

Title: Wednesday, May 20, 1987 pa

[Chairman: Mr. Pashak]

[10:07 a.m.]

MR. CHAIRMAN: I'd like to call this meeting of Public Accounts to order. We're 8 minutes late. I apologize for that, but the previous committee, the Private Bills Committee, went past their time.

The first item of business on the agenda is to approve the minutes from the last meeting of this committee; that was Wednesday, May 13. Is there a motion to approve the minutes as distributed? So moved by Mr. Nelson. Are you agreed that we adopt the minutes as distributed?

HON. MEMBERS: Agreed.

MR. CHAIRMAN: The next item of business then is to . . . Well, perhaps first I should welcome the Auditor General again, Mr. Salmon, along with his associate Mr. Andrew Wingate. Today we have with us the Minister of Advanced Education and the deputy leader of the province of Alberta, Mr. David Russell. He is here in his capacity today as the Minister of Advanced Education. So I would invite Mr. Russell to make any opening comments that he would care to and to introduce the people he has brought with him from the Department of Advanced Education.

MR. RUSSELL: Thank you very much, Mr. Chairman. I don't know if it is just my imagination. This desk feels like it's tipping to the left.

I'll introduce the people from the department that are with me, Dr. Des Berghofer, assistant deputy minister; Larry Robins, director of financial services; and Fred Hemingway, the chairman of the Students Finance Board. Hopefully, among the four of us we can answer the questions that the members will have for us.

Briefly, just by way of explanation, there are three main votes in the department budget: one, for the support services of the department itself; secondly, the big one, which is the operating grants for the autonomous and self-governing institutions throughout the province -- that is, the universities, colleges, and technical institutes -- and the last vote is the assistance to students, and that tends to be substantial.

The operating grants to the institutions include what is called formula funding, which is a way of looking after ongoing capital requirements. I'm making the distinction there that that does not include capital projects under the capital estimates of the budget, which is new buildings, but the capital requirements really is a depreciation vote and takes care of things like furnishings and equipment replacement, grounds maintenance, building repairs and renovations: those sorts of things. I'm making reference to that because that formula has been established and is subject to substantial cuts in the current year.

I'll conclude my remarks by making reference to the endowment fund, probably one of the more remarkable success stories by way of garnering public support for public institutions in the province. The accounts the committee will be dealing with deal with the last year of that program, and it was successful to the extent that we had to bring in phase 2, and it looks like it's going to be oversubscribed again, so we have to do a bit of back-patting on that one, I think.

That concludes my remarks, Mr. Chairman.

MR. CHAIRMAN: Well, thank you very much, Mr. Minister. Mr. Moore, could I ask you to chair the meeting for a minute

while I put a question to the minister to begin with?

[Mr. R. Moore in the Chair]

MR. PASHAK: I just have a very general question, and it has to do with the way the postsecondary institutions are funded in the province. As Mr. Russell is aware, I was a teacher in a community college for a number of years, and when I first started to teach in the colleges, the funding seemed to be provided on the basis of student grants; in other words, the funding was enrollment driven. Then at a certain point in time we went to a kind of baseline budget, and annual budgets were developed on the basis of what the college had previously received.

What is the view of the department . . . Well, as a result of that, colleges and universities today seem to have discrepancies in terms of the funding they receive on a per capita basis. Is the department involved at all in trying to equalize funding arrangements between institutions?

MR. RUSSELL: Yes. I'm going to ask Dr. Berghofer to add to my comments. This was a concern, particularly with Calgary-based institutions. For some reason they seemed to feel that they were out of kilter with Edmonton-based institutions to an extent that goes beyond the normal rivalry between those two cities. We've since appointed a one-man commission to examine those complaints. Dr. Dupré has a long history of past chairmanship of the colleges commission of the government of Ontario and has chaired or served on a number of provincial and national commissions, and he is looking into the matter of equity. So I hope to have some recommendations and explanations by the end of this summer or early fall.

But the points that you brought up, Mr. Pashak, are quite true. I think there was a time when the institutions did reach the point of baseline budgeting, and then as they added new programs, those programs were costed out and financial support given to the cost of the programs. Often along with the programs went new space, so operating funds were given to the institutions to operate their new space. Mount Royal College is a very good example of that. The money which will operate the new space at Mount Royal is what we call lights-on money, just to keep that new space cleaned and lighted and heated, and has nothing to do with students in it or programs in it. In addition to that, there will be funding for the programs that are accommodated in that space.

You can see why, when you handle every institution on an individual basis like that, that then to come back and say, "Well, institution A is getting so much per full-time equivalent student, whereas institution B is only getting this much," it appears on the surface of it that one institution is being treated differently than another when in fact they're not. But there are differences. If you take a crude measurement like per capita support or funds per full-time equivalent student or whatever measuring stick you want to use, it ignores the difference in cost between, say, the faculty of agriculture and the faculty of dentistry with easier and more straightforward faculties like arts or education. So there are a number of factors to consider.

