports that federalism, which allows for sub-national policy diversity that often leads to sub-optimal results, cannot adequately explain either the education policy similarity in Canada's provinces or the success of the de facto Canadian system of education. Rather, she demonstrates the importance of measuring the expected implications of a federal system against observable outcomes. She concludes that, with regard to public education, the mode of Canadian fiscal federalism, in addition to societal pressures and the nature of policy decision-making, reasonably explains why the sector performs well despite Canada's federal system (Wallner 2010, 646-48). Her lesson is instructive: federalism studies must accommodate analysis that leaves room for measures of policy outcomes, not merely policy development or the relative position of decision-making power. What follows is a short review of the literature on federalism and the spending power in Canada.

Watts (1999) points out that the ability of the Canadian government to spend in areas of sub-national jurisdiction is unique among federations (Watts 1999, 51), while Kent (2008) argues that the spending power enabled the development of the modern welfare state in Canada, as the provincial governments lacked the resources to fully develop public policy in health care and education. Through cost-sharing schemes and the equalization program, he argues, the federal government (initially at the urging of the provinces) assumed the lead role in social policy development (Kent 2008, 415-18). The development of social policy may have come at the expense of legitimate government, as Petter (2008) argues that the spending power is a "myth," and that the habit of federal leadership in areas of provincial activity renders policymakers at all levels unaccountable to their constituents (Petter 2008, 165-66). He concludes that the federal government should abandon the practice of the spending power and re-orient its energy to a larger equalization program to enable provincial governments to fully develop social policy (Petter 2008, 172-73). Similarly, Adam (2008, 223-24) and Noël (2008, 406-12) argue that the spending power is not sanctioned by the Constitution, and should thus be replaced by a process whereby the federal government may only act in areas of provincial jurisdiction with provincial permission; in the absence of joint policymaking, they argue that the provincial governments should be allowed to opt out of federal forays into social policy with full compensation. Telford (2003) suggests that this is insufficient. Even with a fully-compensated opt-out, provincial governments would still be forced to follow the federal lead in areas of education and health care, and will thus be confirmed as second-class members of the Canadian federation (Telford 2003, 24-25).

Boadway (2007) offers an overview of three kinds of conflict that emerge within the context of Canadian fiscal federalism. The first arises when the federal government attaches conditions to its transfers to provinces. The second involves the distribution of revenue and expenditures between levels of government; this vertical imbalance is usually raised by the provinces, who argue that their responsibilities are exceeded by their revenue-generation capacity. The third conflict involves horizontal imbalances, which are inevitable in any federation. In this case, there is a disparity in the various provinces' fiscal capacity. While this conflict has usually been dealt with through the federal equalization program, Boadway explains that the solution has not always pleased the members of the Canadian federation. Further, Boadway identifies the practice of asymmetrical federalism, in which one province (typically Quebec) is treated differently by the federal government than the others, is a further source of conflict (Boadway 2007, 107-110). One can conclude from Boadway's analysis that the spending power model of Canadian federalism does not allow for effective social policy development that satisfies the central government, the sub-national governments and citizens.

According to Simeon (1971), Canadian executive federalism can be explained by Canada's unique social/cultural setting, its institutional and constitutional rules and traditions, and the combination of demands, goals and behaviours of individual actors within the system. The varying interests of Canada's regions and the unique demands of Quebec forces interaction among federal and provincial governments. The constitution, Simeon argues, fails to assign important powers to either level of government or leaves provincial governments with the responsibility to oversee certain functions without the financial resources to do so. This too precipitates federal-provincial negotiation. Finally, political actors at the federal and provincial level instigate federal-provincial interaction when they seek both collaboration or the acquisition of policy control, particularly on issues that have both national and regional/provincial consequences (Simeon 1971, 298-305). Executive federalism in Canada, Simeon argues, emerged as a response to the basic characteristics of Canadian society. He offers the example of the pension negotiations of the 1960s as evidence that, though negotiations may produce significant costs (conflict, status-seeking among individuals, and the development of policy behind closed doors), it can also lead to innovative policy solutions perhaps inconceivable in a less confrontational system (Simeon 1971, 43-65). Like Simeon, Schultz (1980) attempts to deduce the nature of Canadian federalism from limited, though thorough, case studies.

In Schultz's case, he restricts his analysis to the evolution of highway transport regulation during the 1960s and early 1970s. Schultz can be read as a critique of Simeon's model, in two parts. First and foremost, Schultz demonstrates that it is inaccurate to evaluate governments as unitary actors. As clearly occurred in the attempts to implement the trucking industry regulation section of the National Transportation Act (NTA), quarrelling among individuals and departments at a single level of the federal government led to the inevitable abandonment of the legislative project. Second, Schultz argues that federal-provincial relations are significantly impacted by the influence of external actors, notably interest groups (Schultz 1980, 169-189).

In his overview of the development of Canadian fiscal federalism, Smiley contends that, until the 1950s, the federal government oversaw the development and implementation of the Canadian welfare state, Canada's foreign and monetary policies, and its major transportation and communication structures (1974: 8). From the 1950s on, Canadian fiscal federalism has been marked by an expansion of the role and power of the provincial governments, at the expense of the federal government – a pattern that emerged through the development of executive federalism in the 1950s and 1960s. Writing in 1974, Smiley identified the most "crucial aspects of Canadian policy" as those that occur in the federal-provincial context (1974: 9).

In a 1989 survey of executive federalism, Watts offers a concise summary of the major elements of executive federalism, including the increasing presence of federal-provincial conferences and committees, the importance of First Ministers' gatherings and the expanding importance of intergovernmental relations within each government (Watts 1989, 4). Smiley (1974) offers an even more concise definition of executive federalism – the institutionalization of government-to-government relations (Smiley 1974, 17). Moreover, Smiley argues that executive federalism emerged with the 1960 Lesage government in Quebec, which saw its role vis-à-vis Ottawa as one of expanding its own reach to ensure its autonomy and preservation (Smiley 1974, 20). It is possible to measure the creation of the CMSF to determine whether it meets the criteria of executive federalism as defined by Watts. Indeed, as Chapter 2 contends that executive federalism does not adequately explain either the creation of or the implementation of the CMSF and its program. The CMSF program can similarly be measured against Smiley's definition of executive federalism.

Painter (1991) discusses the cooperative and competitive modes of Canadian federalism. Competitive federalism, he argues, involves governments at different levels effectively keeping to themselves; in a cooperative environment governments provide policy and services jointly, and sub-national governments carefully monitor areas under their jurisdiction for federal overreaching. Painter argues that both modes of federalism have pros and cons: competitive federalism leads to confrontation but is more responsive than collaborative federalism, which can suffer from collusion but benefits from co-ordination among governments. Seeking to determine the effects of existing constitutional and institutional arrangements on intergovernmental process and outcomes, Painter uses Ostrom's framework to analyze institutional arrangements, discussing Scharpf's analysis of the West German joint-decision trap. He suggests that the established rules of intergovernmental negotiations offer governments various negotiating postures (opting out, vetoes, etc.) that vary based on factors including the policy issue and the specific actors in question. For instance, Painter offers the development of the Quebec pension plan as a pre-emptive opt-out of the looming Canada pension plan, demonstrating that competitive federalism can lead to expansion among sub-national jurisdictions. By comparison, Painter argues that agricultural policy in Canada has been established through cooperative federalism, whereby the federal government is paramount (Painter 1991, 281).

In summary, the models of federalism discussed here offer insight into the way governments at different levels approach policy-making and territoriality in Canada. Yet these models, such as executive federalism, as Wallner (2010) and Fafard and Rocher (2008) note, continue to focus on the relationship between governments and on issues of territoriality, rather than outcomes and policy coordination.

Beyond Executive Federalism: Collaborative Federalism as a New Model

The period of executive federalism has been followed by collaborative federalism, outlined by Cameron and Simeon (2002). They write that the cooperative federalism of the post-World War II era and the competitive federalism dating from the 1970s have been replaced in recent years by a style of federalism noted for the concept of co-determination of national policies. Collaborative federalism recognizes that the provincial governments are equal, autonomous partners that are interdependent with the government of Canada (Cameron and Simeon 2002, 49-50). Cairns (1979) points out that, since World War II, government in Canada grew considerably, at both the federal and provincial levels. These larger governments "sponsored" cleavages along ethnic, regional and economic lines that pit one level of government against another (Cairns 1979, 178). Cameron and Simeon write that federal-provincial conflict reached its apex in the early 1980s, as a result of Prime Minister Trudeau's forays into the Constitution and energy policy, which particularly alienated Quebecers and Western Canada, and the subsided following the Canada-U.S. free trade negotiations to the point where all ten provinces initially agreed to the Meech Lake Accord in 1987 (Cameron and Simeon 2002, 51-52).

Cameron and Simeon argue that the federal spending cuts of the mid-1990s were not as badly received as they might have been in another era, since governments at both levels agreed that the country's debt was growing out of control. They argue that the effect of Ottawa's use of the "dis-spending power," in which it cut provincial transfers from $18 billion to $12.5 billion, had a lasting impact on Canadian federalism. The federal government now had a smaller policy-setting role to play in areas of provincial jurisdiction, effectively reducing the competitiveness between the two levels of government. The authors refer to the style of federalism that emerged at the end of the 1990s as collaborative federalism (Cameron and Simeon 2002, 53-54).

Collaborative federalism describes federal-provincial policymaking that does not involve the federal government necessarily taking the lead (either by acting alone or by using its spending power to force provincial behaviour). Rather, it involves the establishment of national goals by some or all of the 11 governments and the territories, to be achieved collectively and collaboratively. Collaborative federalism can involve both the federal government and the provinces or the provinces working among themselves. The Agreement on Internal Trade and the SUFA are examples of collaborative federalism (the SUFA agreement, it is important to remember, did not include Quebec, suggesting that the collaborative federalism approach had missed its objective). Additionally, recent policy developments in health care, labour-force training, environment and trade can be interpreted as examples of collaborative federalism. It is unclear, however, whether collaborative federalism is simply a way of categorizing executive federalism that is simply uncontroversial (Cameron and Simeon 2002, 55-58).

The academic debate about federalism and the spending power in Canada generally focuses on issues of territory – i.e., what level of government has the authority to act in an area of policy development. The orientation of much of the debate is toward the role of different levels of government, with the federal spending power serving as the key focus of the discussion. The debate, which focuses on programs at the stage of their creation, fails to account for the actual practice of federalism in Canada. The approach offered by Cameron and Simeon, described as collaborative federalism, offers an avenue for analysis through which a policy initiative like the CMSF can be appropriately examined. The literature would benefit from a case study of the CMSF, which offers insight into both a recent use of the spending power and of collaborative federalism as a model for successful multi-level policymaking. By exploring the CMSF through the theoretical lens of collaborative federalism, with a focus on the design and implementation of the CMSF program (rather than merely the federal decision to expend the money on the CMSF, which might be more easily explained through the spending power theory), the thesis will advance the academic debate in Canada. Following Wallner's instruction, it will demonstrate that the program model of the CMSF can offer policymakers an approach to successfully execute a policy course that works at both the federal and provincial levels, even if the policy course is introduced in a controversial manner. While we might expect, given the state of the literature, this kind of analysis to focus on whether or not a program like the CMSF is valid or properly situated, the thesis will argue instead that the collaborative federalism model can be put into place in a manner that relegates political manoeuvring to the side, focusing instead on ensuring optimal outcomes for both citizens and governments.

Cameron and Simeon (2002) describe the model of collaborative federalism that will be used in the thesis. They argue that collaborative federalism, as opposed to executive federalism, is characterized by several key elements: First, in a system of collaborative federalism, national goals are not achieved by the central government acting alone (through its own program development or through the use of the spending power), but by some or all of the federal and provincial/territorial governments working together.

The model allows for action among a combination of federal and provincial/territorial governments, or for action among only some or all of the provincial/territorial governments. Second, collaborative federalism includes several political institutions, such as the Annual Premiers Conference (or the Council of the Federation), which Cameron and Simeon argue replaced the First Ministers Conference in importance; ministerial councils that can involve either federal and provincial ministers and their officials or provincial representatives only; intergovernmental agreements and legislation on policy and program developments; and framework agreements that can serve as building blocks for bilateral or multilateral agreements (Cameron and Simeon 2002, 59-63).

In their discussion of the dynamics of Canadian federalism, Robinson and Simeon (1999) argue that the era of executive federalism has given way to a collaborative federalism that is likely to produce outcomes that will satisfy Canadians. They argue that Canadian federalism going forward will be "more focused on issues of substance and policy content, and less on the issues of community, symbolism, and power characteristic" (Robinson and Simeon 1999, 260). Given the crucial role of post-secondary education in Canada, collaborative federalism seems like an appropriate framework for policymaking to occur. The federal and provincial governments have carved out new roles in post-secondary policymaking, with Ottawa taking a more active role in supporting research and the provinces focusing on the core responsibilities of system design and student aid (establishing policy in conjunction with federal partners as necessary). Pritchard calls the current scheme "a more sustainable, more vital and more productive allocation of federal and provincial responsibilities… which is more likely to advance Canadian national interests” (Pritchard 2000, 31).

Simeon elaborates on the collaborative federalism model in a 2000 article. Referring to the relatively ad hoc nature of Canadian intergovernmental politics and policymaking (notwithstanding the fledgling institutions of collaborative federalism described earlier, like Premiers’ meetings), Simeon describes a more flexible approach to policymaking. The era of collaborative federalism, he argues, consists of relative equality among jurisdictions such that policymaking can bypass constitutional roadblocks, with a focus on coordination, not territoriality. Standards are co-determined and enforced voluntarily, not through legislated penalties, yet they tend to engage stakeholder communities (and, it is implied, experts). Further, Simeon describes this era of intergovernmental policymaking as one in which Ottawa attempts to maintain direct links to citizens, through vehicles like the CMSF (Simeon 2000, 239-240).

In a critique of the Social Union Framework Agreement, which Quebec did not sign, Noël (2000) discusses the limits of the federal government’s ability to use the spending power to act in areas of social policy. While Ottawa can spend in areas of provincial jurisdiction, like health care and education, it cannot do so effectively without a certain degree of provincial collaboration/permission, since provinces largely define and implement social policy. As an example, Noël offers the CMSF, which was created through the federal spending power, but, as this thesis contends, required on federal-provincial collaboration to function adequately (Noël 2000, 16-17).

Cameron and Simeon (2002) refer specifically to the CMSF as a sign that the collaborative federalism model might be waning, arguing that it represents an example of the federal government bypassing the provinces to provide funds directly to citizens "rather than through provincial governments" (Cameron and Simeon 2002, 68). The thesis will argue that, though, that this is only a provisionally correct analysis if it is restricted to the actual creation of the CMSF. Prior to the federal decision to institute the CMSF, the provincial governments, acting through the Council of Ministers of Education, Canada (CMEC, of which the federal government is not a member), along with other post-secondary stakeholders, lobbied the federal government to provide relief for the growing problem of student debt. Further, following its creation, which as an act of the spending power surely ruffled provincial feathers, the CMSF sought to work cooperatively with the provincial governments to establish a program that would complement their existing structures. This collaborative approach did not end with the introduction of the CMSF program, but was characteristic of the organization's approach to program development throughout its ten-year mandate.

