

[Chairman: Mr. Kowalski]

[2:05 p.m.]

MR. CHAIRMAN: Good afternoon ladies and gentlemen, and welcome to this additional meeting of the Select Standing Committee on the Alberta Heritage Savings Trust Fund. This afternoon we have the Hon. Dick Johnston, Minister of Advanced Education, appearing before us. If you refer to the annual report of the Alberta Heritage Savings Trust Fund, you'll see two segments on page 18: one deals with library development, a project that was essentially completed in the fiscal year 1982-83; the second funding project is known as the Alberta Heritage Scholarship Fund, a program established in 1981-82 with an endowment. Miss Conroy is circulating some information that was supplied to all members of the committee today by Mr. Johnston. The document is entitled Alberta Heritage Scholarship Fund, and it has a breakdown of the various programs within the total overall program.

Mr. Johnston, welcome. Perhaps you'd be kind enough to introduce the people with you. If you have some overview comments, please proceed. Following that, committee members will provide you with their best input.

MR. JOHNSTON: Thank you very much, Mr. Chairman. I think it's always a pleasure to visit with your committee and discuss the merits of the scholarship fund provided by the Heritage Savings Trust Fund. Two people who are keenly interested in the policy and input from you, and who will be able to assist me with some of the questions I'm sure you'll ask, are Henry Kolesar, the Deputy Minister of Advanced Education, and Fred Hemingway, chairman of the Students Finance Board.

The last time I was here, I recall very briefly discussing the 10 different scholarship programs which are provided under the heritage savings scholarship fund. As you well know, \$100 million has been allocated for that purpose, and we draw down roughly, if you'll excuse the rounding, about \$9 million a year for various scholarship programs. This past year we provided about 6,000 different scholarships. The bulk of those were the Alexander Rutherford Scholarships, which went to grades 10, 11, and 12 students for succeeding in achieving an 80 percent average in those three years, provided they went on to university. Approximately 4,000 awards totalling some \$4.5 million were paid last year.

The balance of the capital is increasing because the actual drawdown and rate of return haven't been quite in balance. I think that's a positive note in that we can continue with the same level of assistance to students. For that reason we would project that this year alone we would pay roughly another \$9 million in total scholarships as charged against the fund, and I guess we expect about the same in terms of total student numbers.

We're not too sure of the impact of Mr. King's departmental exams on performance or achieving the 80 percent average. We will wait to see what kind of requests for funding come to us over the next few weeks. To date it appears that there might be a slight reduction in student requests for assistance under the Rutherford scholarship program. It's not for me to guess why that is. Some may suggest it's because of the departmentals; some may have other

variables which are just as significant.

In summary, I think it's safe to say that this program is distinct to Alberta and provides a very important opportunity for students to achieve a university education. If they are in the top academic levels in high school, they are assisted by this financial program. That's certainly one of the major benefits and priorities of the Heritage Savings Trust Fund as I see it, and it is rewarding as a minister to be able to provide some assistance to so many students across the province every year.

With those very brief introductory comments, Mr. Chairman, I think most of you are familiar with the fund and the operations. With the assistance of Mr. Hemingway and Dr. Kolesar, I'm sure we'll be able to answer or at least provide some information on those questions you may have.

MR. CHAIRMAN: Thank you. We'll proceed with questions from Mr. Martin, Mr. Moore and Mrs. Cripps.

MR. MARTIN: Mr. Chairman, it comes back to the Alberta Heritage Scholarship Fund in particular. Mr. Minister, you alluded to the fact that at this point it looks like there could be fewer people applying. I guess I remember the old days when I was a high school counsellor and had it pretty well down. It's still an 80 percent average, but we've had changes, certainly in the last two years. Do the comprehensives make a change? What are the new qualifications to achieve the scholarship? I'd be interested.