In addition to that, there has been some enrollment growth funding since 1982 which recognizes the additional costs involved with programs standing still but student enrollment increasing, and that has been recognized as well.

I'd like to ask Dr. Berghofer to round out what I've just said.

DR. BERGHOFER: Well, I think the one point I'd like to make

is that no matter what approach you use to funding institutions, none of them are perfect, and you referred to the approach of the per student, per enrollment format, essentially enrollment driven. There are problems with that in that enrollments can fluctuate quite considerably, and you can therefore have the institutions in difficulty in some years and overendowed in other years, depending on what happens with the enrollments.

We've had the present approach for about 10 years now, and I think our view in the department is that it has worked basically very well for us. However, after 10 years of one particular approach, I think it is a good idea to take a look at it, and the way that is being done is, as the minister said, through the equity study. The basic approach that is being taken there is to ask each institution to make its case, and as that process is now under way and as they are doing that, I believe they are beginning to have second thoughts in some cases about how inequitable their treatment is. So by the end of the summer I think we will have some good documentation on this issue.

MR. PASHAK: Okay. Thank you very much.

MR. DEPUTY CHAIRMAN: Well, you have two more supplementaries there.

MR. PASHAK: No. I think I used up enough of the committee's time.

[Mr. Pashak in the Chair]

MR. CHAIRMAN: I think the next name on my list is Ms Laing.

MS LAING: I'm wondering about vote 3, support to students. I see that the amount estimated for fellowships and scholarships is \$55 million. The amount given out is \$44 million, and that's a reduction of about 20 percent of the estimates. Why did that happen? Were there fewer people that applied for scholarships and fellowships, or what was that about?

MR. RUSSELL: Yes. The demand was below the estimate, but Mr. Hemingway can give you the details for that year.

MR. HEMINGWAY: Yes, Mr. Minister. Mr. Chairman, one of the prime contributing factors to the surplus that we did experience in 1985-86 was the rather significant withdrawal rate of some students that we had assisted. So a number of grants that were in fact approved were subsequently canceled because the individuals left school.

The other major factor that did influence the surplus was our estimate that was built into the budget that the resources available to the students through parental contributions and through student savings may in fact decline substantially in 1985. We had estimated that they might decline by up to \$400, when the actual decline in the student resource side of the equation was slightly under \$100. So we did in fact end up spending less than we thought we might have to.

MS LAING: How about the remission on loans? I see that's down also by a significant amount.

MR. HEMINGWAY: Yes, and again attributable much to the same reason with respect to the withdrawal rate of students. When students in that year withdrew from school part way

through a semester, remission associated with the loans that they may have received in that year were canceled. The withdrawal problem began really in 1984, so that increased withdrawal rate and the subsequent cancellation of remission substantially affected our expenditures in that year.

MS LAING: Another question is -- I'm looking at Westerra college, and I see the expenditure is almost three times that which was estimated. I see that many of these -- Grant MacEwan college is also another one where the estimate and the expended amount is doubled. I'm wondering how that is explained. This would be to the minister.

MR. RUSSELL: Are you still on vote 3?

MS LAING: On vote 2. Sorry. Vote 2.7.4, Westerra, and Grant MacEwan college, 2.8.5. And the expenditures far exceed that estimate, in the one case by three times and in the other case almost twice.

MR. RUSSELL: Do you want to deal with that, Mr. Robins?

MR. ROBINS: Mr. Chairman, I don't have any explanation at hand. However, I'd take it under advisement. I would have to go and review the documents for that.

MR. CHAIRMAN: Mr. Heron. [interjection] One more supp. Sorry.

MS LAING: I guess I'm wondering how that money is accessed then. In fact, there is nothing in terms of special warrants or transfers or that kind of thing. It seemed like there was a certain amount estimated and then expended, and there's nothing in terms of the total amount authorized, transfer or special warrants. Like, where does that money come from? That should be a transfer then I would think.

MR. RUSSELL: Don't know. We'll have to get you the answer.

MR. CHAIRMAN: Thank you. Mr. Heron.

MR. HERON: Yes. I'd like to look at page 2.2, votes 2.8 and 2.9, very substantial capital expenditures there which show \$48 million and \$62 million -- and that's the public accounts capital and the universities capital -- and ask: what has your department done by way of providing capital funds for the Calgary Winter Olympics?