In summary, the thesis will examine the CMSF through a three-fold lens of collaborative federalism, focusing on: the role provincial governments played in shaping the organization's policy and program; the presence of political institutions, such as framework agreements, to legitimize the policy course; and the importance placed on outcomes and coordination, as opposed to territoriality. The thesis will use this approach to examine the cases of the CMSF program, from negotiation to introduction to implementation, in the provinces of Ontario and Quebec.

Theoretical Contribution of this Study

There are three main theoretical contributions to the study of Canadian federalism that will be advanced in this thesis. First, as Wallner stresses, there is a need to incorporate an analysis of outcomes into the discussion of federalism in Canadian policy studies. The examination of the CMSF can easily fall into a trap established by the conventions of spending power literature. By focusing solely on the creation of the CMSF, as an exercise of the federal government, scholars miss out on the important lessons about policy development and execution in a federal system. These lessons are worth learning, in part because they cause us to re-examine our existing theories from a fresh critical perspective. Second, it follows from this line of thinking that the spending power literature inadequately accounts for an organization like the CMSF, a public policy delivery mechanism that bypassed the federal bureaucracy to dispense funds in an area of provincial jurisdiction. The spending power literature is inadequate for two reasons. First, it by nature is restricted to the creation of the CMSF (since the actual exercise of the spending power – the endowment of the CMSF – occurred once, in the 1998 budget). Second, it throws scholars off the scent of an interesting question: how can federalism study explain a phenomenon like the CMSF? How *should* something like the CMSF be measured and explained? Finally, the theory of collaborative federalism developed by Cameron and Simeon offers the best avenue for analysis of the CMSF. Collaborative federalism is oriented more toward the outcomes analysis Wallner describes than executive federalism, in particular because it focuses on policy development rather than political decision-making.

Methodological Approach

This thesis employs the case study model to examine the Canada Millennium Scholarship Foundation. As described earlier, the thesis will examine the operation of the CMSF program – from the development stages through implementation to execution – in two provinces: Ontario and Quebec. Ontario has been selected for two reasons: First, the Ontario iteration of the CMSF program is reasonably representative of the program's implementation elsewhere outside Quebec. Essentially, the CMSF program was grafted onto the existing Ontario Student Assistance Program; eligible students with the highest loan amounts received a portion of their student aid in the form of a CMSF bursary. While the terms and conditions in Ontario are necessarily idiosyncratic (the actual amount of the award, $3,000, is representative of the CMSF average, though elsewhere the amount varied according to the student's level of financial need; the cut-off for the award was necessarily different than in other provinces, etc.), the broad strokes of the program and the political negotiation that led to its implementation are similar enough to those elsewhere that Ontario is a reasonable proxy. Second, the injection of the CMSF funds in Ontario led to the key policy challenge associated with the CSMF: displacement of existing funds. The CMSF money meant that funds Ontario would have otherwise spent on student loans and grants were freed up. The manner in which the CMSF dealt with this displacement – reinvestment in related areas – represents a unique aspect of the CMSF approach. I will demonstrate, via longitudinal data, how the Ontario reinvestments in higher education, made necessary (or possible) by the CMSF, led to positive outcomes for students.

The second case study is Quebec. While much of the Ontario case study will apply to Quebec, since the general terms of the program were similar from one province to the other, Quebec is sufficiently distinct to warrant its own case. First, the politics of the CMSF's creation (which involved the Parti Québécois government refusing to negotiate the details of the program on the grounds that it should be entitled to opt out) were unique in Quebec. Second, the educational system, including student financial aid, in Quebec is unique in Canada. Finally, any academic discussion of federalism in Canada must address the unique characteristics of Quebec's relationship with the rest of Canada.

From a strictly methodological perspective, the case studies will be developed using two distinct methods. First, using information gathered via interviews with principals involved in the creation of the CMSF, the case studies will describe the evolution of the organization and analyze that process from the perspective of the spending power theory and the theory of collaborative federalism. Second, the thesis will examine student financial aid expenditure patterns in the years prior to, during and following the operation of the CMSF program. This data-based analysis will allow me toshift the focus of the thesis toward an examination of the intended beneficiaries of the CMSF program – students with high levels of debt in order to demonstrate that the implementation of the CMSF program – owing to the collaborative federalism approach sought by the CMSF, the government that created it and the governments it partnered with – led to positive outcomes, in that the student aid system provided significant benefits to the recipients of CMSF funds. Additional supporting information will be drawn from publications about the activities of the CMSF (such as annual reports) as well as research on access to post-secondary education and student financial aid in Canada.

The thesis will advance the discussion of fiscal federalism in Canada by identifying and moving beyond the paradox that currently characterizes much of the academic debate. While the literature focuses on the federal role through the use of the spending power, the thesis will demonstrate that the practice of federalism deserves more scrutiny. The CMSF example will explain how a spending-power initiative can be misinterpreted and misunderstood without a meaningful exploration of the collaborative federalism it represents.

Organization of the Study

In addition to this introductory chapter, this study will be comprised of three substantive chapters and a conclusion. The current chapter has provided a summary of the literature on fiscal federalism, the spending power and models of federalism in Canada. It has demonstrated that the focus on the legitimacy of the spending power crowds out a meaningful explanation of federal-provincial policy relations and the impact of program modes on citizens. Additionally, it outlines the methodological approach taken and the organization of the thesis.

Chapter 2 provides a historical overview of higher education in Canada between the Rowell-Sirois Commission report of 1940 and the wind-down of the Canada Millennium Scholarship Foundation in 2010. It discusses the major policy developments related to higher education funding and student financial aid at the federal and provincial levels, and describes recent policy trends and challenges. It is crucial to understand the creation of an organization like the CMSF within both the policy and fiscal context of its era and the larger social/education policy context that has shaped much of Canadian public policy. The CMSF program must be understood within a chronological sequence. The federal investment in the CMSF represented one of the first major spending initiatives of the Government following the mid-1990s cuts to the social transfers to the provinces; the CMSF can be interpreted as a replacement for a portion of the funds that Ottawa would otherwise have transferred to the provincial governments to support students. This political context (which will also place the CMSF within the context of the Chrétien government's reaction to the 1995 referendum and the Social Union Framework

Agreement of the late 1990s) is vital to understanding how the CMSF program differs from pervious federal forays into higher education policymaking. Thus, Chapter 2 will include a statistical analysis of student financial aid data prior to the introduction of the CMSF.

Chapters 3 and 4 are case studies of the CMSF program in two jurisdictions: Ontario and Quebec respectively. These case studies have been selected for their representativeness of the CMSF program and of the manner in which the program was developed and executed. Further, they will offer an analysis of the unique experience of any federal-provincial policy course in the province of Quebec. The case studies will be informed by interviews with key decision-makers in the two provinces and at the CMSF, and will include a detailed quantitative analysis of the impact of the CMSF program on the student aid portrait in each province prior to, during and after its ten-year operation. Each case study will provide insight into several aspects of the CMSF program in the two provinces. The case studies discuss the introduction of the CMSF program from a political decision-making perspective, as well as the policy adjustments made to accommodate the CMSF program in the context of the existing student aid structure. Using data on student aid programs from the early 1990s to the 2007-08 academic year, the case studies provide an analysis of the shifts in student aid programs following the introduction of the CMSF. Thus the case studies will offer an analysis of the political and policy context in which the CMSF operated, as well an examination of student aid data to inform a discussion of outcomes of the CMSF program. Finally, the thesis concludes with a summation of its research findings and considers whether, in fact, collaborative federalism represents a new model for a new millennium.

Chapter 2

This chapter offers a historical overview of higher education in Canada, with particular attention to the development of the current post-secondary education systems in Quebec and Ontario, and to the establishment of Canada's student financial aid system. Further, it offers an overview of the Canada Millennium Scholarship Foundation, its introduction and the nature of its various programs, with a particular focus on the Millennium Bursary Program, which accounted for approximately 95% of its program expenditures. The chapter explores the development of these elements of Canadian higher education and student financial aid from the perspective of federalism and the spending power, examining how federal-provincial relations and practices influenced their evolution. From a critical perspective, it explains how different approaches to federal-provincial policymaking (or, more to the point, federal activity in an area of provincial jurisdiction) can be explained by various theories of federalism, including the spending power, executive federalism and collaborative federalism. It pays close attention to the interaction of federalism practices with the development of the student aid system, in order to determine whether the CMSF program on the whole is consistent with the principle characteristics of collaborative federalism, and whether elements of this approach to federalism were common in the development of other kinds of student financial assistance.

The chapter demonstrates that the CMSF represents a clear example of collaborative federalism, and this is all the more substantial because the creation of the CMSF is a prime example of the federal spending power at work. As such, the chapter advances the thesis's principal argument, that the CMSF is best explained as an example of collaborative federalism that represents a viable form of federal-provincial policymaking in Canada. One of the questions this chapter raises, particularly with regard to the case of Ontario, has to do with the kinds of conclusions that can reasonably be drawn about federalism. In particular, the chapter argues that the federal cuts of the mid-1990s, which had negative effects on the post-secondary sector, particularly for students, whose tuition and debt levels increased thereafter.

The reduction of the social transfer to the provinces in the 1995 budget was followed by substantial year-over-year increases in tuition and student debt. The collaborative federalism approach to the CMSF program, it is argued in chapter three, led to positive outcomes for students (an increase in grants and a levelling off of student debt). The chapter thus raises questions for review regarding the appropriateness of each approach to federalism demonstrated here. First, is it reasonable to conclude that the negative impact of the cuts of the mid-1990s could have been mitigated by a collaborative federalism approach to their implementation? As a corollary, would such an approach have been feasible? Second, and more generally, is collaborative federalism in higher education restricted to the implementation of new policies and programs, or can it lead to beneficial outcomes (or outcomes that are better than they otherwise would have been) in situations where programs are being cut or eliminated? While these questions are raised in this chapter, they are more fully addressed in the subsequent case-study chapters (three and four) and the conclusion (five).

In the context of the thesis, this chapter serves two major purposes. First, it provides an overview of higher education policymaking in Canada, particularly in recent decades, with a focus on the shifting roles of the federal and provincial governments. To this end, it examines the recent history of higher education policy in Quebec and Ontario in closer detail, with particular focus on setting the scene for the introduction of the CMSF program in the 1999-2000 academic year. Additionally, the examination of higher education policy includes a primer on recent trends and policies related to student financial assistance in Canada. Second, the chapter examines the approaches to federalism described in these different periods in Canada, Quebec and Ontario, focusing on the shift from executive federalism to spending power federalism beginning in the early 1970s, and laying the groundwork for the shift to collaborative federalism, with the implementation of the CMSF program in the late 1990s.

Higher Education in Canada

The British North American Act of 1867 establishes provincial jurisdiction over education. While the federal government has had a role in higher education policymaking since then, the division of powers and responsibilities outlined in the BNA Act is as relevant now as it was in the late 19th century. This chapter offers an overview of higher education policymaking in Canada, with particular reference to issues of federal/provincial jurisdiction and student financial assistance, as well as a more detailed discussion of policymaking in Quebec and Ontario, to introduce the case studies in chapters three and four. It includes an analysis of student assistance data prior to and following the introduction of the Canada Millennium Scholarship Foundation during the 1999-2000 academic year.

Academics interested in examining the Canadian higher education "system" quickly discover that no such thing exists. As Jones (1997, 1-2) and Fisher and Rubenson (2006, 1), point out, the lack of a federal minister overseeing higher education throughout its history distinguishes Canada among developed nations.[2] Canadian higher education is thus explored not as one system serving a nation-state, but as a collection of provincial systems of post-secondary study designed to serve the needs of a diverse population. Complicating this portrait are the actions of the federal government, which has used its spending power to act – if not necessarily legislate – in the area of higher education.

[2] Junor and Usher (2004, 181) point out, similarly, that there is no singular student financial assistance "system" in Canada, only a loose network of semi-jointly operated federal-provincial programs.

Fisher and Rubenson (2006) describe the federal government's behaviour in the area of higher education to consist of a series of expenditures designed to achieve its own objectives (regardless of provincial priorities) or influence provincial legislatures. This amounts to the current "patchwork" of conditional and unconditional grants, direct and indirect spending, and transfers (Fisher and Rubenson 2006, 2). Additionally, the federal government oversees educational policy that relates to Aboriginal Peoples (though this has not impeded provincial governments from making educational policy that relates specifically or exclusively to Aboriginal Peoples, particularly through student financial assistance programs). The Rowell-Sirois report and the Massey commission provided the federal government cover to extend its activity in the area of higher education in the mid-20th century, through the introduction of unconditional grants to universities. Moreover, Ottawa provided support for Second World War veterans and to students through the Dominion-Provincial Youth Program and the Dominion-Provincial Student Aid Program.

This development is consistent with the findings of the literature on federalism, which describes the federal role in establishing the early welfare state prior to the development of competent and comprehensive bureaucracies at the provincial level, as described in chapter one. As early as 1951, following the Massey Commission report, the federal government engaged the use of a third party (the National Conference of Canadian Universities) to distribute federal funds in the area of higher education. The federal government created an annual supplement valued at 50 cents per capita divided by province and then by university enrolment; it asked the NCCU to distribute it to avoid working through provincial governments. This initial grant foreshadows the introduction of the Canada Millennium Scholarship Foundation, which was designed to provide funds directly to students, thus bypassing provincial governments (which might have repurposed the funds). Following a series of increases, this amount reached $5 per capita in 1965, though Quebec instructed its universities to refuse the grants beginning in 1952. Following the death of Premier Maurice Duplessis, the new Quebec government struck a deal with Ottawa that would see it receive tax room in exchange for its opting out of the federal grant for universities. Thus the precedent of the Quebec “opt-out” of a federal education program was set (Cameron 1997, 9-16).

The creation of the Federal-Provincial Fiscal Arrangements Act in 1967 signalled the end of the federal grant for universities. In its place, Ottawa would provide funds to the provinces, which would in turn support universities. Fisher and Rubenson described the “elated” reaction of the provincial governments, as the FPFAA both confirmed their jurisdiction over higher education and amounted to a long-term commitment of substantial federal dollars to fund their higher education institutions. The provinces would be able to use federal funds to expand their post-secondary systems according to their own objectives. Meanwhile, the universities were less enthusiastic about a new funding scheme that would insert provincial governments in between the universities and the federal treasury. Provincial governments responded by creating ministries of post-secondary education and establishing plans for integrated systems of university and college/vocational training; together they established the Council of Ministers of Education, Canada, to coordinate pan-Canadian policymaking and to establish a check on the federal government’s possible encroachment in the education domain (Fisher and Rubenson 2006, 25-28).

Throughout the 1970s the federal and provincial governments bickered about the level of federal support for higher learning. Ottawa sought to provide less funding and to attach conditions to its transfers, which were somewhat unpredictable because they were tied to provincial expenditures, while the provinces sought to permanently occupy more and more tax room. By 1977 the two levels of government would agree on the Established Programs Financing Act, which consisted of block unconditional grants (in the form of cash grants and tax points) from the federal government to the provinces. Of course an unconditional, block transfer for “established” programs in different areas (health and education) can be difficult to track or parse; some provinces applied the funding to general revenues, not education or health, while collectively they denied the federal government a role in establishing educational policy (Cameron 1997, 16-20).

