

SCHOLARSHIPS COULD AND SHOULD BE DOUBLED

*Growth in scholarships has lagged
growth in Scholarship Fund!*

ABSTRACT

The original endowment in 1981 for the *Alberta Heritage Scholarship Fund* was \$100 million. The endowment and its earnings are now \$1.3 billion, even with annual withdrawals for scholarships of about \$35 million.

This means that significantly more scholarships could and should be provided from the earnings of the *Fund*, without affecting the Government's deficit.

Given the huge benefits of education to Alberta, the scholarships should be grown as originally intended.

The original intention was to grow the scholarships, not the *Fund*. The *Fund* has already grown enough to **DOUBLE THE ANNUAL SCHOLARSHIPS**.

The return on anything society can do, including the Olympics, is trifling, compared to the social-economic return on education.

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1. ALBERTA HERITAGE SCHOLARSHIP FUND

Over half a quarter million Albertans have benefited from the *Alberta Heritage Scholarship Fund*. Millions more have benefited immeasurably from the trickle down multiplier in the economy. **No other single Government program benefits such a large cross section of Alberta's society.**

Most importantly, the *Scholarship Fund* is for young Albertans

who, with enhanced skills developed with the support of the scholarships, will serve the pioneers who created the Fund.

1.1. The objectives of the Act

The objectives ¹ of the *Act*, as stated by the Education Minister when introducing it, and as confirmed in the *Legislature*, are to:

- Recognize and reward the scholastic achievements of residents of Alberta and *provide them with incentives to pursue post-secondary education in Alberta,*
- Enable outstanding students who are residents of Alberta to pursue post-secondary education outside Alberta.
- Enable outstanding students from outside Alberta to pursue post-secondary education in Alberta, and
- Encourage and reward persons who have displayed outstanding ability in at least one of several fields of endeavour, including, without limitation, the fine arts, performing arts, social sciences, the humanities, applied arts, physical sciences, education, career development, *athletics and recreation.*

¹ MINISTER OF EDUCATION, GOVERNMENT OF ALBERTA, *Press release announcing creation of The Alberta Heritage Scholarship Fund*, September 30, 1980: and, THE ALBERTA HERITAGE SCHOLARSHIP ACT, *Revised Statutes of Alberta 2000, Chapter A-24*, current as of December 15, 2017, page 3.



1.2. Endowment creates the Fund

The *Alberta Heritage Scholarship Fund* was “created by an initial \$100 million endowment from the Alberta Heritage Savings Trust Fund ...”²

From this beginning care has been taken to ensure the endowment is never diminished:

“Requirement to maintain original endowment

6 No portion of the original *endowment* paid from the Alberta Heritage Savings Trust Fund into the Fund following the Fund’s establishment in 1981 may be paid out of the Fund.”³

That is, the Fund will always be at least \$100 million.

“Government Endowment Fund for Scholarships (in thousands)

*The Alberta Heritage Scholarship Fund operates under the Alberta Heritage Scholarship Act for the purpose of investing the endowment funds to make income available for scholarships. The Ministry of Treasury Board and Finance controls this endowment.”*⁴

1.3. The purpose of the Fund

*“The purpose of the Fund is to invest the endowment made to the Fund. The Fund is managed with the objectives of providing an annual level of income for scholarships while preserving the capital of the endowment over the long term.”*⁵

It is important to note the difference between the *Fund* and the regulations for the scholarships. The *Fund* is statutory while the scholarships are discretionary.⁶

² Alberta Advanced Education, *Scholarships and Bursaries, Alberta Heritage Scholarship Fund*, <http://advancededucation.alberta.ca/funding/scholarships.aspx>

³ Alberta Heritage Scholarship Act, Revised statutes of Alberta 2000, Chapter A-24, Current as of December 15, 2017, S 6, page 4.

⁴ ADVANCED EDUCATION, *Annual Report 2015 -2016*, page 41.

⁵ ALBERTA HERITAGE SCHOLARSHIP FUND, *Financial Statements*, March 31, 2017, page 178.

⁶ That is the *Fund* is a function of the Legislature and the people it serves, while the scholarships are a function of the Minister of Education and the department he or she serves.



Therefore, the *Fund* can be changed only by the Legislature, while the scholarship regulations can be easily changed at the pleasure of the Minister.