MR. JOHNSTON: We haven't made too many dramatic changes. What we did wherever possible was try to fold into the average calculation the courses in which departmentals were being written. I think that is fair, because as I understand the departmentals, they are still based on standard curriculum and part of the final mark is judged by the teacher. So it wasn't any arbitrary move.

This past year we added Math 31 to it. Over the past year, many students came to us and indicated that they would certainly appreciate Math 31 being folded in, in some fashion. So when we announced the new guidelines, in May of this year I guess, we clearly indicated that Math 31 would be included. I should also note that over the past year I have clearly indicated to those who have criticized us for not having Math 31 in the formula that if they get an 80 percent average with Math 31, Mr. Hemingway could likely be prevailed upon to still satisfy the criteria. But generally that's the only change.

MR. MARTIN: Just to follow up so I understand correctly. We're into a whole new area with advanced diplomas and these sorts of things. The Heritage Scholarship Fund has nothing to do with the diploma; it's specifically the subjects. The only difference from, say, two years ago is that 50 percent of that is now a departmental.

MR. JOHNSTON: Exactly right.

MR. MARTIN: And as far as grades 10 and 11, it's totally the same as before.

MR. JOHNSTON: Yes, that's correct.

MR. MARTIN: Thank you. Just one other question if I may. I guess it's looking into the future. I know the minister had something to do with the white paper, *Proposals for an Industrial and Science Strategy*. In terms of education on page 67, I believe, it says:

The universities, colleges and technical institutes should be encouraged to expand their facilities for certain areas of science as well as business administration focusing on the international field. A special visiting lecturers program should be considered.

My question dealing with the trust fund: is there any thought that the trust fund might be used in the future in terms of enhancing these sorts of things they're talking about in the white paper?

MR. JOHNSTON: I doubt that the heritage fund would be used for that purpose. It seems to me that this is more of a general budgeting priority which would have to be discussed in the Legislature, and the debate would flow from a variety of sources. It seems to me that it would be more appropriately expressed as a budget priority as opposed to a Heritage Savings Trust Fund priority. At least at this point, subject to input from the public forums we'll be having across the province, I really can't see much to suggest that we would change the Heritage Savings Trust Fund or the scholarship fund to follow the recommendations of the white paper.

MR. R. MOORE: Mr. Minister, my question follows on the hon. Member for Edmonton Norwood's question relating to the white paper. It gives us a lot of direction and a lot of thought in the areas. One area they specified was the need to prioritize the funding of universities and colleges with the goal of developing specific skills. Inasmuch as one of our major market areas is the Pacific Rim, could you see using trust fund scholarship money in the area of learning languages there? If our future rests in that for the years to come, we should be establishing people in our own province who can communicate well in that area. Do you see that as one area that can be developed?

MR. JOHNSTON: There's no question that I would concur with you that as a priority, the various kinds of linkages with the Pacific Rim must be one of the objectives which Alberta would attempt to achieve in a variety of manners. One recommendation which has been given to us is that we should encourage student exchanges both to and from China, Japan, Indonesia, et cetera, to encourage an understanding of the cultural, social, and economic systems with which we live and, more importantly, to allow us to develop language understanding. It's in that latter context of course that scholarships could be offered for that very purpose, but to this point at least we have not used the Heritage Savings Trust Fund as a vehicle for expanding scholarship between the two countries. There have been some other slight adjustments, but they're not all that significant.

It seems to me that if we wanted to put a priority on student exchanges, we could use the fund. It's quite possible that we could work out a special kind of scholarship which would be given to perhaps three

or four visiting scholars to allow them to come to the province to study at one, two, or three of our universities, and provide them with some assistance in that fashion. At the same time, there was also a recommendation given to me which would suggest that we should have a budgetary vote for that item. That is one of the considerations we're facing at the present time. But I couldn't agree with you more. One of the natural linkages with any country is an education in that country and the language in that country. That is a target we are pursuing within government right now.