It is clear that in the 1970s, the federal government began to abandon the practice of executive federalism with regard to education policy. One can trace the roots of this evolution to the FPAA in the late 1960s, which entrenched the provinces’ domain over higher education and the federal use of the spending power to support it. By the time the Established Programs Financing Act was introduced, the federal government had further retreated from a position from which it could affect policy choices, taking on the role of base education funder. Paradoxically, this had the impact of increasing the federal influence in higher education policy, since it would serve more as a master of purse strings than a partner in policy negotiation. The EPF – a piece of federal legislation – would cement the use of the spending power as the manner in which the federal government would operate in the coming decades with regard to post-secondary education.

As the federal government's fiscal situation diminished during the 1980s and 1990s, it sought cuts wherever possible. As Tupper describes, the 1995 budget, key in the task of eliminating the federal defecit, saw the EPF and the Canada Assistance Plan merged into one block transfer, the Canada Health and Social Transfer, that reduced transfers to the provinces by $6 billion. While the provinces may never have fully recovered from the drastic cuts of that budget, the federal government began to reinvest in education, starting in the late 1990s with the Canada Millennium Scholarship Foundation, the Canada Foundation for Innovation and other grants for institutions, students and researchers (Tupper 2007, 10-11).

Cameron (1997) argues that one constant in federal higher education policy since 1867 is the schizophrenic manner in which it is conducted. At times Ottawa has sought to seize control of the policy arena only to backtrack through budget cuts. It has funded research and universities, only to reduce transfers for social policy (Cameron 1997, 27).

Shanahan and Jones (2007) note that, since the mid-1990s, the federal role in higher education has shifted from one of indirect funding of institutions (via transfers to the provincial governments) to direct funding of individuals, either through student financial assistance mechanisms like loans, grants and tax credits, or through support for researchers on post-secondary campuses (Shanahan and Jones 2007, 40-41).

What can be concluded about the practice of federalism in the policy area of higher education in the period leading up to the introduction of the CMSF? Clearly, the political choice of the Chrétien government, which both slashed program financing in 1995 and significantly reinvested in 1998, was to act quickly and decisively without significant regard for the impact on provincial budgets (be they general revenues or education lines). This may best be interpreted as what Cameron and Simeon (2002) call the “dis-spending power” or “federalism in reverse” (Cameron and Simeon 2002, 54). As discussed in chapter one, the spending power theory allows the federal government to spend funds in areas of provincial jurisdiction without making laws in those areas. Thus, Ottawa can claim to legitimately expend resources in, say, education if it is providing education-related payments to individuals and not enacting legislation defining what constitutes education.

While it might seem inaccurate to describe budgetary cuts as an example of the spending power, the manner in which the federal government instituted those cuts – broadly, and such that provincial treasuries felt their impact – follows the same logic as the spending power theory: Ottawa has a mechanism to spend in areas of provincial jurisdiction, and thus it has a mechanism to *withdraw* spending in areas of provincial jurisdiction. The impact of the significant budget cuts to the social transfers to the provinces were such that they significantly affected the provinces’ ability to expend resources in education and health care. In areas of provincial jurisdiction, Ottawa acts, the provinces react – this, essentially, describes the spending power. Here we see the flipside to the argument advanced by Kent (2008), that the spending power is a necessary federal tool for the development of a welfare state. The fact that the federal government can stop spending – with provincial governments incapable of bridging the gap – underscores the elements of the spending power that distressed Petter (2008), who argued that it delegitimized governments at both levels by placing accountability beyond the reach of any particular level of government.

Quebec, Education Policy, and the Federal Principle

Donald (1997) offers an assessment of the development of Quebec's higher education sector during the second half of the 20th century. As Quebec emerged from the Second World War, it had little to show for in education policy. The Duplessis government effectively outsourced education to the Church (both Catholic and Protestant); the premier blocked the creation of a provincial education ministry and insisted Quebec's universities turn down federal money. The Quiet Revolution of the 1960s, a rapid period of tumultuous social and political change, brought with it the development of massive educational system based on the Parent Commission of 1963-1966. The Commission concluded that Quebec desperately needed a politically led education overhaul, one that focused on ensuring an accessible system of mass education. It advocated for the creation of the colleges that would compose the unique CEGEP system, offering both two-year pre-university programs and three-year technical training (and in so doing replace the 12th year of schooling offered by secondary schools). Advisory and consultative bodies emerged, including the council of university presidents (CREPUQ) and the superior council of education (CSE), charged with the development of a broad post-secondary sector. By the end of the 1960s, the higher education system had come into focus, with the introduction of CEGEPs, the modernization of existing universities, the creation of the University of Quebec network throughout the province and considerable enrolment growth (Donald 1997, 161-69).

Donald argues that the 1970s were marked by considerable consultation throughout the large post-secondary system. The networks of universities and CEGEPs required expanded administrative services. In the 1980s, the same recessionary pressures that led the federal government to seek cuts exerted themselves on Quebec. By the mid-1990s the focus of the system had shifted to discussions of quality of education and continued expansion of accessibility, such that a majority of Quebecers complete some form of higher education. The provincial government formally enshrined its funding envelopes through annual budgetary reports while it coped with the reduced transfers from Ottawa. In recent years policy concerns have focused on accessibility and excellence in an environment of chronic underfunding (Donald 1996, 169-78).

The student financial aid system in Quebec is generally considered to be the most generous in the country. As discussed in chapter four, nearly half of all financial aid distributed in Quebec is done in the form of a non-repayable grant; the comparable figure for the rest of the country is closer to 30%. While eligibility for these grants is somewhat more restricted in Quebec (principally because it is more difficult for young middle-class students to qualify for loans and especially grants), those who do qualify for financial aid typically borrow less than their counterparts elsewhere in Canada and graduate with smaller debt loads. As the student aid data analyzed in chapter four demonstrates, this has been the case since at least the early 1990s. It has exacerbated in recent years, owing to two chief factors: the tuition freeze, which kept education costs constant (i.e., they have not even increased with inflation) for much of the past 18 years, and the relatively generous student aid system. Following the creation of the CMSF in the 1998 federal budget, many in Quebec assumed the province would be able to opt out of the new program with full compensation. As the Société aux affaires intergouvernementales canadiennes (2004) makes clear, this was the position the Parti Québécois government (under Premier Lucien Bouchard) adopted following the budget announcement. On May 14, 1998, the Quebec National Assembly approved a motion put forth by Liberal MNA Henri-François Gautrin discussing the CMSF. The motion as passed established three conditions whereby the CMSF program could be implemented without an opt-out: (Société aux affaires intergouvernementales canadiennes 2004, 106).

First, the amount provided to Quebec students be determined on the basis of demographics (referring to the province's share of the Canadian population). Second, that Quebec determine which students receive the CMSF scholarships. And third, that the program avoid duplication with existing provincial student aid. The motion also stated that any displaced funds (see the section on student aid, below) be invested in the province's colleges and universities (Gautrin, 1998).

Chapter four provides greater detail about the circumstances in Quebec in which the CMSF was created, as well as an analysis of the effect the Gautrin motion, which was adopted unanimously, on the negotiations between the CMSF and the Province of Quebec. The chapter will demonstrate that the Gautrin motion, as well as the language in the legislation that created the CMSF (which rendered the option of a full opt-out effectively moot), was essential to the establishment of conditions for the effective use of a collaborative federalism approach to implementing the CMSF program both in Quebec and elsewhere in Canada.

Ontario and Incremental Education Policy

Jones offers a similar overview of the development of Ontario's post-secondary sector, which evolved from a collection of religious institutions to a modern, multi-level educational system. As in Quebec, much of the development of the sector occurred during an intense period of activity in the late 1960s and early 1970s. Unlike Quebec, which exerted a strong leadership role through the development of the Ministry of Education and the establishment of advisory committees, the Ontario government was content to facilitate the sector's growth more passively. One of its more active steps was to establish the colleges of applied arts and technology (CAATs) in the mid-1960s. Their development occurred as a complement to the existing university system, and relatively few steps have been taken to fully integrate the two (either through allowing colleges to grant degrees or through a comprehensive credit-transfer system, though limited forms of these ideas exist) (Jones 1997, 143-52). Following the budget cuts of the mid- and late 1990s, the province has shifted focus, reinvesting in higher education following Bob Rae's review of the system (Boggs 2009, 78).

Jones (2004) examines the trend toward privatization and marketization in Ontario education policy since the mid-1990s. The reach of the federal government is clear, as its 1995 budget cuts to provincial transfers caused the Ontario government to cut its operating grants to universities and colleges by 15% ($280 million) in 1996-97 (Jones 2004, 44). This is as clear an example of the federal government's so-called "dis-spending" power as can be found. The federal government's decision to reduce the social transfer to the provinces resulted in the provinces simply reducing outlays to institutions and individuals (not just in education) in turn. Inevitably, institutions – which face essentially fixed, increasing costs (since academic salaries tend to rise quicker than inflation) – turned to students to make up the difference. As Jones notes, tuition and fees were allowed to increase by 10% in one year; in professional programs of study, including law, medicine and dentistry, tuition was allowed to increase without limit, so long as a certain proportion of the new revenue was returned to students in the form of need-based grants (Jones 2004, 44-45).

Ontario serves as an indicator of the role of the federal and provincial governments, as well as post-secondary institutions in the period leading up to the introduction of the Canada Millennium Scholarship Foundation. Prior to the mid-1990s university tuition in Canada was relatively low (certainly in comparison to the United States), owing to the operating grants the provinces provided to institutions. These grants were largely funded through the federal transfer to provinces. The reduction of the transfer and the domino-effect increase in tuition led to what Jones describes as privatization – with the share of university and college funding provided by private individuals (students and parents) increasing and the level of public support declining. Moreover, the student aid portrait was complicated by the emerging role of universities, which had to create an internal infrastructure to spend 30% of new tuition revenue in the form of need-based assistance to students (Jones 45). Jones, himself not a political scientist, is reluctant to fully engage the question of federalism in explaining the shift toward privatization in Ontario in the mid- to late 1990s. Though he acknowledges the federal role in reducing its transfer to the provincial government, he principally explains the shift as a function of the election of the Conservative government in Ontario, led by Premier Mike Harris. Jones implies that the shift of the education-financing burden from public to private sources was likely to occur regardless of the actions of the federal government – this implication is likely not made explicit due to the lack of supporting evidence (it can only occur in the realm of the hypothetical) (Jones 2004, 59-50).

There are two possible conclusions that could be drawn. First, that Jones's hunch is right, and that the privatization of Ontario higher education would have occurred – perhaps at a slower pace – regardless of the federal cuts to the social transfer. There is some evidence to support this view, particularly the province's large-scale reform both to the post-secondary sector (especially the role and autonomy of institutions, which had been campaigning for years for the right to raise tuition significantly) and the welfare state apparatus as a whole. The second possible conclusion, more relevant to this analysis, is merely the observation that the federal decision to act – to cut, in this instance – can have meaningful impact on the ability of provincial governments to execute in areas of their jurisdiction and on the ability of quasi-public institutions (universities and colleges) to plan in the medium and long terms. While it is outside the purview of this thesis to assess the impact of the policy changes of the mid-1990s on Ontario universities, colleges and students, it is evident that the individual family burden associated with higher education was more difficult in that period than in the one that preceded it.

As Junor and Usher (2004) note, tuition and student debt doubled in most of Canada in the 1990s. This clearly constitutes a hardship of some degree to students. It is worth noting that the actions of the federal government of this period can be reasonably explained by the spending power, and the lack of an effective means to coordinate its impact on individual citizens. This is an important lesson to keep in mind prior to examining the creation of the CMSF, which itself only came into existence due to the practice of the federal spending power. However, as the case study on Ontario in chapter three describes, the coordination among the CMSF and the Ontario government – through the drafting of a multi-year agreement on the use of the CMSF funds and the achievement of a consensus on the issue of displaced provincial spending – led to objectively better outcomes for students. The collaborative federalism approach, in other words, can be demonstrated to mitigate the potential negative outcomes associated with spending power federalism (though it is not necessarily clear that collaborative federalism could mitigate the "dis-spending power," that is, the unilateral withdrawal of federal funds from a sphere of provincial jurisdiction).

Student Financial Assistance

Canadian governments provide support to post-secondary students through various aid programs and tax supports. Though education in Canada falls under provincial jurisdiction and student aid programs vary from province to province, the federal government nevertheless plays an important role in financially supporting Canadian students.

As Junor and Usher point out somewhat paradoxically, Canada cannot be said to have one student aid system or thirteen separate systems (Junor and Usher 2004, 181). All Canadian student financial aid programs, including the Canada Student Loans Program (CSLP), the Ontario Student Assistance Program, the Quebec Loans and Bursaries Program and the Canada Millennium Scholarship Foundation's (CMSF) Millennium Bursary Program (MBP), are organized around a basic principle: governments should ensure that students have access to the funds they need to pay for their educational and living costs while in post-secondary education. Junor and Usher claim that, fundamentally, the fourteen Canadian student aid programs (one in each province plus the CSLP) are "almost identical" (Junor and Usher 2004, 181). The paradigm that explains the operation of Canadian student aid is fairly straightforward: governments provide funds, in the form of loans and grants, to students who demonstrate financial need. From an economic perspective, government student loan programs serve to correct a market failure. Most students lack collateral to borrow sufficient funds to pay for their educational and living costs from banks, since banks are reluctant to lend money against an individual's potential future earnings. Thus, governments provide liquid capital to students to enable their study.

Junor and Usher (2004) provide a detailed description of the modalities of student aid in Canada. In all provinces, students apply for assistance from their provincial student aid program. They submit information about their educational and living situations, as well as a catalogue of their resources. Depending on their situation, students may submit information on their parents' or spouse's income. Using complex formulas, the government aid programs subtract the student's recognized costs (not necessarily the same his or her actual costs) from his or her eligible income (again not necessarily the same as actual or anticipated income).[3] The difference is known as "assessed need," and it is usually the amount funded to students by government, up to a maximum amount. According to Junor and Usher, that amount is typically funded according to a 60/40 split, with the CSLP providing 60% and the provincial program providing the rest, with the maximum amount usually around $9,350 (Junor and Usher 2004, 195-96). As Berger and Parkin (2008) and Berger, Motte and Parkin (2007 and 2009) point out, since 2005-06 that amount has increased in most of the country to $11,900, though questions remain about "unmet need," which is the amount of assessed need that is not funded by student aid programs. Unmet need is most common among students with children and older students, even though aid limits are usually higher for students with additional costs (students with children, students with disabilities, students from rural areas, etc.) (Berger, Motte and Parkin 2009, 155).

[3] Family income is exempt in the need calculation for certain students (typically determined by their age or length of time in the labour market).

One of the ways in which student aid programs differ from province to province has to do with the form the 40% of aid funded by the province. While the federal portion of the aid package has typically been provided in the form of a loan, the provincial portion is often made up of a combination of loans and non-repayable grants (Junor and Usher 2004, 207-09). Until 2009-10, the Millennium Bursary was typically provided in the form of a grant that reduced the provincial loan. Debt reduction grants, like the Millennium Bursary, are often provided retroactively, converting the loans of students who have completed all or a portion of their studies into grants. These grants, as Junor an Usher point out, are usually not even paid to students directly, but to the banks that hold their public student loans (207-09). Debt reduction grants, often referred to as loan remission grants, exist in both Ontario and Quebec, the two provinces that will make up the case studies in the thesis.