1.4. An endowment is funds for a dedicated purpose

The Alberta Government has the following definition of an endowment, of which the *Alberta Heritage Scholarship Fund* is one: ⁷

What is an endowment?	
<i>Used for identified purposes</i>	An endowment is an investment fund, in which regular withdrawals from the fund's invested capital are used for either ongoing operations or other <i>identified purposes</i> . Endowments typically have three components:
<i>Scholarship Fund meets all three components</i>	An investment policy which governs the endowment's investments; for example, the types of investments allowed or the risk profile of assets to be held by the endowment;
	<i>A withdrawal policy, which determines the amount of funds that may be disbursed from the endowment each year;</i>
	<i>A fund usage policy which indicates the purposes for which disbursements from the endowment can be used.</i>

1.5. The Alberta Heritage Scholarship Fund is an endowment fund

The *Alberta Heritage Scholarship Fund* was "Created by an initial \$100 endowment from the *Alberta Heritage Savings Trust Fund* ..." ⁸

⁷ <https://www.alberta.ca/release.cfm?xID=359728D5EF19F-D565-C959-7EFD9867C9BC38F7>

⁸ Alberta Advanced Education, *Scholarships and Bursaries, Alberta Heritage Scholarship Fund*, <http://advancededucation.alberta.ca/funding/scholarships.aspx>



1.6. The Heritage Scholarship Fund grows to \$1.3 Billion

The AHSF has grown from one hundred million dollars to over \$1.3 billion.

The Fund is an endowment and thus outside the general budgeting process of the Government. It has no effect on the budget or its deficits.

There are only two *statutory* restrictions on the Fund:

- the earnings of the Fund be used only for scholarships; and,
- the Fund be inflation proofed.

The major concern is *regulatory*. “The total amount of money paid as Alberta

Scholarships
unnecessarily
limited by
regulations

Heritage Scholarships in one year ... shall not exceed \$45,000,000.”⁹ This is the reason why the number of scholarships are being currently decreased.

There is no need to decrease the scholarships. The \$45 million limit is a *regulation*, not a statute — the Minister of Advanced Education can change it by so instructing the

Deputy Minister!

There is good reason to increase the limit. The cost of living and education has increased but the scholarships have not. As *Figure 1* on the following page illustrates, the difference between the limit and the size of the *Fund* is so great, the annual scholarships could be doubled without preventing inflation proofing or growth of the *Fund*.

⁹ ALBERTA REGULATION 214/99, Alberta Heritage Scholarship Act, *Alberta Heritage Scholarship Regulation*, Section 19, page 12.



Lots of room to double annual scholarships

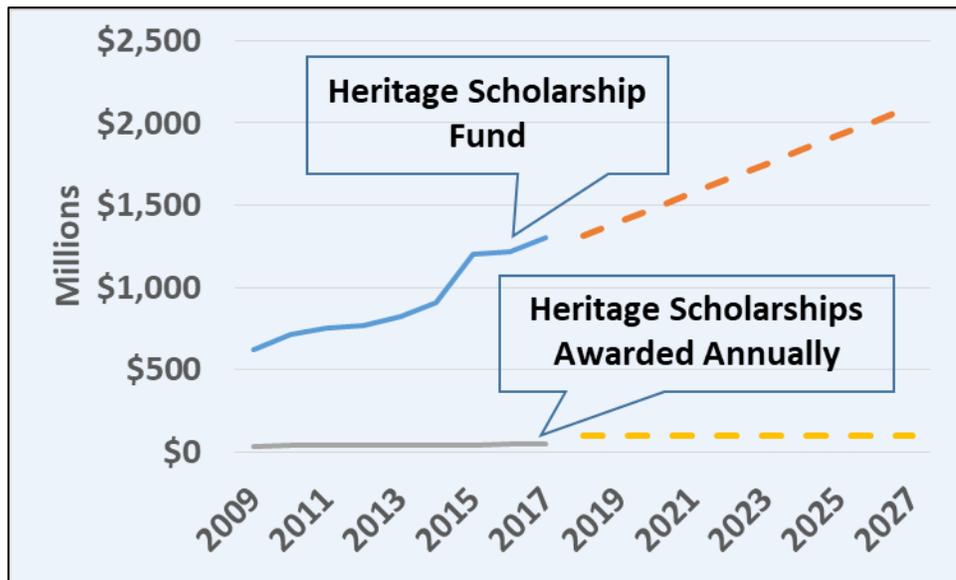


Figure 1 Growth of scholarships lags growth of Fund ¹⁰

1.7. Fund grows scholarships haven't

Both the *Fund* and tuition fees ¹¹ in Alberta have grown about 7% annually. ¹²

*"Tuition fees in Alberta have remained consistently above ...
[the Canadian]...average since the mid-90s."* ¹³

While both the *Fund* and tuition fees have increased, scholarships from the *Alberta Heritage Scholarship Fund* have remained relatively flat. ¹⁴

¹⁰ ADVANCED EDUCATION, *Annual Reports, 2007 -2017*.

The projections are linear; the projected scholarship level is double the last ten years average; rate of return on investment is the average (7.1%) of AIMco's last five years.