MR. R. MOORE: Mr. Chairman, the answer is probably going to be the same — that it's a budgetary area. But I wonder if any thought was given or is being given to the trust fund having a matching grant setup with private-sector industries to encourage private donations to postsecondary education.

MR. JOHNSTON: As I'm sure you are aware, in my budget itself there is the '80s endowment fund. I guess it was a matter of choice at the time, but currently that's paid as an appropriation on operation out of general budget. I'm sure that at some time various members of the Heritage Savings Trust Fund committee suggested ways which it could be funded out of the heritage fund. That could well be possible. But right now I am satisfied that the '80s endowment fund, which is working extremely effectively in prompting private-sector investment in our universities and colleges to be matched by the province, has done much to encourage and expand the university community in Alberta. It's only a matter of preference as to where that money comes from, but I'd be open to recommendations with respect to both the endowment fund and further expansion of the Heritage Savings Trust Fund for specialized scholarships. As to whether or not that should be within the fund, I will leave to the committee to recommend.

MR. R. MOORE: Mr. Chairman, there is little or no trust fund assistance going directly to technical schools. Do you think this is an area we should be examining?

MR. JOHNSTON: I would have to suggest that that may not be quite right, but I guess it's safe to say that the priority is universities.

MRS. CRIPPS: Mr. Chairman, I understood that you said the total value of the endowment is increasing because all the funds haven't been utilized. I presume you want a cushion, but at some point I think that cushion would be high enough that it would be necessary to re-evaluate the criteria or expand the scholarship program. Have you reached that point yet, and have you assessed it?

MR. JOHNSTON: We have had an actuarial study done on the \$100 million fund. It's clear that if we continue with the same level of assistance and number of students applying, that fund would eventually — you start drawing down capital. Perhaps one of the positive aspects of the current economic slowdown in the province is that some of the costs students are facing are also reducing. Therefore, by maintaining the existing limits on the

funds provided to the students who qualify for the variety of programs, in fact they're getting a little better value for that dollar. So number one, we don't have to increase it and, moreover, we don't have to reduce the assistance to maintain the corpus or the capital itself.

It may well be that at some point, perhaps 10 to 15 years in the future, we have to consider either additional injections to the \$100 million fund or perhaps reducing the payoffs. That's why I mentioned that I was particularly interested to see what kind of experience we'd find from the current departmental examinations. If that softens or reduces the number of students, it simply allows the fund to continue for a longer period of time. It may well be that this committee would provide me with some recommendations as to increasing the assistance, changing the guidelines, expanding the base, et cetera. I would simply leave it to you to consider that. At this point that piece of information is not altogether available to us.

MRS. CRIPPS: The Alberta Heritage Scholarship Fund is only one mechanism. I know you printed this Awards and Scholarships last year. I would encourage you to do it again this year, because I found excellent use of it in the schools.

My question is related indirectly. It's tied to student funding but not particularly the Heritage Scholarship Fund. I understood that the Alberta education equalization grants were announced to give all students equal opportunity to further advance their education. In order to obtain that grant, is it necessary to get a student loan?

MR. JOHNSTON: That's a detail I'll have to call on the experts for. I'll simply indicate the current phenomenon we're experiencing in the context of student assistance; that is, the number of students applying for loans or assistance, or grants as you referred to, has expanded very dramatically in this current year. We expect that something in the order of 42,000 students — we now guess that perhaps 47,000 to 50,000 students will be applying for assistance, so you can appreciate that that's put significant pressure on our budget.

As to the Alberta equalization grant, I'll ask Fred Hemingway to give you the specific details of that program.

MR. HEMINGWAY: The current method used in calculating benefits under that program is, in most cases, that approximately 35 percent of the student's total need is issued in the form of the educational opportunity grants. In most cases the balance of the award is made up of loan, unless the need is very high, in which case of course we might also provide supplemental assistance grants to that individual. As you know, the maximum grant under that program is \$2,000. The way it's working at present is that the higher the need demonstrated by a student, the higher the amount of the educational opportunity grant he receives.