In Ontario, the Ontario Student Opportunity Grant effectively caps a student's loan debt at $7,000 at the end of the academic year. For example, a student who borrowed the maximum of $11,900 would receive an Opportunity Grant of $4,900 after successfully completing the academic year. The program effectively caps a student's debt load at $14,000 for a two-year program (like those offered at Ontario's colleges of applied arts and technology) and $28,000 for students who complete a four-year program, typically a Bachelor's degree. (Students who study three terms in one year can have their debt capped at $10,500, on the presumption that they would have received a student loan for the third term equivalent to the other two semesters.) (Junor and Usher 2004, 207-09.)

The Government of Quebec has always opted out of the Canada Student Loans Program, receiving instead an annual alternative payment in exchange. The province uses the funds from the alternative payment to partially fund its own Loans and Bursaries program, which operates in a similar manner to the Ontario Student Assistance Program. Quebec students, however, have their debt capped at significantly lower levels. The debt caps are $2,000 for CEGEP students and $2,460 for undergraduates. Thus the Quebec program provides a much larger share of its student aid in the form of non-repayable grants. The province also provides loan remission to students at the end of their academic program who received a grant during each year of study (Junor and Usher 2004, 196).

There are other important differences between these two provinces to keep in mind. In particular, the treatment of parental income is different from one to the next. Quebec offers relatively more expensive aid, since it provides a larger share of aid in the form of grants, which Junor and Usher estimate cost about three times as much as the equivalent amount of loans because they do not have to be repaid. On the other hand, it has a much more restrictive calculation of student revenue, particularly with regard to the treatment of parental income. Thus fewer middle-class students are eligible for Quebec's student aid program than Ontario's (students always apply for aid from their province of residence) (Junor and Usher 2004, 191-92).

As Berger and Parkin note, the approximately $350 million the CMSF provided in 2006-07 represented about 28% of the $1.23 billion available to students in the form of grants (Berger and Parkin 2008, Appendix). On the whole, Canadian governments provided $4.08 billion in need-based aid (i.e., loans, grants and loan remission), though as pointed out earlier, these figures are somewhat misleading. While governments subsidize the interest on student loans while the recipient is in school, most student loans are paid back in full with interest, usually on a ten-year schedule. Thus the actual cost of a loan is restricted to the in-school subsidy, lost revenue from defaulted loans and post-study subsidies, like interest relief and debt reduction for graduates who have trouble finding work. While the proportion of aid provided in the form of grants reached a high of 34% in 2007-08, it all likelihood actual expenditures on grants probably exceeded expenditures on loans that year (Berger, Motte and Parkin 2009, 162).

Canadian governments actually provided more assistance in the form of tax credits than they do grants and loan remission. In 2007-08, governments spent $2.1 billion on tax credits for students, which Neill (2007, i) and others point out are likely incapable of making higher education more accessible or affordable. Because the credits are paid after the study period is over (a tax credit earned in the spring 2011 semester cannot be claimed before the 2012 tax filing deadline), they cannot provide students with funds when they are most needed, in September and January, when tuition fees are due. Moreover, the tax credits are not refundable, which means students with low incomes (i.e., most students) who don't owe any tax can only carry them forward for future use or transfer them to a family member. Thus, middle-class and upper-income families can benefit from the tax credits will those in poverty can only wait as the credits lose their value (Neill 2007, i-ii).

Data reported by Berger and Parkin (2008) allow for an analysis of trends in student financial assistance prior to and after the introduction of the CMSF bursary program during the 1999-2000 academic year.[4] Because the CMSF program provided non-repayable assistance to students in the form of grants or loan reduction payments, it is key to examine the trends in non-repayable aid before and after the introduction of the program.[5] In particular, the analysis should focus on the gross volume of non-repayable aid provided to students, the per-recipient amount of non-repayable aid and the share of all financial aid that was provided in non-repayable form. Adjusted for inflation, the gross amount of non-repayable financial assistance was several hundred million dollars larger following the introduction of the CMSF program than before it. In the three years prior to the creation of the CMSF, the federal and provincial governments provided an average of $825 million in grants and loan reduction. In the three years following the CMSF's introduction, that amount increased to $1.059 billion. It increased further, to an average of $1.179 billion, in the 2005-06 and 2006-07. On a per-recipient basis, the average amount of non-repayable assistance in the three years prior to the CMSF was $1,586. It increased to an average of $2,281 per recipient in the three years that followed, and an average of $2,469 in the last two years for which Berger and Parkin provide data. In those three periods, the proportion of all need-based aid (including loans, grants and loan reduction payments) increased from 19% to 28% and 29% respectively (Berger and Parkin 2008, Appendix). In the following chapters, specific data for Quebec and Ontario are examined more closely.

[4] The figures reported by Berger and Parkin (2008) were collected from provincial and federal student financial aid officials.
[5] The specific details surrounding the CMSF program, which vary from province to province, are elaborated in chapters three and four.

Beginning in 2009-10, the federal government introduced the Canada Student Grants Program (CSGP), which replaces the MBP (the CSMF's ten-year mandate ended after the 2008-09 academic year). The new grant program provides all of its funding on the basis of family income, without regard to the need assessment test that determined eligibility for the MBP and for most provincial grants. The Canada Student Grants provide support worth $800 per year to middle-income students and $2,000 to low-income students; though the aggregate allocation is equivalent to the size of the MBP, it is expected that the grants will assist more students, since they are relatively smaller than the average Millennium Bursary (about $3,000). As Berger, Motte and Parkin (2008, 204-05) warn, it is unclear how the provincial student aid programs will react to the shift from the MBP to the CSGP.

The agreements between the CSMF and each provincial government were in the amount of the province's per-capita share of the CMSF's $2.5 billion endowment (the amounts were somewhat higher, as they included projected earnings from interest). Thus the CMSF was able to provide reliable, ten-year funding to each provincial student aid system, allowing for the integration of a substantial injection of funds. The agreements between the CMSF and the provincial governments captured two things: the manner in which the CMSF would distribute its funds to students in the form of non-repayable grants and the reinvestments the provincial government would make in the case where CSMF funds displaced existing provincial expenditures. As Lazar (2008) documents, the introduction of the CMSF meant that two players – the CMSF and the province – were likely to try and provide assistance to the same group of students, since the CMSF bursaries were largely designed to reduce student debt levels (as directed in the federal legislation creating the CMSF) (Lazar 2008, 27-30). Thus, the provinces committed to reinvest displaced funds in areas related to student support, if not directly in non-repayable grants.

To return to the Quebec and Ontario examples, according to the Institute of Intergovernmental Affairs at Queen's, the introduction of the MBP in Quebec caused the province to save $70 million (the entire size of the MBP allocation). However, the province reinvested $50 million grants (lowering the debt cap by 25%) and $35 million in student services on campus, meaning the CMSF program actually stimulated $15 million in annual provincial expenditures on student support, broadly defined, for a period of ten years, though only $50 million was provided in additional student financial assistance. In Ontario, the MBP similarly displaced $69 million in grants, and, again, the province's reinvestment exceeded the displacement. In Ontario the existing grant was topped up by $500 per student, funding was provided to university operating budgets, student aid work exemptions were relaxed, and the work-study program and graduate scholarships were expanded. Overall, the CMSF's annual expenditure of $285 million (that amount would grow to $350 million as the CMSF began to spend down the interest earned on its endowment) caused provincial savings of $185 million but reinvestment of $231 million – a net gain from the perspective of students and post-secondary institutions (Institute of Intergovernmental Affairs 2003, 24-33).

Ultimately, student aid in Canada remains, as Junor and Usher put it, both complex and simple. It is complex because it contains many layers; key actors at two levels of government with competing priorities must occupy very similar ground in limited student aid territory. It is simple because the fundamental principles and modalities of the programs do not vary as much as the relative importance placed on different kinds of assistance, as the examples of Quebec and Ontario demonstrate. If student financial assistance in Canada is complicated, it is largely due to the number of actors in the policy environment. Canadian students are at the mercy of both the federal and provincial governments – and, in the case of the last decade, the CMSF as well. Issues of federalism and policy coordination clearly have had a major impact on the amount and kind of assistance provided to Canadian students during the development of a massive system of post-secondary education.

Conclusion

This chapter has demonstrated the context in which the Canada Millennium Scholarship Foundation was created, examining the history of higher education and student aid in Canada, as well as describing the country's fiscal situation prior to its introduction. Through an overview of higher education and student aid policies and programs in Ontario and Quebec, the chapter both introduces the case studies (which follow in chapters three and four) and raises important questions about the practice of federalism in Canada as it relates to the shared policy arena of student support. By contextualizing the decision to create the CMSF in the decades-long history of federal-provincial student aid policymaking, the chapter allows for an assessment of the collaborative federalism approach the CMSF represents. It argues that the creation of the CMSF was pure example of the federal spending power, yet the implementation of the program could nevertheless occur within the parameters of collaborative federalism. By examining the trends related to the spending power, executive federalism and collaborative federalism with regard to higher education in Ontario and Quebec, the chapter advances the thesis's examination of the CMSF as a model for federal-provincial program delivery in the realm of student aid. The following chapters offer both an overview of the implementation of the CMSF program and an analysis of the effectiveness of the program, with particular attention to the outcomes influenced by the collaborative federalism model that explains the program's development.

Chapter 3

This chapter examines the case of the Canada Millennium Scholarship Foundation program in Ontario. It begins with a discussion of the creation of the CMSF, with a focus on its evolution from political idea to legislation to program. This discussion, while not dealing with the Ontario iteration of the CMSF program exclusively, is necessary to understand the political and policy context in which the CMSF program was designed. The discussion then shifts to the creation of the CMSF's program in Ontario. This discussion features an overview of the political and policy goals of the provincial government, as well as an analysis of the impact of the CMSF's program. The analysis includes a discussion of student financial aid data, which demonstrates the impact of the program on student loan recipients in the province. The chapter concludes with an examination of the case study in the context of the theory of collaborative federalism described in chapter one. The chapter argues that, while the creation of the CMSF is an example of the federal spending power theory, the actual implementation of the program is best explained by the theory of collaborative federalism. In particular, the chapter demonstrates that the CMSF's focus on allowing the provincial government to establish the parameters of its program – and to determine the extent of the program's impact – is consistent with the collaborative federalism model.

Creation of the Canada Millennium Scholarship Foundation

As described in Chapter Two, the years prior to the introduction of the CMSF program were marked by a swift and significant reduction in governmental support for post-secondary education in Canada. The federal government's decision to reduce its education-related transfers to the provincial governments led to a subsequent and corresponding reduction in provincial support for post-secondary institutions and students. Students wound up bearing the brunt of the reduction in governmental support in two ways. First of all, institutions, which are governed autonomously within a framework established by provincial governments, were allowed to increase tuition and ancillary fees, meaning the students who studied at the end of the 1990s spent more on their education than those who enrolled at the beginning of the decade. Second, students increasingly relied on financial aid programs to cover their educational costs; moreover, student aid recipients received more of their support in the form of loans, which needed to be repaid, than grants, which did not.

Between 1994-95 and 2000-01, the average undergraduate tuition in Ontario increased from just under $3,000 per year to approximately $4,500, after adjusting for inflation (in 2002 dollars) (Norrie and Lennon 2011, 30). According to data reported by Berger and Parkin (2008), the number of student aid recipients in Ontario increased significantly during the same timeframe. In 1993-94, there were 165,895 student loan recipients. The following year, that number increased by 15%, to 190,228. In 1993-94, the average student aid recipient in Ontario received a student loan in the amount of $8,656 (2007 dollars). The average loan peaked at $9,205 in 1996-97 (in 2007 dollars) (Berger and Parkin 2008, Statistical Tables).

The reduction in federal support for post-secondary education represents a shift away from the executive federalism that marked much of the higher education policymaking in the 1960s and 1970s. As described in Chapter Two, the shift has been characterized as an iteration of the theory of the federal spending power, whereby Ottawa may act in areas of provincial jurisdiction in the interests of making direct grants to individuals. The flipside, or the spending-power-in-reverse, represents unilateral decisions by the federal government to reduce expenditures in areas of provincial autonomy. To the extent that the provinces relied heavily on federal funds to provide operating grants to post-secondary institutions and financial aid to students, the federal budget cuts of the 1990s had a significant, negative impact on provincial policymaking. Thus the era that immediately preceded the creation of the Canada Millennium Scholarship Foundation is one in which higher education policy was established according to the federal spending power.

One can see the roots of the Canada Millennium Scholarship Foundation beginning to take shape in the 1997 budget, which included four measures specifically related to post-secondary education.

First, the budget created the Canada Foundation for Innovation (CFI), which Roseman described as offering a template for the CMSF's corporate structure (it too was created as an independent foundation at arm's length from the Government of Canada). The CFI was endowed with $800 million and mandated to spend $180 million over five years to support infrastructure investment on post-secondary campuses and in hospitals. Second, the budget expanded the amount of federal tax credits related to post-secondary education and allowed students to carry forward or transfer unused credits. Third, the budget expanded the existing Registered Education Savings Program, which allows parents to save money for their children's education in a tax-advantageous way. Finally, the budget extended existing measures designed to assist students having difficulty repaying their student loans, by both expanding the duration of the interest-free period for to a maximum of three years and by announcing its plans to "pursue with interested provinces, lenders and other groups, an additional option for repaying student loans: students would be able to choose between current repayment arrangements and a repayment schedule tied to income" (Department of Finance Canada 1997). Similar to the CMSF, the CFI would go on to work collaboratively with provincial governments to execute its mandate. Because the CFI will only fund 40% of a research project's cost, each project must seek additional funds elsewhere. Typically, provincial governments provide an additional 40% and external partners (such as post-secondary institutions, NGOs, for-profit firms, etc.); this formula is the result of a cooperative process between the CFI and the provinces (Canada Foundation for Innovation 1998, 5-7).

Interestingly, according to Ted Roseman, who served as a senior official in the federal Department of Finance around the creation of the CMSF, the issue of increasing student debt in Ontario had caused officials in the provincial government so seek remedies to the loan system that would ease the repayment burden students face. According to Thomas (1994), the notion of framing a student aid system around a student loan that is repaid according to a graduate's income has been around since 1940s, when Milton Friedman introduced the concept. The idea is fairly straightforward: because students have limited access to credit (since they tend to be too young to have collateral for a loan from a bank), they need some form of assistance to raise enough funds to pay for their schooling. A student loan, then, would be provided in exchange for future collateral – the expected earnings of individuals who had completed some form of training beyond high school. On the whole, such a system of student loans would have to generate enough revenue from graduates to cover the cost of their loans as well as the cost of loans issued to graduates who do not earn enough to meet their own costs, otherwise banks would refuse to participate. Friedman thought the tax system could be used to administer the collection of student loans, by collecting a share of a graduate's income until his or her financial obligations related to higher education would be recovered (Thomas 1994, 1-3).

Ultimately, the prospects for a fully-fledged "income contingent" loan system were abandoned for a variety of reasons. As Canadian Federation of Students (2007) points out, student groups in Canada in the 1990s were sceptical that the program would serve any purpose other than enabling governments and universities to raise tuition and reduce the share of institutional funding provided by the public sector. In planning the 1998 federal budget, Roseman claims that income contingent loans were proposed by the Ontario government but rejected by Mr. Martin and his staff, who saw them as a "lose-lose" proposition for both students, who would bear the burden for more education-related costs over a longer period of time, and for the government, which would not be spared a major public relations campaign led by opposing student groups (as the Canadian Federation of Students had done in Ontario in the years prior).