MR. RUSSELL: There are a number of projects going ahead on the University of Calgary campus, which is going to be one of the main venues for the Olympics. Insofar as our department is concerned, our capital funding was limited to the new Physical Education Building, which will be used for the indoor athletic events that will be held during the course of the Olympics. Attached to that -- I'm going to take a moment here -- is the expansion to MacEwan Hall, which will also tie into that general physical complex, along with the federal Olympic Oval, and that was built entirely with federal government funding. That complex of three buildings -- MacEwan Hall, which is the student and faculty centre; the new Physical Education Building; and the Olympic Oval -- are going to be connected by an underground pedestrian link, funded fifty-fifty by the federal and

provincial governments, which in turn ties into the existing dining and residential centre for the campus. That, in turn, is linked to some further federally funded residential units. So I've described the whole link. Our part of it was MacEwan Hall and the Physical Education Building.

MR. HERON: Thank you. No further questions.

MR. BRADLEY: I have some questions with regards to the financial assistance to students. I note, similar to Ms. Laing, that in 3.0.2 there are some \$44 million which were expended on scholarships. Is that in addition to the funds made available through the heritage scholarship program?

MR. RUSSELL: Yes, that's correct.

MR. BRADLEY: So then you're looking at in terms of -- total support to Alberta students, between the two programs, must be very significant. Could the minister advise how we compare in that fiscal year to other provinces in the country in terms of support?

MR. RUSSELL: I believe Alberta ranks first in Canada after Quebec. I make that exception about Quebec because if you examine the financial statements of their postsecondary system, they have a totally different system and are way out of kilter with the rest of Canada insofar as support and tuition fees and the whole thing. But insofar as the rest of Canada is concerned, the other nine provinces, Alberta ranks first.

MR. BRADLEY: Further, Mr. Chairman, Alberta had a program where we provided grants to rural students, sort of an allowance to assist them -- urban students don't have the same costs -- sort of a living-away-from-home allowance. I don't see that reflected in the votes specifically. I believe it was called the Alberta educational opportunity equalization grant program. Could the minister advise as to how much funds have been expended on that program in the '85-86 year, and did it do the job which that program set out to do to assist rural students?

MR. RUSSELL: Yeah. And again I'm going to ask Mr. Hemingway to add to what I'm saying. The basic student loan is \$4,300 per year, and then there's another \$2,500 a year under the program you mentioned which is available. Fred, I think you have some statistics as to how many students were helped that year with that program.

MR. HEMINGWAY: Yes, I do, Mr. Minister. I can report that approximately 6,800 young Albertans received \$8.8 million in 1985-86, and that figure is incorporated in the \$44 million. These grants are to a maximum of \$2,000, and they're really intended to offset the differential costs that these young people face because they have to move away to study.

MR. CHAIRMAN: Completed your questions? Okay, Mr. Ady.

MR. ADY: Yes, Mr. Chairman, thank you. The minister touched on the question that I was interested in, just briefly in his preamble. I wonder if he could enlarge just a little bit more on vote 2.1.7, page 2.4, enlarge a little bit more on the objectives of 1980s Advanced Education Endowment Fund, if he could just give a little bit more information on that fund.

MR. RUSSELL: By way of background, Alberta, along with other provincial governments, I think has been concerned about the percent of funding for the educational institutions that comes from the public purse. It's very high in Canada compared to particularly the United States, and the shares paid by the students are in turn relatively low. It varies between 9 and 11 percent, which isn't very much. So it means those institutions are being supported by the General Revenue Fund anywhere from 88 to 90 percent. In an attempt to get new money into the institutions at a time when demands were very high, without affecting that background proportion that I mentioned, the idea of a matching dollar fund was born. So that 1980s fund was \$80 million for the decade of the '80s. The theory was that over a period of 10 years, during that decade, if the institutions could raise about \$8 million a year, it would be matched by the government putting in another \$8 million a year. Well, the thing was oversubscribed by 1985, so it was an incredible success story.

Based on the experience that they had, last year in the throne speech we announced the second phase of that: the matching incentive and endowment fund. There the emphasis and encouragement was put on money for permanent endowment funds rather than straight operating or capital grants. Those funds will be matched on a two-for-one rather than on a one-on-one basis.

I'm taking a minute to describe this because it's having really, in my view, an electrifying effect on the system. The cost of endowing a chair of special studies at university level is about \$1.5 million. If an institution is able to go out and find a donor with half a million, that frees up two for one; another \$1 million in provincial funds and you end up with a \$1.5 million endowment. That sounds very simple the way I've described it. We know it's hard to raise half a million dollars, but I've been amazed at donors, whether they're foundations, private citizens, or business groups, that are coming forward with commitments of a half a million dollars. I think this is going to have a large enriching effect on the system by the establishment of selected and special chairs of studies. Along with that unique part of the program goes significant matching funds that have gone into operating and capital projects and developments during the period '80 to '85. So the whole thing is turning into a pretty exciting package.