MRS. CRIPPS: The title indicates equalization of opportunity. If I remember rightly, when it was announced it was a \$1,400 grant. Any student who had to leave their home and go somewhere else in order to receive the training was eligible for this

grant, in order to equalize their opportunity with students who did not have to leave home. If they aren't eligible for a loan, how do they access the equalization opportunity grant?

MR. HEMINGWAY: Need must be demonstrated, and one demonstrates need in the same way under the loan program as with the opportunity grant program. After the total need is determined, then the relative mix between loan and grant, based on the 35 percent formula, comes into play.

MR. JOHNSTON: However, it's still accurate that if you don't apply for a loan, I guess you don't get a grant.

MR. HEMINGWAY: That's right.

MR. JOHNSTON: Because there's no need. That's one of the tests for the need.

MR. COOK: Mr. Chairman, first of all I'd like to compliment the minister for his work on the economic strategy paper. I understand he drafted the first couple of drafts. I'd like to try to relate that to the role of education in economic strategy. I wonder if the minister could relate how we might use the heritage fund or some other funding activity to promote research and development activity in areas of natural strength; for example, in agriculture, forestry, biotech, and electronics. Should we consider boosting the amount of money available to grad students, so students can carry on in their academic careers and pick up a master's or PhD level education in areas that are going to be important to the province in the future? That's an area I sense isn't really targeted as a major priority in the Heritage Scholarship Fund program. The major priority seems to be trying to help students get into the first four years of a baccalaureate degree. Is there a role for the heritage fund to promote the continuing upgrading of our youngsters so they can pick up a master's or PhD level degree in areas that are going to be of economic importance to the province?

MR. JOHNSTON: First of all, there's no question that there's a very important linkage between economic growth, economic performance, and the level of education. Perhaps no one variable explains away the opportunities for economic growth more than the educated work force, the educated population. I think we probably all agree that this linkage should be maintained in a variety of government policies and that ensuring that we have technically qualified people must be a priority in a broad sense.

At least one or two problems come to mind immediately. One of the major problems I think we'll be facing in Alberta will be the retraining of a substantial number of people who have been caught either by technological change or by a variety of other factors which have displaced them in some fashion. I think we will have to look at manpower retraining programs from a variety of departments, including Advanced Education. We will have to encourage the universities and tech schools to accommodate that transition and to be prepared for it. That can be done by funding proposals and

scholarship proposals by institutions.

Secondly, it has been recommended to us that some special kind of emphasis be placed on the new technologies, whether it's engineering, computer science, or biotechnology. All those seem to have similar rankings, depending on which interest group you're talking to. Nonetheless, it could well be that the heritage fund could establish, or it could be recommended that we consider for establishment, a special research centre which would be built around these ideas of expanding our expertise, developing qualified people at the graduate level, or perhaps doing a variety of specific targeted research priorities. I think others on this committee have recommended that in fact it might be worth while to consider a special fund to target some of these issues. I understand that was a recommendation last year but was not passed by the committee because of fiscal restraints. Nonetheless, it seems to me that one of the economic keys and quality-of-life keys to the future will be in this area, and I would certainly listen to any recommendations which would specify that.

It may also be true that we could redesign and change the emphasis of the scholarship programs so that more money goes to graduate students in the hard sciences. But I think some of those in the social science area would probably mount a similar argument for equal treatment. There may also be a possibility for us to do such things as other departments are doing; that is, to ensure that very sophisticated systems are established here, whether it's supercomputers or the development of software. Both those kinds of things are of major interest to us on an economic basis within Alberta and also provide us with leverage in terms of economic trade because they are very important exportable items. I think that will be one of the areas we have to pursue in the future.