The idea for the Canada Millennium Scholarship Foundation emerged when it became clear to officials in the Prime Minister's Office and the Finance Minister's Office that the government would generate a considerable surplus in 1998. Edward Goldenberg, who served as senior policy advisor to Prime Minister Chrétien in the 1990s, explains that the Finance department informed him in the summer of 1997 that the federal government would generate a considerable surplus. In his memoir, Goldenberg claims to have pitched the idea for a term-limited, independent foundation to provide scholarships to undergraduate university students to Chrétien advisers Chaviva Hosek and Marjorie Loveys. Goldenberg was able to earn their support for the idea of endowing such a foundation in part because he stressed that the spending power practice would prevent disagreements with the provinces, which he recognized had jurisdiction over education. Goldenberg conceived of the foundation as a way of both alleviating student debt and encouraging low-income Canadians to enrol in university (Goldenberg 2006, Chapter 21, Section 6, Paragraph 2).

In an interview, Goldenberg explained that the foundation would achieve two main objectives. First, anticipating that federal surpluses would unlikely last forever, the CMSF would take a substantial amount of money off of the federal government books the year it was created. Though the funds would be allocated to students over the course of ten years, the CMSF would receive its entire endowment from the Government of Canada in 1998-99; the accounting rules in effect would ensure that the funds would be considered spent at the creation of the CMSF. Second, because of its independence, CMSF officials would be outside the reach of politicians looking to exert influence on the scholarship allocation process. As Goldenberg explained, a Member of Parliament would be unable to exert pressure on the CMSF to, for example, provide a scholarship to the children of a loyal organizer. Further, in the event that the government changed, it would be extremely difficult to cut the CMSF program. For these reasons, Goldenberg from the did not entertain the notion that the program could be operated through the existing Canada Student Loans Program bureaucracy (which had been handing out student aid to Canadian students since the early 1960s) (Goldenberg, Interview).

In conversation, Ted Roseman described how the public service was tasked with exploring the feasibility of Goldenberg's idea. His Minister, Finance Minister Paul Martin, had made it clear following the 1997 budget's reception that he was pleased with the education-related components of the budget (described earlier), and he had committed the department to examine the idea of an income-contingent loan repayment scheme. When Roseman returned from his summer holiday, he learned that Martin's deputy minister had been asking Finance officials for input on a new foundation. Since Roseman had worked on the creation and implementation of the Canada Foundation for Innovation, he became active on the new foundation file (Roseman, Interview).

Roseman began by conducting an informal survey of department officials, some of whom worked on existing student support measures (such as the tax credits and education savings program discussed in the 1997 budget). Others worked on general fiscal policy for the country. Neither camp was in favour of the foundation model. Those already working on education policy would have preferred to receive additional funding for their programs, while those involved in fiscal policy (including several highly ranked officials) would prefer to pay down the national debt. The deputy minister made it clear, however, that the government would prefer to proceed with a foundation to support students; his department would need to provide instructions on how to create a foundation in a way that would work (Roseman, Interview).

Roseman argues that the team working on what would be come the CMSF had a number of ground rules to follow. First, as discussed, the program would be operated by an independent, arms-length foundation. Second, it would provide assistance largely on the basis of financial need, with a smaller focus on a student's merit – meaning the Canada Millennium Scholarship Foundation, contra its name, would not be a typical scholarship program. Third, it was decided quite early on that the CMSF should ideally not create a new layer of bureaucracy, particularly with regard to the determination of students' financial need. As Human Resources and Skills Development Canada (2011) makes clear, the federal student loan program is based largely on a process whereby the provincial governments determine whether students are eligible for financial aid and their amount of financial need on behalf of the federal government using federal government criteria (Human Resources and Skills Development Canada 2011, 9). From early on, Roseman insists that the CMSF would function best if it, too, could take advantage of the existing bureaucratic framework. As a result, it became clear to Roseman that the provinces would be close partners in the administration of the CMSF. Upon further discussion with Thomas Townsend, then the director-general of the Canada Student Loans Program, Roseman's assessment was confirmed. Townsend told Roseman that the provinces, which were already active in the provision of non-repayable financial assistance to students, would need to be active in the assessment of student need and would seek to provide input into the policy details of the CMSF. Further, it became clear to Roseman that the provinces would need to be compensated for any role in identifying eligible students (Roseman, Interview).

It is clear that, from the outset, public servants working on the CMSF file – particularly those who had experience working on support for students via the existing student aid architecture or the tax system – approached the issue from the perspective of cooperative federalism, which differs from collaborative federalism by focusing on the federal government as providing the lead role in the policy decision-making process. Importantly, regardless of who would take the lead (or whether the provinces would be treated as equal partners in the policy agenda-setting), the public servants working on the file were aware that the provinces would play an essential role in the administration of the CMSF program.

As September 1997 approached, and the Prime Minister's Office began to prepare for the fall Parliamentary session, Goldenberg consulted with Peter Donolo, the PM's communications adviser. Chrétien approved of the CMSF, once Paul Martin's staff had assured him that the surplus was large enough to support such a large expenditure. Goldenberg and Donolo convinced the Prime Minister that he should exclude the CMSF idea from the Throne Speech, and make a surprise announcement the following day in the Commons. Chrétien was convinced. Clearly, the political actors deciding on the creation of the CMSF did not wish to seek the input of the provincial governments prior to the announcement that the CMSF would be created. Goldenberg explained in our conversation that initially it was assumed that the CMSF would operate fairly independently, and would not need the provincial governments' assistance in distributing funds to students. On the contrary, Goldenberg made it clear that it was the position of the Prime Minister's Office that the program would be valid under the practice of the federal spending power:

> It was a federal initiative, we didn't talk to any of the provinces about it. To a certain extent it was a spending power initiative, that we had a right as a federal government to have relations with citizens, that the federal government [had been] involved with education, university-level education for many years in many different ways and that this was one more way (Goldenberg, Interview).

The Speech from the Throne mentioned the government's recent enhancements to the Canada Student Loans Program, as well as a vague reference to the government's interest in pursuing a partnership among citizens, communities and governments to celebrate Canadian achievement and mark the upcoming millennium. As Goldenberg and Donolo had decided, it did not refer to the CMSF (LeBlanc 1997). The next day, the Prime Minister announced that, armed with a fiscal surplus, the federal government would create an arm's-length fund to support Canadian students:

> There can be no greater millennium project for Canada and no better role for government than to help young Canadians prepare for the knowledge based society of the next century.
>
> As our most significant millennium project we will establish at arm's length from government a Canada millennium scholarship endowment fund. The income from the fund will reward academic excellence and will provide thousands of scholarships each year, beginning in the year 2000 for low and moderate income Canadians to help them attend universities and colleges.
>
> We will be working closely with appropriate partners to help in the actual design of the fund. It will not be a monument made of bricks and mortar but when future Canadians look around, they will see its legacy everywhere (Chrétien 1997).

The focus of the new foundation (referred to as a "fund") is somewhat difficult to divine. Its mission appears to be to prepare Canadian youth for the knowledge economy, and its program would appear to be designed to support low and moderate income Canadians who demonstrate academic excellence in their pursuit of higher education. From the beginning, the Prime Minister made it clear that the program would be somewhat independent of political influence, declaring that his government would work in some undefined series of partnerships to design the fund. This approach is consistent with the portrait of the CMSF's nascence provided by both Goldenberg and Roseman, as well as by Mel Cappe, former Clerk of the Privy Council and Secretary to the Federal Cabinet, all of whom made it clear that the idea was first to create an arm's-length organization that would second provide some form of student support. As Roseman explained, the focus at the time was more on the nuts and bolts of establishing legislation that would create a corporate structure, not necessarily program parameters and design (Roseman, Interview).

In fact, one could argue that provincial pressure forced the federal government into action in the months leading up to the 1998 budget. On September 23, 1997, the Council of Ministers of Education, Canada, issued a statement calling on the federal government to take action to reduce debt, noting that the Canada Student Loans Program accounted for 60% of all student debt and the federal government did little to mitigate or reduce the expansion of debt at the time. CMEC called attention to the Throne Speech and encouraged Ottawa to make student debt the focus of the millennium project (Council of Ministers of Education, 1997). Obviously, the federal government had not consulted with the provinces about creating what would become the CMSF. In fact, the Prime Minister's decision to announce the program in the House of Commons without notifying the provinces or any post-secondary education stakeholders (let alone members of his caucus), is best interpreted as a strong use of the spending power; for the PM to announce a major program in an area of provincial jurisdiction without alerting the provinces can only represent a reinforced notion of centralization. Ottawa would cut in education at its own will and would reinvest in education at its own will. As the program would evolve, the approach taken would require considerable cooperation from the provincial governments, which the spending power theory does not afford.

Following the announcement of the program at the start of the Fall Parliamentary session, officials within the federal bureaucracy continued to work on the structure of the CMSF. Consistent with our understanding of the implementation of the federal spending power, officials did not substantively consult with the provincial governments or other stakeholders. Roseman recalls a single stakeholder meeting later that fall, while the department of Human Resources Development (HRDC) received stakeholder feedback through its National Advisory Group on Student Financial Assistance. Of course this did not prevent stakeholders from lobbying privately. The Association of Universities and Colleges of Canada, he recalls, was particularly interested in the question of a merit component to the CMSF program (Roseman, Interview).

According to Mel Cappe, who served as Deputy Minister of HRDC during the creation of the CMSF before becoming Clerk of the Privy Council in January 1999,[6] the scope of the CMSF's program was subject to discussion that fall. Certain officials within the government were hoping to set aside a portion of the funds for foreign students to study in Canada, while others thought that a program focused exclusively (or primarily) on university students – as opposed to all post-secondary students, including those in public and private colleges – might have defused some of the inevitable federal-provincial tension (Cappe, Interview).

[6] HRDC served as the department that formally liaised with the CMSF – its minister, for example, would receive the CMSF's annual report and table it in the House of Commons.

The centrepiece of the 1998 federal budget, delivered to the House of Commons by Finance Minister Paul Martin on February 24, 1998, was known as the Canadian Opportunities Strategy, a series of measures designed to provide financial support for learning in Canada. The centrepiece of the strategy was the Canada Millennium Scholarship Foundation. In his budget speech, Martin explained that the CMSF would be an independent foundation that would receive the largest single investment ever by a federal government in support of students: $2.5 billion to be spent over the course of a ten-year mandate. Because the CMSF would be able to invest its endowment, Martin projected that it would actually spend approximately $3 billion over ten years, providing 100,000 scholarships per year worth an average of $3,000 each. Importantly, Martin explained that a student who received one scholarship per year for four years would have his or her debt cut by $12,000 – "half of what it otherwise would have been" (Martin 1998, 13). Critics of the budget and the CMSF would point to Martin's twofold implication – that the average student debt among likely scholarship recipients was $24,000 and that the CMSF would cut that debt load in half – as establishing an expectation the CMSF would not be able to meet.[7] The CMSF would provide support to full- and part-time students at universities, colleges, CEGEPs and vocational/technical schools; moreover they would be able to benefit from the scholarships while studying outside their home province. Martin explained that the CMSF would be managed by a board of directors made up of private citizens, and that the group of provincial ministers of education (the Council of Ministers of Education, Canada) would play a lead role in

[7] As described later in the chapter, the CMSF impact on debt, particularly in its early years, was modest in Ontario.

identifying board members, and that there would be at least one student on the board (Martin 1998, 13-14).

With respect to the implementation of the CMSF program, Martin described the way the CMSF was expected to interact with the existing federal-provincial system of student aid:

> the Foundation will consult closely with provincial governments and the education community. The goal will be: to award scholarships by the Foundation to individuals in a manner that avoids duplication, to build on existing provincial needs assessment processes, to complement existing provincial programs. The legislation creating the Foundation will provide it with the administrative flexibility required to meet these objectives.
>
> In particular, the Foundation will have the authority, subject to mutually agreed needs, merit and mobility criteria, to contract with appropriate provincial authorities for the selection of those recipients in a province to whom the Foundation will award Canada Millennium Scholarships (Martin 1998, 14).

Already it is clear that the CMSF would be tiptoeing away from the spending power approach to politics. While the creation of the CMSF represents a unilateral action of a centralizing Government of Canada, the implementation of the idea – via legislation – creates the conditions for collaboration with the provinces. In so doing, the legislation effectively leaves the decision about the manner of the CMSF's implementation and program delivery to the organization itself.

In fact, the policy objective of the CMSF program had already evolved, as pressure exerted by interest groups and provincial governments (via CMEC) forced federal officials to abandon ideas for the CMSF as a largely merit-based program. In conversation, former Finance Minister Paul Martin explained that there was legitimate disagreement among federal policy officials and politicians about the balance between a program that was delivered on the basis of need and one that would provide scholarships in recognition of exceptional merit (Martin, Interview).

The CMSF was formally created in the legislation that implemented the 1998 budget. It was given a twofold mandate: "to grant scholarships to students who are in financial need and demonstrate merit, in order to improve access to post-secondary education" (Budget Implementation Act 1998, 5 (1)). The dual mandate, particularly the implication that scholarships to reduce need would improve access to higher education, poses something of a challenge. Given that the CMSF would be providing money to students already enrolled in (or, at a stretch, already having applied for) post-secondary education, it's unlikely that it could have a substantial impact on improve the accessibility of a system students were already ready to enrol in. While it's conceivable that the presence of the CMSF as a source of funding might affect the educational decision-making of individuals considering their future, this impact would be relatively minor and, certainly, secondary to the CMSF's primary objective: providing funds to existing students.[8] The CMSF's decision to restrict its main bursary program to students who have already completed 60% of one year of study (the CMSF's interpretation of the "demonstrate merit" component of the legislation) would underlie the challenge it would have to improve access to higher education. While ostensibly a minor point about public administration, the choice to provide the funds largely on the basis of need (given that the ability to complete less than two-thirds of a year of study hardly represents the notion of exceptional academic merit) represents a shift in the approach the CMSF would take. While its origins were in the actions of a centralizing federal government using the

[8] The question of the CMSF's impact on access to higher education is addressed in the conclusion.

spending power to act unilaterally in an area of provincial jurisdiction, the ensuing process of creating the organization and its program in a manner that would work relatively harmoniously with the existing student aid system. This notion – that a certain degree of collaboration would be required – allowed for the provincial governments and their stated intentions to be given considerable weight in decisions about the CMSF. This represents a shift away from spending power federalism toward collaborative federalism.

The CMSF Program in Ontario

In our conversation, the CMSF executive director and chief executive officer, Norman Riddell, explained that the legislation included a key article that outlined how the CMSF would have to proceed with the rollout of its program. Article 28 of the legislation stated that the CMSF should distribute its scholarships "in a manner that complements existing provincial student financial assistance programs and that avoids duplication with the processes of those programs, to the extent that it is possible to do so" (Budget Implementation Act 1998, 28). Moreover, Article 20 (2) states that the Foundation ought to, where possible, keep its administrative costs low. It is clear that the legislation reflects the vision Roseman and his colleagues at the Department of Finance had for the CMSF: that it would take advantage of the existing, largely provincial student aid architecture to administer its program. For Riddell, who led the small team that was tasked with signing agreements with each province and territory regarding the CMSF's implementation in a relatively small amount of time, the legislation allowed the CMSF to pursue the approach he preferred. As a former deputy minister in provincial governments (Saskatchewan and Quebec), Riddell sought to draw on his experience on intergovernmental files to implement the CMSF program without antagonizing the provincial governments that would be essential partners in its ability to deliver on its legislated mandate. Thus it was not simply that the legislation allowed for a collaborative approach to federal-provincial relations; regardless of the spending-power origins of the CMSF, it was clear to Riddell that the ability of his organization to succeed would depend on the practice of collaborative federalism (Riddell, Interview).