¹¹ CANADIAN CENTRE FOR POLICY ALTERNATIVES, ERIKA SHAKER AND DAVID MACDONALD, *Degrees of Uncertainty: Navigating the Changing Terrain of University Finance*, September, 2013, page 21.

¹² Compound annual growth rate

¹³ Ibid, CANADIAN CENTRE, page 24.

¹⁴ The annual limit on scholarships from the Fund has been \$45,000,000.



2. CONCLUSION AND RECOMMENDATIONS

There is room to grow the scholarships program. The Fund is now so large that the scholarship program could be doubled and still not prevent the growth of the *Fund*.

Doubling the scholarships has no effect on the Alberta Government budget because the *Fund* is an endowment. No taxes are involved.

Decreasing scholarships will not affect the budget or help eliminate budget deficits.

2.1. Recommendations

2.1.1 Short-term Recommendations

Review	Support a request that the Minister reconsider certain matters. ¹⁵
Increase the limit on scholarships	The annual limit should be increased, from \$45 million to \$90 million annually.
Legislative motion	A motion ¹⁶ in the Legislature should be introduced, calling for the Minister of Advanced Education to increase the limit.

2.1.2 Long-term Recommendation

Political issue	In the 2019 Alberta election, support candidates for office that will commit to doubling the scholarships.
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¹⁵ ALBERTA HERITAGE SCHOLARSHIP REGULATION, *Alberta Regulation 214/99* (Consolidated up to 175/2012), Section 17(1), page 11.

"Where the Minister makes a decision concerning a scholarship ... a student or applicant who is affected by that decision may request that the Minister establish a committee ... and reconsider the decision."

¹⁶ Please see *Legislative motion to double scholarships*, page 14.



3. ADDENDUM

3.1. Social economics of scholarships eclipse Olympic Games

The rate of return on anything society can do is minor (including the Olympics), compared to the social-economic return on education scholarships.

The social benefit to Alberta from the *Heritage Scholarships* far exceeds any net benefit that might actually occur, if any, from hosting the 2026 Olympics in Calgary.

3.2. The Jimmy Condon Athletic Scholarships

An example of the benefit of the *Alberta Heritage Scholarship Fund* are *Jimmy Condon Athletic Scholarships*.¹⁷ Between 1981 and 2014, 54,393 Alberta students received the *Jimmy Condons*, at an average of \$1,202 each.

To compare, the estimates for the Calgary 2026 Olympics are only¹⁸ \$3 billion (Calgary and Alberta share of the cost, excluding Canadian share).

Using the approximate number of Alberta athletes (25) in the 2018 Olympics, that would be about \$120,000,000 per athlete. If that money were used to develop Alberta students-athletes instead, it would fund more than 2,498,840 *Jimmy Condon* scholarships; or **3 TO 5 YEARS TUITION AND FEES FOR ALL POST-SECONDARY STUDENTS IN ALBERTA!**¹⁹

The choice, if citizens had one, is:

2026 Calgary Olympics	OR	Jimmy Condon Scholarships
\$3,000,000,000		\$3,000,000,000
for		for
25		2,498,840
Alberta athletes		Alberta student athletes

¹⁷ This scholarship is used as an example because the information is available.

¹⁸ Olympic costs are always under-estimated and benefits are over-estimated

¹⁹ \$8,077 tuition and fees per student (Ibid, CANADIAN CENTRE FOR POLICY ALTERNATIVES, estimate 2016 – 2017,) times 131,407 full load students (ALBERTA EDUCATION, *Facts and Stats*, Full Load Enrollment by Institution) divided into \$3 billion.



Benefits of Olympics

NHL arena, ski jump, luge track,
skating oval, short-term jobs

Benefits of Scholarships

*“Education's external benefits are social benefits that spillover to benefit others in the society and future generations. These include lower government health, welfare, and prison costs; strengthened democracy, human rights, political stability, and social capital; less crime and poverty; environmental benefits; better international competitiveness; new ideas and diffusion of technology. These set the stage for new development within families and nations. Comprehensive identification and monetary valuation of the external social benefits show that indirect effect externalities are part of private market and nonmarket benefits. When the direct external social benefits are included, total external benefits are slightly larger than half of the total benefits. Short-term benefits are smaller, whereas long-term external benefits are substantial.”*²⁰

Incredible as it sounds, the Alberta Government is actually cutting back the *Jimmy Condons* at the same time it is supporting the 2026 Calgary bid for the Olympics.²¹

²⁰ W.W. McMAHON, *The External Benefits of Education*, International Encyclopedia of Education (Third Edition), 2010, Pages 260–271.

²¹ There are at least four Alberta politicians plus a “number of administrators” schmoozing for Olympic bid votes at the *PyeongChang 2018 Olympic Winter Games*.