It's not a very specific answer, Mr. Chairman. But it's difficult to pattern my own responsibilities for this fund to the very broader issues of both economic priority and economic growth, except that I think it's been generally recognized by most societies that education, universities, tech schools, and research all factor in to be a very important variable in the success of any country's economic growth. Certainly Alberta, because of its young population, excellent institutions, and research potential in both the public and private sectors, has a very important stepping stone into that next stage of development in the information and research age.

MR. COOK: Mr. Chairman, a follow-up question on the manpower retraining aspect. What we're dealing with there are mature students who often have young families and greater financial responsibilities in the community. Is there some way we could tailor the Heritage Scholarship Fund to meet some of those extra needs students like that have, to accomplish the manpower retraining goal you outlined?

MR. JOHNSTON: I think we generally do that through the student loan programs. It should be remembered that our student loans in Alberta — and I think Mr. Hemingway will correct me if I'm wrong — are probably among the best, if not the best, in Canada. Part of that measurement is that after the student graduates, and upon consolidation of his loan,

a fairly substantial and significant portion of the loan is essentially paid off by the province. So in that sense it acts as a grant. Therefore, there is special assistance to the student by way of grant from the province to accommodate his re-education or education. If my priority was there, I would suggest that I would rather see that as an operating item than as a Heritage Savings Trust Fund item.

MR. COOK: Thank you.

MR. MUSGREAVE: Mr. Chairman, to the minister. While I was a member of this committee in the past, along with other members I advocated that the scholarship program be established. It's always interesting to see what comes out of recommendations from this committee.

I have one area of concern; that is, that we are short of money. I happen to know three of the nine people who received the Sir Frederick Haultain Prize, and I can say to the minister that they are well known in their communities, well recognized by their colleagues, and in the main have achieved financial success. I know it's a very small part of the program, but I just wonder if we couldn't put that portion of the program into limbo for, say, the next few years and put that money into the scholarship section, rather than making those \$25,000 contributions.

MR. JOHNSTON: Mr. Chairman, it's certainly worth recognizing that possibility. If the fund had been reducing fairly rapidly as a result of increased demand from the mainstream programs, I guess that would be recognized. Yet the \$75,000 per year really isn't a significant part of the \$9 million we spend. But if I understand the member rightly, there is some merit in first of all being cautious about the awards and, secondly, perhaps redirecting or investigating other ways in which the money can be better used. Of course I will always entertain those recommendations.

MR. MUSGREAVE: I was going to ask the minister the other question in a humorous way. I just hope that when we come forward with a recommendation for a foundation, whatever it may be that Mr. Cook and I can develop, he will give us his strongest support in the proper places.

MR. HYLAND: Mr. Chairman, that combination that was just suggested seems like a rather odd combination to come to an agreement.

My question is back on the scholarship program. My idea of what the scholarship did initially was that those students who made the required percentage in secondary education got the scholarship in order to equalize any access they may have to the educational system. By doing that, as long as they met the requirements and made the averages, they could access the system. Is that right? Is that what it was supposed to do?

MR. JOHNSTON: I don't know if the term "equalization" is the right word, but it does provide access to universities or colleges for students who achieve 80 percent or better in a select series of courses in any one of the grades 10, 11, or 12. It's done to allow these well-qualified students to attend university or college. It recognizes, and I think

properly so, either intellectual ability or determination, or whatever combination of the two is there. That's essentially what the program does.

MR. HYLAND: I guess I have the wrong understanding of the equalization opportunity grant. It seems to conflict with the other bursary, because you're no longer on your own qualifying for the thing. Your parents' gross income has an effect on it. We're back to the same position as we were a number of years ago with farmers with high volume. Kids may be on their own and may even have been on their own for some years. My understanding is that part of it may be that the difference between what the province considers the age of majority and what the federal student finance board or something considers the age of majority has some effect on it. You have kids who can't collect on these loans; they don't need the loan if they could get the grant. But the only way to get the grant is to apply for the loan, so you're burdening them with payout, of which we're paying a portion back.