The CMSF's first Board of Directors commissioned former Queen's University Principal David C. Smith to lead a national consultation on the development of its bursary program, which would account for 95% of its annual scholarship expenditures. Smith engaged university and college heads, deputy ministers of education, and representatives of federations and associations that represented faculty, students and post-secondary institutional staff (Smith 1998, 5-6).

As envisioned by federal government officials, Smith concluded that the CMSF ought to use the existing provincial student aid need assessment process to determine which students demonstrate financial need and thus should qualify for a bursary. Further, Smith suggested that the CMSF could use its legislated ability to receive private donations to create additional bursary programs targeted to specific groups of students who might be disadvantaged without formally qualifying for aid through the existing student aid system. Smith concluded that the CMSF bursary program should focus on reducing student debt, but could also apply to the concept of "unmet need," which refers to amounts of financial need determined to exist by the student aid system but not funded by it, chiefly because of a cap on maximum student loan amounts. As far as the merit component of the bursary program, Smith suggested a criterion related to either acceptance at a post-secondary institution or the completion of a certain amount of study (Smith 1998, 46-47).

The legislation and the Smith report gave the CMSF's staff, led by executive director and CEO Norman Riddell, a blueprint for concluding agreements with provincial governments on the implementation of the CMSF program. In our conversation, Riddell expressed that the agreements with the provinces would have to be similar across the country, that there would be room for difference, but the major features of the program would have to be similar in each jurisdiction. Program design could differ, however, with regard to establishing the dollar amount of need required to qualify for a bursary, for example. The fundamental issue was around displacement and reinvestment. It was clear to CMSF officials that the introduction of a substantial amount of bursary funding into the existing provincial student aid programs would case overlap – in many cases, the CMSF and the province would be trying to provide the same assistance to the same students. Thus, in order for there to be a benefit to students, the provincial governments would have to reinvest funds that would be displaced by the CMSF program. The CMSF would identify roughly how much displacement would likely occur in each province, and sought agreements with each government on how reinvestment of displaced funds would occur (Riddell, Interview).

The first agreement was made with the Government of Alberta, though it was not the first agreement to be signed. Riddell, having recently served in a senior administrative role at the University of Alberta, was familiar with the Alberta advanced education officials, and was confident that the agreement would serve as a useful blueprint for agreements with the other provinces. The agreement consists of two documents: a formal agreement between the CMSF and the province describing the amount of scholarship funding the CMSF would provide to Alberta students and a letter from the province committing to reinvest displaced funds. The agreement described the program as follows. First, students would only be eligible if they had completed 60 percent of a year of post-secondary study within the last ten years (this constituted the bursary's merit component, designed not to pose an onerous burden on students in financial need, and to ensure that a disproportionate share of funds did not go to students in extremely short, expensive, private college programs). Second, the province would determine a student's financial need. Third, no award would be less than $2,000, which set a lower bound on the bursary than discussed in the budget speech (which described bursaries worth an average of $3,000 each). Fourth, the province would supply a list of names of students who qualify for the bursary, on the basis of financial need, to the CMSF by the middle of October of the academic year. The province would, in consultation with the CMSF, determine the "need threshold" for the bursary. Students with need above a certain amount would be nominated to the CMSF for the award. The province would also confirm students' enrolment in the second semester of the academic year and then issue cheques prepared by the CMSF to the students. Fifth, the size of the program in Alberta would be equivalent to the province's share of the population; unused funds (if, for example, students were selected for the bursary and then abandoned their studies) would be carried forward to the following year. Sixth, the CMSF would provide the province an annual sum of $250,000 to administer the program, as well as a one-time payment of $120,000 to upgrade its information system (Canada Millennium Scholarship Foundation and Alberta 1999).

The agreement includes an annex describing the expected allocation of CMSF bursaries in Alberta, which would range in value from $2,000 to $4,000, depending on their level of need (Canada Millennium Scholarship Foundation and Alberta 1999).

The agreement was signed on May 4, 1999 by Riddell and the Minister of Advanced Education and Career Development, Clint Dunford. In a latter dated May 20, 1999, Dunford expressed his government's commitment to reinvest funds that would be displaced by the CMSF program "in programs that benefit students. This includes, but is not limited to, programs of direct and indirect benefit to students such as increasing the maximum assistance available to high need students, increased loan limits to accommodate the rising cost of education and assistance for learners to access technology" (Dunford 1999).

The Alberta agreement, Riddell explained, was pivotal in the development of the CMSF. It allowed CMSF officials to pursue agreements elsewhere in Canada, with a working document in hand that served to outline the nature of the accords to be signed. From that point on, it became clear what the basic parameters of the CMSF program would look like. As it served as the foundation for the CMSF's program and its approach to its dealings with provinces, the agreement allows for insight into the practice of federalism as espoused by the CMSF (Riddell, Interview).

While the spending power theory would suggest that the federal government exerts its authority and its size by imposing a program in an area of provincial jurisdiction, the CMSF took the complete opposite approach. While the basic parameters of the program – essentially the size of the allocation of funds and a fairy broad program mandate – were identified in the legislation that created the CMSF, the details of program implementation, and the management of the repercussions of the insertion of new funds, was decided on a collaborative, bilateral basis. In this scenario, the provincial governments were full partners in the process of policymaking, since they would largely determine what the net impact of the program would be. Moreover, the CMSF engaged in bilateral discussions with each province. The blueprint for its agreements was developed with Alberta, but the design was for the details to vary from one jurisdiction to the next.

This would allow for both a program that was flexible enough to meet the demands of different provinces with different political and policy priorities (as well as different existing programs), and it showcased the provincial governments, to a certain extent, as the drivers of new student aid policy.

While Janet Ecker would be appointed to the CMSF board partway through its ten-year mandate, when it was created she was serving in Mike Harris's Progressive Conservative government in Ontario. In 1996, she was named to cabinet and given the post of Minister of Community and Social Services. In 1999, following the government's re-election, she became Minister of Education (though in Ontario the ministry responsible for post-secondary education is not Education, but Training, Colleges and Universities). In an interview, Ecker described the reaction to the creation of the CMSF program in Ontario. Ecker reported that the province was irritated with the federal government because of the way in which the CMSF program would interact with the existing provincial financial aid infrastructure. It became clear early on – before the CMSF had reached an agreement with the Ontario government – that the funds provided to students by the CMSF would affect their eligibility for the loans and grants administered by the Ontario government. As described in chapter two, Ontario at that point provided students with a grant called the Ontario Student Opportunities Grant (OSOG), which replaced any public student loan debt accrued during an academic year above $7,000 with a non-repayable grant.[9] In theory, the CMSF grant would, in most cases, replace all or part of the OSOG amount. Ecker recalls her cabinet colleagues' anger around the creation of the CMSF. For one thing, the program would force the province to adjust its own student aid

[9] Assuming a typical, two-semester year. Students who studied for three semesters would have any loan amount in excess of $10,500 replaced by the grant.

scheme, without any meaningful consultation or collaboration from Ottawa beforehand. For another, it created – in addition to an administrative challenge – a set of political problems for the government, namely around the issue of this “displacement.” Regardless of the intent of the program, Ecker recalls its announcement and introduction as being a source of frustration, one associated with the federal government acting to centralize new parts of Canadian student aid (Ecker, Interview).

As Ecker recalls, the challenge Ontario faced was of both the political and the policy variety. The government was aware that the displacement of existing student aid funding would mean that, barring significant reinvestment, the introduction of the CMSF program (which the Conservative provincial government opposed in part because it was the “legacy” project of Liberal Prime Minister Chrétien) would leave students no better off and the government with a difficult position to defend. The agreement between the CMSF and Ontario, modelled on the Alberta document, included four stipulations in appendix: First, the need assessment would be the same employed by the existing Ontario Student Assistance Program. Second, each award would be $3,000 (as opposed to the tiered bursaries in Alberta). Third, the bursaries would be paid in February, following confirmation that students were in “good standing.” Fourth, the bursaries would be paid directly to the student’s loan provider to reduce his or her outstanding student loan debt. According to Riddell, this last provision likely rankled the federal officials who designed the CMSF, since it would reduce the visibility of the program. Beginning in the program’s second year, the “loan remission” model in Ontario was replaced by a direct payment of cheques to students, though the effect was the same – the corresponding amount was simply reduced from the student's loan cheque (and payment was made earlier, at the start of the winter semester) (Ecker, Interview).

Importantly, the agreement makes clear that the decision about who will be the net beneficiaries of the program is up to the province, not the CMSF or the Government of Canada. While this decision was arrived at collaboratively – and Riddell made it clear that the CMSF had parameters for the reinvestment of displace funds – the specific choices within the fairly broad parameters would be up to the province. Less than two years after the Prime Minister used a House of Commons speech to announce a program that many assumed would feature the Government of Canada centralizing student aid, a provincial government would decide who the ultimate beneficiaries of the program would be. Further, in the model of collaborative federalism, the agreement between the CMSF and the Government of Ontario constitutes an instrument of collaborative federalism, in which agents of the federal and provincial governments jointly decide on a policy course in which each agent is treated as an equal partner.

According to a mid-point evaluation of the CMSF conducted by Queen's University's Institute for Intergovernmental Relations, the CMSF claimed that the size of the displacement of Ontario funding totalled approximately $69.2 million – that is, the province's grant program saved $69.2 million in annual expenditures thanks to the introduction of the CMSF program, which amounted to $106.3 million each year. In other words, without any reinvestment, the CMSF would wind up spending $106.3 million to generate only $37.1 million in new bursary funding for Ontario students. However, the province's reinvestment commitments actually exceeded the CMSF displacement (presumably, this merely reflects the province's plans to invest in post-secondary education regardless of the CMSF's introduction). In total, the province committed to an additional $85 million, or nearly $16 million in additional funding. The reinvestments consisted of five items: an additional $500 bursary for CMSF bursary recipients, increased operating grants to universities, changes to the amount of money students could earn in income and scholarships without having their student loans amounts reduced, new scholarships for graduate students and an expansion of the provincial work-study program (Institute of Intergovernmental Relations 2003, 45).

During the 1999-2000 academic year, the year in which the CMSF program was introduced, there were 169,990 student aid recipients in the Province of Ontario.[10] In total, these aid recipients were provided with $730,937,797 in "net loans," which refer to the amount of loans once debt reduction programs (like the Ontario Student Opportunities Grant program described earlier) have been applied. In addition, Ontario students received $71,521,045 in need-based grants and $688,205,807 in loan remission payments. It should be noted that the loan remission figures are somewhat misleading, due to the way in which the OSOG program was administered. Prior to 1999-2000, OSOG was paid at the end of the student's period of study (for a typical university student, OSOG would be paid at the end of the fourth year of study); beginning that year, OSOG payments were made annually, meaning in one year the province provided OSOG payments to a full cohort of students at the end of their study period, as well as to students who had not completed their post-secondary education, but had only completed

[10] The data related to student financial assistance in Canada, including the number of aid recipients and the value of loans, grants and other forms of aid, are reported in Berger and Parkin (2008), as collected in a survey of federal and provincial student financial assistance program officials. Dollar figures, unless otherwise stated, have been adjusted to 2007 dollars by Berger and Parkin, using inflation data from the Bank of Canada.

a year of study. For reference, in 1998-99 a total of $331,539,647 was provided to Ontario students in the form of loan remission programs; in 2000-01, the total was $317,397,900. Moreover, while the CMSF bursary program was paid as loan remission in Ontario in 1999-2000 at the end of the academic year, beginning the following year it was paid in the form of a cash grant that replaced a portion of the student's loan. While the effect of the program was the same – in both cases, students received non-repayable aid in the form of a payment that replaced a portion of the student's loan – it further complicates efforts to compare student aid data immediately before and after the introduction of the CMSF program (Berger and Parkin 2008, Statistical Tables).

The effectiveness of the CMSF program can be measured in part by the effect it had on the kind of aid provided to Ontario students. As described earlier, the CMSF was created to provide funding to students in need. A crude measure of the impact of the program is simply to examine how much more funding was provided to students after the program was introduced. The total amount of non-repayable aid (including grants and loan remission programs) provided to students in 1998-99, the year prior to the CMSF program's introduction, was $399,043,786, or $2,249 per student loan recipient. In 2001-02, the amount of total non-repayable aid decreased to $300,844,715.[11] The total amount of aid decreases, however, because the number of loan recipients declined as well. While there were 177,451 student loan recipients in Ontario in 1998-99, there were only 145,287 in 2001-02, due largely to changes in the eligibility requirements for student aid. Thus, in 2001-02, the total amount of non-repayable aid in Ontario was $2,071. The portrait is further complicated by the fact that the amount of total aid – which adds loans

[11] The year 2001-02 has been chosen as a comparison to control for the change in the way the OSOG program was accounted for in 1999-2000 and 2000-01. This change allows for a cleaner pre/post analysis.

to the mix, in addition to grants and remission payments – declined as well, from $10,066 in 1998-99 to $8,713 in 2001-02, again owing to the changes in student aid eligibility in the province (Berger and Parkin 2008, Statistical Tables).

The larger changes in student financial aid in Ontario, in addition to the accounting rule changes surrounding the OSOG program, complicate attempts to measure the impact of the CMSF program, which was intended to provide additional grant assistance to students in need to reduce student debt and, in so doing, increase access to post-secondary education. One way of controlling for the shifting context is to look at the composition of student aid in Ontario before and after the CMSF program was introduced. In 1998-99, the share of all student aid provided in the form of non-repayable assistance (grants and loan remission) was 22.3%. In 2001-02, it had increased slightly, to 23.7%. The slight increase in grant/remission aid to Ontario students is consistent with the reinvestment commitments described earlier. Since the CMSF program was designed in a manner that would displace the majority of provincial grant/remission assistance, its impact would largely lie in the areas in which the province chose to reinvest savings realized through displacement. As described earlier, the only reinvestment commitment that directly affected the provincial grant/remission program was the $500 top-up to OSOG funding (in most cases, this meant that students who received a CMSF bursary had their annual loan reduced to $6,500, instead of $7,000). One of the other commitments, the expansion of the amount of scholarship/work income a student could earn without having his or her student aid reduced, might have had a secondary impact on student aid that could not easily be picked up in the available data. The other reinvestments – additional operating grants to universities, a merit scholarship program for graduate students and additional money for the provincial work-study program – would not have had an impact on student aid, and thus would not have reduced student debt (Berger and Parkin 2008, Statistical Tables).

Approaching the 2005-06 academic year, the CMSF directors realized that the organization's management practices (both its investment income and its relatively low operating costs) would wind up generating a significant surplus at the end of its ten-year mandate. As Riddell explained in conversation, the CMSF board approved a plan to allocate additional resources – approximately $200 million over the final four years of the mandate – to additional student aid. Rather than expanding the pool of funds managed by the existing agreements, the CMSF sought new deals with each province to create new programs that would provide more targeted assistance measures. The Millennium Access Bursary Program would provide assistance to low-income, Aboriginal and adult students (Berger 2007, 4). Riddell outlined the program's four priorities as discussions began with each provincial government. First, to provide assistance to students not necessarily well served by the existing student aid system (Usher (2004) describes how low-income students receive a disproportionately small share of non-repayable student aid in Canada), chiefly low-income individuals. Second, to avoid displacement, either by creating programs to support students unlikely to benefit from existing grant programs or by creating jointly funded programs with provincial governments. Third, to conduct a large-scale research program evaluating the program. Fourth, to allow the program to vary from province to province, particularly with regard to targeted populations and rules surrounding implementation (Riddell, Interview).