3.3. Ministers' Original Purpose for the *Jimmy Condon Scholarships*

Three chronological events of record created the *Jimmy Condon*²² *Athletic Scholarships*. They are:

1. Alberta Legislature, Motion 202, Tom Sindlinger MLA Calgary Buffalo (ALBERTA HANSARD, *Legislative Assembly of Alberta*, March 25, 1980, Page 70)

*Origin of
Jimmy
Condon
athletic
scholarships*

“Be it resolved that the Legislative Assembly urge the government to establish a scholarship fund for students playing a sport for any university or college intercollegiate team, in order to encourage highly skilled young athletes to remain in Alberta, to develop a high level of recreational competence and expertise, and to provide a rich resource of skills and leadership for Alberts’s recreation and leisure industry.”

2. JIM Horseman, MINISTER OF EDUCATION AND MANPOWER, Government of Alberta, The Alberta Heritage Scholarship Fund, Press announcement, September 30, 1980 (Alberta Legislature Library)

“The Government will ... [appropriate] ... one hundred million dollars from the Alberta Heritage Savings Trust Fund ... [to create] ... The Alberta Heritage Scholarship Fund.”

There are “Four major objectives ... [one of which is] ... to encourage and reward Albertans whose accomplishments have been outstanding in one of several fields of endeavour, including their work and recreation”

*Fund is an
endowment*

“Of the annual interest earned from this **endowment fund** ... “

²² The *Condon Scholarships* are one of several scholarships in the *Alberta Heritage Scholarship Fund*.



“We will provide \$1 million in 1981 – 82 for athletic and recreational scholarships.”

Long term goals of Fund

“The Alberta Heritage Scholarship Fund will contribute to the achievement of the long-term social and economic goals of the province ... [and] ... is a challenge to Albertans to experience their fullest possible growth and development – intellectually, culturally, socially and physically ... “

3. Minister of Advanced Education and Manpower, Purpose of the AHSF (Alberta Hansard, Legislative Assembly of Alberta, October 21, 1980, Page 1160)

Motion 202 (debate continued): “I recall very well the discussion which took place when *the motion was introduced by the hon. [sic] Member for Calgary Buffalo ... [Tom Sindlinger] . I think it’s fair to say that participation in that debate ... had a great deal to do with the decisions subsequently reached by government [sic] ...*

“I want to emphasize to all members of the Assembly and to the public that what I have proposed in my press announcement [item 2 above] ... is a recommendation to this Assembly.

Reason for Jimmy Condon scholarships

“Why are athletic scholarships being established? Primarily, of course, to encourage the development of Albertans in the field of recreation and athletics in recognition of the benefits which will accrue through an active and healthy citizenry.

Keep athletes in Alberta

“In order to achieve this objective, ways and means will be examined to accomplish the following:

- To assist Alberta athletes to develop their skills to their fullest potential
- To retain Alberta’s best athletes within the province
- To encourage participants in competitive sports at the community level



- To provide a rich resource of skills and leadership for Alberta’s recreation and leisure industry.

Fund for the long term

“By not spending all of the income from the fund in the first year, we are contributing to its eventual growth, so we may in some way ... keep abreast of the effects of inflation and other cost increases; and to permit an expansion of the program, of the number of awards which can be accommodated ...

Recognizing the origin of the Condons

“*I want to thank the hon. [sic] Member for Calgary Buffalo* for having placed this motion on the Order Paper ... I must say that this motion ... [has] ... resulted in a fair number of letters from interested parties throughout the province ... I think we are making a very significant step forward ... for the benefit, not just of today’s generation, but tomorrow’s.”



3.4. Legislative motion to double scholarships

A motion in the Legislature will bring public attention to what is, and is not, being done to, and with, the *Alberta Heritage Scholarship Fund*. Given the nearness of the next Provincial election, it will may move the Government to reconsider what it is doing.

Following is an illustration of a Legislative motion:

<i>Whereas:</i>	
<i>The importance of education</i>	The Government of Alberta recognized the social and economic importance of education to the people of Alberta, in 1981 it legislated the <i>Alberta Heritage Scholarship Act</i> ; and
<i>Fund is an endowment</i>	The Government endowed the <i>Alberta Heritage Scholarship Fund</i> with \$100 million; and The growth in the <i>Fund</i> has far exceeded the growth in scholarships from the <i>Fund</i> ; and
<i>Fund has grown, scholarships have not</i>	Since the year 2008 the compound annual rate of growth of the <i>Fund</i> has been 10% and tuition 7% while the annual growth in scholarships has been zero (0%); and Since changing the <i>Fund</i> does not require any taxation and does not affect the Government’s budget nor prevent inflation proofing or growth of the <i>Fund</i> ; therefore
<i>Double current scholarship limit</i>	Be it resolved that the Legislative Assembly urge the Government to increase the current limit on annual AHSF scholarships from \$45,000,000 to \$90,000,000.