MR. JOHNSTON: I know the member realizes that the student loan system is an operating item and not at all involved with the Heritage Savings Trust Fund. Even to me, the distinction is not always clear.

However, I think the specifics you raised deal with the questions as to who qualifies for a student loan, under what conditions you qualify, and having once qualified, how much you get. In the discussion we had here in the Legislative Assembly during the debates of my estimates, I think I indicated that the demand on our resources has expanded, perhaps not infinitely but certainly quadrupled over the past three years, as have the number of students applying for assistance.

One of the difficulties, which the member has properly noted, is, at what point does a student qualify as being "living alone" in status as opposed to being somewhat dependent upon his family? That's always hard for us to adjudicate. We have some rules which we apply, but they're not perfect. Of course there is an appeal system which is built into the loan process. However, I think it's safe to say that we generally err in favour of the student and that the limits or the amount available is very substantial in the province of Alberta.

Part of that assistance would include such things as the equalization grant or other special grants which exist under my operating budget to assist students to go to university. The equalization grant would be particularly important if we found, for example, that students were not able to attend the University of Alberta; they may have had to move to other universities. But in fact the statistics have borne out, and there is ample opportunity for students to go to the University of Alberta. Therefore, there will probably be less call on the equalization grants from students in Edmonton or perhaps more call from the students in rural Alberta to use the money to go to a tech school or a university outside of Hinton, Fort McMurray, or wherever it may be. So I know the member understands the distinction. If in fact you apply for a loan, I am sure the Students Finance Board factors in the benefits you're receiving from scholarships and other sources in deciding how much of a loan you're eligible for.

MR. HYLAND: I'm sure you've had many letters since you've been minister.

MR. JOHNSTON: Oh, yes.

MR. HYLAND: I guess the hard thing to explain is the fact that some get either the grants or loans and a family beside them, often with less income . . . Often you get the accusation — or I do as an MLA — do you have to not tell the truth when you fill these things out to get the approval? Or do you have to be a professional student to get it, where you show no income and all you do is continually go to university so you don't have to find a job?

MR. JOHNSTON: I don't want to debate with the member, because he's simply making the point with a very vivid illustration. Of course the examples vary as to the individual. Each case is handled separately, and each case has its distinct and unique problems. That's the role of Mr. Hemingway and his staff.

You should remember that there is a maximum amount of money that you can borrow from the student loan board and from the government; that is, roughly \$20,000. Once you bump up against that amount, you can't borrow any more money. So the intention is not to encumber a student but to provide an adequate amount of money for him to go for four years of university. If he wants to go into graduate school, there is another system of financing. I think that's what Mr. Cook mentioned, that maybe we should start to examine ways to assist graduate students perhaps more specifically than undergraduate students. I take that to be part of the intention of his comments.

It's not for me to debate unique cases. I think it's safe to say that with 50,000 or 55,000 students applying for loans and my budget being tapped to at least \$65 million, we're not being too difficult on too many students on the awards side. Of course I concur with the member's comments that it's always difficult to adjudicate some of these details. That's what the board process is about. And that's why my phones are ringing off the hook right now in terms of: is my loan approved; it's not enough; why isn't it approved; et cetera. We have thousands of requests in that area right now.

MR. CHAIRMAN: Will there be additional questions from committee members?

There being none, Mr. Johnston, I wish to thank you for your appearance before the committee this afternoon. If all goes well, we will look forward to seeing you here once again next year. Perhaps in the interim, if your phones have been ringing off the hook in the last several days, you might want to consider improving some of the administrative mechanisms with respect to these loans, so the citizens of Alberta can expect the kind of service we all know they should have. Thank you very much, sir.

MR. JOHNSTON: Thank you very much.

MR. CHAIRMAN: The committee will reconvene tomorrow morning at 10 o'clock with the Hon. Fred Bradley, and then we will meet with the Hon. Hugh Planche tomorrow afternoon. Thank you.

[The meeting adjourned at 2:39 p.m.]

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