The Millennium-Ontario Access Grant, introduced in 2005-06, paired an annual allocation of $19 million from the CMSF with a funding envelope from the province to provide grants to first-year low-income students worth half the cost of tuition up to $3,000 (smaller amounts were provided to middle-income students; in subsequent years the program was expanded to students beyond their first year of study). As Riddell explained, by starting with a fresh program that coupled CMSF funds and provincial funding, displacement was unlikely to occur, meaning the program would have a much more direct impact on students. While grants and loan remission made up 23.7% of all student aid in Ontario in 2001-02, that amount increased to 25.8% in 2005-06 (the first year of the second CMSF program in Ontario) and then to 31.8% in 2006-07, as the province expanded its contribution to the new bursary program. As a result of the CMSF program, the share of non-repayable aid provided to Ontario students increased by about 50% between 1998-99 and 2006-07 (Berger and Parkin 2008, Statistical Tables).

In discussion, Tom Glenwright, retired director of Manitoba Student Aid and former co-chair of the Intergovernmental Consultative Committee on Student Financial Assistance (which consists of the federal and provincial student aid directors), the approach the CMSF took, particularly with regard to its second bursary program, was the complete opposite of the manner in which the federal government typically operates. While the Canada Student Loans Program might occasionally put forth a pool of money for which provincial governments can submit proposals, the CMSF outright sought considerable policy direction from the provincial governments. Contrary to the Canada Student Loans Program's "one size fits all" approach, Glenwright described the CMSF as being responsive to provincial objectives. For example, he explained that a portion of the

CMSF access bursary funding in Manitoba was directed toward adult learners – an idea that Glenwright saw in Alberta and suggested to the CMSF. Since it would support an under-represented population of students (adults who had gone back to school to complete a high school equivalency course and wanted to pursue post-secondary studies), the program met the criteria established by the CMSF, allowing the province to pursue a particular goal without needing corresponding programs in other provinces (Glenwright, Interview).

Conclusion

As described in chapter one, the model of collaborative federalism described by Cameron and Simeon has four major features. First, it is a model in which national policy ideas are not necessarily brought forward by the federal government. Second, it can involve the federal government along with the provincial government, or an act of one or more provinces working without the central government. Third, it involves political institutions, such as intergovernmental committees or agreements. Fourth, the focus is on outcomes and relative equality among jurisdictions, not territoriality.

The case of the Canada Millennium Scholarship Foundation's program in Ontario, clearly created as an act of the federal spending power (both in intent and effect, as described by, among others, Edward S. Goldenberg), meets the criteria for collaborative federalism. First, while the federal government was the source of the CMSF's creation, the actual implementation of its program was outsourced to an arm's-length, non-governmental organization that worked collaboratively with the Ontario government to establish its program and policies. Second, the province, though not the principal agent introducing the program, was able to dictate the effect of the program, which was at first related to the reinvestment of displaced provincial funds and later focused on targeting aid to students not already well served by the student aid system. Third, the program was forged on the basis of an intergovernmental agreement – the agreement between the CMSF and the province – and informed by discussion at the federal-provincial policy roundtable on student aid (the Intergovernmental Consultative Committee on Student Financial Aid). Fourth, the focus of the program, as it evolved and expanded in 2005-06, was on establishing a joint CMSF-Ontario program focused on policy innovation related to student aid. Moreover, this program re-orientation was informed by expert research, emphasizing the focus on outcomes, not positioning. As the case of the CMSF program in Quebec, described in chapter four, makes clear, this approach both exemplifies the theory of collaborative federalism and refutes the perception of the CMSF as a textbook case of the federal spending power.

Chapter 4

Once the Canada Millennium Scholarship Foundation's board and staff were operational, the organization shifted its focus to the negotiation of agreements with each provincial and territorial government and the subsequent implementation of its bursary and scholarship programs (Canada Millennium Scholarship Foundation 2000, 3). The first chair of the CMSF's board, Jean Monty, described the agreements with the provinces as essential to the delivery of the CMSF's program; doing so meant the CMSF could operate below expected costs and eventually channel more funding into its bursary program (Canada Millennium Scholarship Foundation 2000, 3). In conversation, the finance minister who oversaw the budget creating the CMSF, Paul Martin, explained that working with the provinces was necessary to avoid duplication of existing programs and respect the province's jurisdiction over education and existing student aid structures. Interestingly, Martin explained that there were no particular expectations for the CMSF program in any individual province, including Quebec (Paul Martin 2011, Personal Correspondence). As described in Chapter Two, Quebec had opted out of federal programs related to higher education, including the Canada Student Loans Program, since the 1960s (Martin, Interview).

This chapter examines the creation and implementation of the CMSF program in Quebec, arguing that it is explained by the theory of collaborative federalism. While, as outlined in Chapters Two and Three, the creation of the Canada Millennium Scholarship Foundation is explained according to the theory of the federal spending power, the implementation and administration of the program is not adequately explained by the spending power. To the contrary, the case of the CSMF program in Quebec shifts the focus to the practice of federalism, examining the role of Canada-Quebec politics and rhetoric, interprovincial negotiation and collaboration among policymakers in securing a program of benefit to Quebec students.

Negotiation with the Government of Quebec

After the Canada Millennium Scholarship Foundation had been created, but before its corporate structure came into existence, the Government of Canada explored securing an agreement with the Government of Quebec regarding the province's allocation of CMSF funding. Mel Cappe, former clerk of the Privy Council, described the negotiation in a recent conversation. Cappe explained that the CMSF was not created in a vacuum – to the contrary, it followed a contentious negotiation between Ottawa and each province concerning labour market development agreements, for which Cappe was a principal negotiator. Moreover, the implementation of the federal National Child Benefit program, with its focus on displacement of provincial spending, included challenges the CMSF program would raise. In conversation, Cappe referred frequently to the issue of one level of government crowding out another. Given that Quebec already had relatively generous conditions for students (the lowest tuition in the country as well as the most generous student grant program), the challenges of this crowding out would be significant – and would fuel the political disagreement over the CMSF program (Cappe, Interview).

In the period following the announcement of the CMSF – before the enactment of the legislation that would govern its program – the Government of Quebec made its position clear. A communiqué issued by the Council of Ministers of Education, Canada (the assembly of provincial education ministers), laid out the position of the other provinces and territories: that the CMSF grants should be based on need and that the CMSF should work in partnership with the provincial governments and not duplicate existing programs. In the same document, the Quebec government, through Education Minister Pauline Marlois, articulated its own position, that the province would opt out of the CMSF program with full compensation (Council of Ministers of Education, Canada, 1998).

As the Secrétariat aux affaries intergouvernementales canadiennes reports, in March 1998 the provincial government proposed an amendment to the legislation that would allow the province to formally opt out of the CMSF program with compensation (Secrétariat aux affaries intergouvernementales canadiennes 2004, 105-06). On May 14, 1998, Quebec's National Assembly adopted a motion put forth by Henri-François Gautrin, the Liberal (and hence, opposition) member from Verdun, establishing the government's stance toward the CMSF. In the months since the budget, the federal government had been negotiating with the Parti Québécois government in the province over the program. Unlike the other provinces (as well as Yukon), the Quebec government does not participate in the Canada Student Loans Program, meaning it could reasonably argue that any federal intervention in student financial aid ought to follow the same opt-out-with-compensation pattern that had been in place since the 1960s. While the spending power had come to be acknowledged, if not accepted, in Quebec (as discussed in Chapter Two), it does not explain why the provincial government would need to participate in a negotiation over a federal program. The circumstances of student aid program design, however, presented a roadblock to the federal government: if it proceeded with the CMSF without Quebec's assent, the province would simply claw back funding from its own, generous bursary program.

Gautrin offered his motion intending to encourage a resumption of negotiations between the PQ government and the federal Liberals. He offered three conditions for an agreement: First, the portion of the CMSF's annual allocation (at the time estimated to be approximately $300 million) earmarked for Quebec be done on the basis of "demographic parameters," referring to a share of the population. Second, that the province select which students qualify for the bursary and, then, provide a list to the CMSF. And third, that the CMSF distribute the bursaries according to terms and conditions established by the government. Further, the Gautrin motion recognized the provincial government's authority to invest the savings realized in its own bursary program and in the province's universities and colleges (Gautrin 1999). In the ensuing discussion, the education minister, PQ member Pauline Marois, argued that the conditions on their own would be insufficient without an amendment to the federal law creating the CMSF (Bill C-36, the act to implement the 1998 federal budget, which was at the time before the federal House of Commons). Marois's stated objections to the CMSF were twofold: first, that the program disrespects the Province of Quebec by not allowing for an opt-out and, second, that the CMSF program is somewhat superfluous in Quebec, where (as described in Chapter Two), the province already operates an extremely generous bursary program. Marois offered an amendment to the motion that called for negotiations to arrive at a legislative amendment to the federal law (and not an agreement between the federal and provincial governments), and that called for the province to distribute the funds to avoid creating a redundant bureaucracy. The National Assembly adopted the motion unanimously, enshrining in legislation the CMSF's negotiating position (Gautrin, 1998).

At the end of the negotiation that preceded the National Assembly resolution, federal Human Resource Development Minister Pierre Pettigrew explained that the federal government would be content to practice asymmetrical federalism with regard to the CMSF. (Pettigrew, a minister from Quebec, oversaw a portfolio that included student support programs like the Canada Student Loans Program and the existing patchwork of grants for post-secondary students.) In a communiqué, Pettigrew put forth an outlook at odds with the centralizing theory of federalism:

> "Education is an area of provincial jurisdiction. We are not becoming involved in curricula, the management of institutions or the quality of instruction," the Minister explained. "The millennium scholarships are not part of the permanent Canada Student Loans structure. This is a time-limited project to celebrate the new millennium by emphasizing knowledge and expertise, the keys to success in the new economy" (Human Resources Development Canada 1998).

In conversation, Mel Cappe (then deputy minister of Human Resources Development and chief negotiator for the federal government with Quebec on the CMSF file) described the conditions of the negotiations. The CMSF program was preceded by two other complicated intergovernmental arrangements: the National Child Benefit and the Labour Market Development Agreements, each of which involved the federal government acting in an area of provincial jurisdiction with implications for existing provincial social policy arrangements. While Cappe viewed these federal programs, like the CMSF, as legitimate policy areas for a central government, he acknowledged that the amount of time and energy that went into negotiations was significant. While Quebec could always simply turn down a federal program in an area of provincial or shared responsibility, Cappe suggested that questions of the legitimacy of the spending power often turned on the amount of money at stake. While the National Child Benefit negotiation occurred away from the spotlight, the CMSF was front and centre – in the Throne Speech, the budget and the Quebec-Canada relations in spring 1998. In other words, the initial focus of the CMSF was inherently political – as the National Assembly debate between Gautrin and Marois makes clear, much of the discussion was around which government would issue cheques, which logos would be on the letter and who would earn visibility for the program. To Cappe, this focus on trivia – the placement of logos – meant the focus was very much *not* on the potential transformative effect a program of $2.5 billion could have had on Canadian higher education. At the time, however, it was clear that the CMSF program could not proceed without Quebec's participation. It was equally clear that the federal government would not cede to Quebec's request for an opt-our with full compensation (Cappe, Interview).

It is important to keep in mind that this discussion occurred in the CMSF's pre-history, prior to the legislation that formally created it coming into existence. By the time the CMSF would be created, the spending power theory, which posits that, as Cappe put it, "the piper should be able to call the tune," no longer applied (Cappe, Interview). In fact, as Norman Riddell explained it, it was the Quebec government that established the parameters for the CMSF's bursary program. As the CMSF embarked on negotiations with provincial governments, beginning with Alberta and Ontario as described in Chapter Three, Riddell and his team sought agreements that confined to the parameters that had become the official stance of Quebec's National Assembly: per-capita allocation of funds, provincial selection of recipients (on the basis of need) and provincial establishment of the terms and conditions of payment of the bursaries. It so happened that these criteria fit comfortably within the context of the law, which both encouraged cooperation with the provinces and the avoidance of a new, unnecessary bureaucracy (Riddell, Interview).

Thus the major piece of the CMSF's strategy to reach an agreement with the Province of Quebec was put into place. The remaining part of the approach was of a more diplomatic nature. As Mel Cappe pointed out in conversation, it was not an accident that the first chair of the CMSF, Jean Monty, was a Quebecer, that its offices were in Montreal and that its first executive director had served in the Quebec public service (where he negotiated the agreement that granted the province autonomy with regard to immigration policy) (Cappe, Interview). The challenge, Riddell, explained, was that the Bouchard government in Quebec refused to negotiate directly with the CMSF, since any direct discussion would constitute an acknowledgement that the CMSF existed (and, thus, had a right to do so). Following the Gautrin resolution, the federal government pursued its negotiations, which involved stakeholder groups in the province, including university rectors, college presidents and student associations. Ultimately, the agreement between the CMSF and Alberta served not only as a model for Ontario, but for all the provinces and territories, including Quebec (Riddell, Interview).

The agreement with Quebec begins with the recognition that the province already operates a significant bursary program, that it has the bureaucratic capacity to administer additional bursaries and that an exchange of letters stipulating the terms of the agreement had been made between the provincial and federal governments. The agreement stipulates that the provincial government would determine both the list of recipients (to be governed by their level of financial need) and the list of eligible post-secondary institutions. The bursaries would not be less than $2,000 and CEGEP students would have had to complete one year of study to benefit from the program. In exchange for an annual allocation of $445,000 (plus a one-time payment of $120,000), the Quebec government would administer the program as follows: in October, it would determine which students would qualify for the bursary. In January, the CMSF would transfer the necessary amount of funds to the province. The province would send a letter to students informing them that a portion of the financial aid package they had qualified for at the start of the academic year would be coming from the CMSF; students who received their bursary in the form of a cheque would receive a cheque with the CMSF logo on it. While the agreements elsewhere were signed by ministers responsible for post-secondary education (and fêted at press conferences), the agreement between the CMSF and Quebec was signed by the provincial student aid director. It was signed in December 1999, a few weeks prior to the first distribution of millennium bursaries, and more than a year and a half after the negotiations between the province and the federal government had first broken down (Canada Millennium Scholarship Foundation, 1999). In the end the broad strokes of the agreement would resemble those signed elsewhere in Canada –since the Quebec government's legislative resolution on the program served as a model for the CMSF's negotiations across the country.

The agreement between the CMSF and Quebec did not address the issue of displacement and reinvestment. As the Institute of Intergovernmental Affairs' report on the mid-term evaluation of the CMSF's performance (2003) points out, the CMSF's $70.5 million annual allocation to Quebec fully displaced provincial spending, since the province had a relatively low cap on annual student debt – undergraduate students were granted a bursary for any financial need above $3,200 (compared to, say, $7,000 in Ontario). Given Quebec's relatively generous program, displacement was unavoidable. The Quebec government, however, agreed to reduce the debt cap by 25%, such that undergraduate students would have their loans converted into grants once their assessed need surpassed $2,400 (the 25% reduction in the debt cap applied equally to students in CEGEP programs and in graduate school). While students would not have access to any additional funds, they would receive a greater proportion of their assistance in the form of a grant (Institute of Intergovernmental Relations 2003, 39). The province further committed to invest a portion of the funds in institutional services for students, in keeping with the province's existing post-secondary priorities. Thus, the province committed to investing half of the $70 million annual savings in financial aid (to reduce the debt cap by 25%) and half to be split among the province's universities and CEGEPs, ostensibly for programs to support students. As the evaluation report makes clear, however, the cost of reducing the debt cap exceeded the anticipated amount. Whereas the province earmarked $35 million for debt reduction, the actual costs of reducing the debt cap were closer to $50 million, meaning the CMSF program's impact was to stimulate additional spending by the provincial government (Institute of Intergovernmental Relations 2003, 45).

Thus the theory of the federal spending power, which adequately explained the manner in which the Canada Millennium Scholarship Foundation was created, does not appear to apply to the manner in which its creation was immediately followed by its implementation. Spending power federalism provides for a strong federal government that uses its size and public administration expertise to pursue its own objectives regardless of jurisdiction. In short, the central government centralizes; it does not allow a sub-national government to establish program parameters. Yet in this case it is clear that the reaction of the province to the program was essential to the details of its eventual administration. The collaborative federalism model, by contrast, allows for a role for the provincial governments in establishing national goals, which Quebec succeeded in doing in two ways: through the aborted negotiation over an opt-out, which forced Ottawa to focus on the political elements of the CMSF (the placement of logos on cheques), and through the Gautrin resolution that shaped the parameters for the program in the rest of the country. Collaborative federalism also describes agreements that can be multilateral or bilateral among levels of government – in this case, the federal government, the CMSF (an agent, give or take, of the federal government) and the provincial government. Moreover, collaborative federalism allows for a greater focus on outcomes, often allowing the details of a particular policy file to be sorted out by experts, either within the bureaucracy or outside it. In the case of the CMSF program in Quebec, it was clear to officials I spoke with, including Mel Cappe and Norman Riddell, that the actual nuts and bolts of working out the program details were straightforward and productive in Quebec, owing both to the province's high-quality bureaucracy and to both individuals' experience navigating it. As Riddell explained (and Cappe echoed) once the political disagreement had been resolved, it became very easy for all parties to focus on creating the best possible program to meet the objectives that had been established. Riddell attributed this to the generally good nature of Canadian public servants. It is worth, then, examining what impact the introduction of the CSMF bursary program had on Quebec student aid (Cappe, Interview; Riddell, Interview).

The data on student aid reported by Berger and Parkin (2008) make clear that the impact of the CMSF program on the Quebec student aid system was significant. Unlike in Ontario, where only a portion of the net impact of the CMSF program was spent directly on debt reduction, Quebec students received a much larger benefit. Unlike in

Ontario, where additional policy changes introduced in 1999-2000 complicate pre-/post-examinations of student aid, the data in Quebec are much cleaner, though to allow for reporting errors data from 1999-2000 are here compared with those from 2000-01. The number of student aid recipients declined somewhat between 1998-99 and 2000-01, from 139,670 to 127,204. In inflation-adjusted figures (2007 dollars), the amount of money spent on loans declined in those years, from $574 million to $373 million. The average loan declined from $3,412 to $2,933. The total amount of non-repayable aid increased from $240 million to $250 million. The non-repayable aid per loan recipient increased as well, from $1,611 to $1,954. Perhaps the neatest measure of systemic change to the student aid program, the share of aid provided in the form of a non-repayable bursary, increased from 30% to 40% - a one-third gain in two years. The proportion would continue to increase in subsequent years as the debt cap remained in place (not adjusted upward for inflation) while the cost of living increased. It peaked at 53% in 2003-04 (Berger and Parkin 2008, Statistical Tables).

Conclusion

Ultimately, the Quebec agreement would represent one of the best iterations of the Canada Millennium Scholarship Foundation program. The Quebec case also served as a potentially thorny implementation of the CMSF's bursary program for two major reasons. First, the provincial government's initial refusal to acknowledge the legitimacy of the program, best represented in the province's early insistence that the legislation creating the CMSF be amended to allow Quebec to opt out, for a variety of reasons (chiefly, that it had jurisdiction over education and that, owing to its existing bursary program, it was superfluous). Second, the interaction between the CMSF program and the Quebec bursary program was likely to lead to a situation whereby the federal funds would replace existing provincial expenditures, dollar for dollar. In other words, the CMSF program presented itself as both a political and policy minefield. The implementation of the program in Quebec was also unique, insofar as the negotiations occurred between the provincial government and the federal government, not the CMSF itself, and the process was informed by interventions from stakeholders at the post-secondary institutional and student association level. In due course, the negotiations would wind up turning on the three-part resolution brought forth by opposition member of the National Assembly Henri-François Gautrin that established a set of workable parameters for the CMSF to pursue in the rest of the country. As Riddell explained, it didn't matter to officials in Ontario or Alberta or anywhere else that the parameters he presented had been enshrined in Quebec legislation – it only mattered that they afforded the opportunity to establish a program to benefit students in keeping with the mandate of the CMSF. Meanwhile, the fact that the CMSF was able to sign agreements with the nine other provinces and the three territories made it clear that the program would proceed with or without Quebec. That the agreements satisfied the Gautrin resolution's conditions allowed the provincial government to engage in meaningful discussions without losing face since it had, it should be noted, abandoned its position of insisting on an opt-out (Riddell, Interview).

In fact, an opt-out is what Quebec received, at leas in effect. The CMSF program fully displaced spending by the provincial government on student bursaries. That the province chose to invest in its post-secondary institutions and its student aid program is, of course, of benefit to students – but it was also of benefit to the provincial government seeking to expend resources on an important social policy program. Meanwhile, the federal government was able to achieve the visibility objectives it sought with a major millennium initiative. Quebec students ultimately benefited the most, receiving a much larger share of their financial aid in package in the form of a non-repayable bursary instead of a loan.

The Quebec case is perhaps most instructive in its lessons regarding the practice of federalism in Canada. It makes clear that the CMSF program was rooted in the spending power but grew in the model of collaborative federalism. As described in Chapters Two and Three, the federal government had used its spending power prerogative to great effect in the area of higher education in the 1980s and 1990s, with the reduction in the social transfer to the provinces and the eventual reinvestment in social policy following the deficit budgets of the mid-1990s. Moreover, while policy official in Ottawa may have been aware that the provinces would ultimately serve as key partners in any attempt to administer the CMSF efficiently, the political actors who conceived of the CMSF (Jean Chrétien, Paul Martin, Eddie Goldenberg) did not pay significant thought to the role of the provinces – even to Quebec, which had recently emerged from the 1995 referendum. Their perspective is quite clear: the federal government has not simply the authority, but the obligation to act in areas of provincial jurisdiction to establish and achieve national goals for social policy. To the extent that the Constitution posed an obstacle with the assignment of education policy to the provinces, it offered a way out, via the spending power. With regard to Quebec and the CMSF, the federal government took the clear position early on that it would act unilaterally – that the sheer size of the program would allow it do so.

Yet once the CMSF had been announced, the spending power approach simply could not accommodate the challenges the program would encounter. First, the issue of displacement meant that the provinces – particularly Quebec, where the existing bursary program was quite generous – would need to be persuaded to reinvest savings they would realize. Second, it became clear early on that the provinces would need to conduct administrative tasks related to the CMSF program or else the entire student aid system might implode. Moreover, it was advantageous to pursue such a course, especially in Quebec, where the federal student loan program was not in effect. Thus from a very early point the role of the provinces emerged as important as that of the federal government. And no government was more important than Quebec.

The fact that the program wound up providing a significant net benefit to students in addition to allowing both the federal and provincial governments to agree on a mutually beneficial course of action offers lessons on the value of the model of collaborative federalism. These lesson are explored in the conclusion.

Chapter 5

By most accounts, the Canada Millennium Scholarship Foundation represents a fairly straightforward example of the federal government's spending power – its ability to make grant payments directly to individuals in areas of provincial jurisdiction. As scholars like Tom Kent have noted, the spending power allowed the Government of Canada to create the welfare state when provincial governments lacked the capacity to do so (Kent 2008, 415-18). In the years since the provinces developed their own large-scale, competent bureaucracies, meaning the spending power is no longer the only source of nation-building in social policy, though, it is still often used to justify the federal government's actions in areas of provincial jurisdiction. Such was the case of the CMSF – at least at first.

That the creation of the CMSF involved the federal government acting unilaterally in an area of provincial jurisdiction without even notifying the provinces (let alone consulting them) is not a matter of dispute. As Chapter Three makes clear, the political actors who conceived of the CMSF saw it as a legitimate activity of a central government seeking to recognize the new millennium. In discussions, both Eddie Goldenberg, the Prime Minister's senior advisor, and then Finance Minister Paul Martin compared the CMSF, a program that would invest in knowledge and youth, to the British government's millennium dome project, a brick-and-mortar monument that, they contented, had a second millennium outlook. Canada would look to the future.

But establishing the CMSF, which involved the creation of its corporate structure, enacting the parameters of its bursary program and then implementing it proved beyond the capability of a central government using its size and clout to act unilaterally. In fact, the CMSF experience exposes one of the paradoxes of federalism study in Canada: that a focus on territoriality, on who spends for what purpose, cannot adequately explain policy development. The paradox, then, is that it is not the spending power that matters, but the practice of federalism itself. As a handful of senior bureaucrats concluded early on, even before the CMSF had been announced in Parliament, the program would be conducted in the most efficient and effective manner if it worked harmoniously within the existing student aid infrastructure. Because the CMSF as an organization was created to receive a large amount of money to be earmarked for future use, its program could not simply operate within the context of the Canada Student Loans Program. Moreover, even if such an option were possible, it would mean Quebec could opt out with compensation, meaning the federal government's millennium project might not provide any direct benefit to residents of the province where the relationship with Ottawa was in most need of repair.

Thus the CMSF shifted from an exercise of the federal spending power to an instrument of Canadian federalism. The fact that the program would need to be integrated carefully with existing provincial student aid practices meant that the provinces would hold a considerable amount of influence on its design and implementation. As described in Chapter Three, the negotiations between the CMSF and most of the provinces and territories went reasonably well. CMSF officials approached the provinces as equal partners in setting the particular policy agenda. They insisted on a number of issues: that program parameters be broad enough to recognize local realities but not too broad to divert the funds from the intended beneficiaries; that the CMSF maintain a certain level of visibility; and that displaced savings be reinvested for the benefit of the post-secondary education sector, if not of students directly. As Norman Riddell explained, on this last point the CMSF was particularly open to provincial expertise. The CMSF's approach followed the guiding principle that it, as a fledgling organization created in Ottawa and operating in Montreal with a small staff, was in no position to dictate local concerns or unilaterally set the policy agenda across the country. To the contrary, the CMSF directorship sought to create a program that worked as effectively in one province as in another, even if it meant that the specific details of the program were different.

To do so, the CMSF embarked on a process that can be characterized as a model of collaborative federalism. First and foremost, it involved the recognition that the provinces constitute policy leaders. This was done in two ways, one subtle and one overt. The subtle approach is described in the case of Quebec, where the province wound up establishing what would become the program's main parameters there and elsewhere in Canada via the Gautrin resolution described in Chapter Four. The overt approach involved the negotiations with each province over the terms and conditions of the bursary program's administration as well as the reinvestment of displaced funds.

Second, the CMSF approach involved the use of political institutions, beginning with the involvement of the Council of Ministers of Education, Canada (a kind of Council of the Federation for education ministers), exerting its influence on the federal government's decisions about what portion of the CMSF program ought to be devoted to rewarding merit as opposed to addressing financial need and student debt. The agreements between the CMSF and each province and territory also represent a kind of political institution as defined by the model of collaborative federalism.

Third, the model of collaborative federalism shifts the focus away from territoriality and toward coordination. One can see this shift occur with the Canada Millennium Scholarship Foundation. The initial focus of the CMSF, consistent with the spending power theory, was that of territoriality. The federal government made a significant display of centralizing a program operating in an area of provincial jurisdiction – the Prime Minister made it the focus of his first remarks of the fall Parliamentary session; the CMSF would provide funds directly to students, bypassing provincial student aid programs. Yet as the program evolved – once the issues of territoriality had been resolved, the focus became one of coordination, of how the CMSF program would integrate administratively with an existing bureaucracy and how the impact of this new program would affect existing spending programs. As the process evolved from a political debate about the CMSF itself to a policy debate about its program, so too did the approach shift from spending power to collaborative federalism.

The shift from territoriality to coordination – from spending power to collaborative federalism – draws our attention not simply to explaining a process but examining its outcomes. As Jennifer Wallner noted, federalism studies must include a discussion of results in their assessments of policy processes and programs. The data described in Chapters Three and Four demonstrate that the CMSF's program had a measurable positive impact on student aid, and that this impact increased as the program matured. This was particularly the case in Ontario, where the initial CMSF program served merely to displace much of the province's spending, such that the impact on financial aid was fairly small. Only in the later years of the CMSF's mandate, when it pursued a second bursary program to address needs not being met by the existing grant and bursary programs (including its own), did its impact grow. In Quebec, perhaps because of greater pressure from education stakeholders, such as student associations, the CMSF program had a larger direct impact in its early years. As described in Chapter Four, the share of aid provided in non-repayable form increased by one-third soon after the CMSF was introduced. Moreover, as former chair of the Intergovernmental Consultative Committee on Student Financial Aid Tom Glenwright explained, these positive outcomes for students are the direct result of the collaborative approach the CMSF took to its negotiations with the provinces, especially as the program evolved and relations between the CMSF and the provincial student aid programs had an opportunity to grow (Glenwright, Interview).

Given the positive outcomes associated with the CMSF, it is worth examining whether the program represents a viable model for federal-provincial policymaking in an area of shared jurisdiction. It is interesting to note that the officials who conceived of the CMSF, particularly of the foundation model, did not see it as a new approach to the practice of federalism. In conversation, Paul Martin made it clear that the CMSF was intended to innovate in social policy – not federalism. He explained that the federal government sought to take advantage of a fiscal surplus to earmark funding for social programs for years to come. In his mind, social policy could be well addressed by quasi-public organizations that manage large endowments and pursue long-term policymaking, with the federal government periodically replenishing those endowments (Martin, Interview). Yet, as Norman Riddell explained, the foundation model offered an approach to federalism that allowed for a focus on building on common ground to achieve positive outcomes. Just as Eddie Goldenberg saw foundations as being able to maintain their independence from meddling politicians, so Riddell saw the CMSF as an organization that could work with policy people to design programs under the political radar and allow a federal agency to work collaboratively *with* provinces, instead of dictating policy to them (Riddell, Interview; Goldenberg, Interview). On balance, this is what occurred with the CMSF. Once the political posturing had taken place, CMSF staff and provincial student aid directors were able to collaborate on program design, with special attention paid to integration effects so that the beneficiaries would receive a net benefit.

In summary, the CMSF represents more than an anomalous, interesting example of Canadian federalism from recent years. A classic case of the federal spending power in action –with the Prime Minister announcing a large-scale, multi-year project in an area of provincial jurisdiction without prior consultation with the provinces – it quickly shifted to a model of collaborative federalism. Either intentionally or as a function of the peculiar circumstances of student aid, the CMSF turned the focus from the imposition of a federal program to a meaningfully cooperative process whereby provincial governments assumed a leadership role in determining what the outcome of the program would be. As the results indicate, students were better off for it.

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