In conclusion, what it is doing is encouraging the institutions to go out into the business and private sector and seek out those funds. It's starting to get us up on par with some of the leading American institutions. We still have a long, long way to go. They have many years of experience with their endowments and matching funds. Certainly at this period we have to say that we won't punish an institution by withdrawing operating funds because they're able to get contributions from the public sector, but you can see what is happening. They're getting a lot more money to run their institutions with, and they're going to be able to go into some of these specialized fields of interest. So in my view, it's pretty exciting.

MR. ADY: So then you would say that in your mind the whole project has been a success with perhaps the only negative thing being that it has cost the government a little more money than anticipated. Does that sum it up?

MR. RUSSELL: I think it's fair to say in those first years, when people were giving things other than money and putting a value to them, like computer equipment or land or other capital assets

that qualified for matching, perhaps we did make some minor mistakes. But that's the only negative I can see in there.

MR. ADY: Thank you.

MR. DOWNEY: Mr. Chairman, I'm looking at vote 2.8, and I notice that there have been significant capital expenditures in improving educational facilities of various kinds. I wonder if the minister could tell us about the upgrading that's been done at the agricultural colleges.

MR. RUSSELL: Yes, the strictly farm-related programs at the colleges throughout the province have been upgraded in a concerted way during the past few years mainly by way of capital facilities. I'm trying to remember a few of the specific projects like swine barns. Well, here it is. There's a hog barn at Olds; beef cattle facilities at Lakeland, Olds, and Fairview; a new dairy building at Lakeland; new waste storage and digester at Olds; apiary facilities at Fairview; sheep barns at Fairview; and riding horse arenas at Lakeland and Olds. So those are specialized facilities that have been developed during the last few years at those colleges.

MR. DOWNEY: Looking at the statement of expenditure by element, page 2.5, I note that in three cases, at Fairview, Lakeland and Olds, the capital expenditures in all cases -- close to \$0.5 million at Olds, \$300 and some at Lakeland, and again a very large sum at Fairview College -- were overexpended from the estimated cost. Also in looking at that vote 2.8.1 and 2.9.1, I see a budgeted amount for service element. Was that service element taken in as part of the capital expenditures, or just why does the overexpenditure show there?

MR. RUSSELL: Mr. Robins, do you want to deal with those?

MR. ROBINS: Mr. Chairman, the service element portion of the capital expenditures is taken into account when dealing with any one sector, and the estimates are preliminary. The eventual expenditure has agreed with the final approval for the capital expenditures in any case that you choose from here.

MR. DOWNEY: Well, just for a little more clarification, Mr. Chairman. Yeah, I notice that your totals are very close to budget and that, and I'm just wondering why a service element is budgeted outside of the capital estimate and then taken into expenditures on the capital portion. What exactly is the service element, if you like?

MR. ROBINS: The service element originally is established for items that haven't been estimated or expected, and then when there's a final application or approval, it is transferred to the proper vote element.

MR. DOWNEY: Do I have one more supplementary?

MR. CHAIRMAN: Yes.

MR. DOWNEY: Do I take it then that the expenditures at Fairview College, the actual capital estimates, were for \$1.171 million and that it went over budget then by some \$600,000 and some odd and \$1.789 million was actually spent on those capital improvements?

MR. ROBINS: The \$1.789 million is the expenditure. The final budget figure would be the same amount as that. The estimate was the preliminary, and a portion of the service element would be taken into consideration on final approval.

MR. CHAIRMAN: Mr. Fischer.

MR. FISCHER: Thank you, Mr. Chairman. Vote 3, and maybe I missed it when you were talking before, was with the financial student assistance on page 2.5. We have \$95 million spent there in grants. Does that include then the students' financial -- what Fred was talking about here? Is it grants plus assistance to the students, the students' loan, or is it separate?

MR. RUSSELL: I don't quite understand your question.

MR. FISCHER: The grants that are given on the student assistance on page 2.3, vote 3. There is \$95,625,762 out in grants. Is that a straight grant, or is that a student loan that is being paid back?

MR. HEMINGWAY: Mr. Chairman, the figures, both in the estimates and the annual expenditure, do not reflect any loan authorizations whatsoever. The loans provided to students are guaranteed either by the federal government or the provincial government in Alberta. I can report that there was \$122 million in Canada student loans authorized to Alberta students in '85-86, and some \$36 million in guaranteed provincial loans authorized to students during the same period.

The province does pay the interest on these loans, and within our total expenditure in '85-86 we did in fact spend some \$8.2 million in interest charges. So that \$8.2 million would be part of the total expenditure, but the loan authorizations themselves would have been money that is provided through the banks.

MR. FISCHER: A supplementary question. In the Auditor General's report it mentioned there was going to be a review of the system of procedures used by the board to verify the accuracy and completeness of the information provided for student loan applications. That has always been to me, anyway, quite a problem. Has that review been done, and have there been any changes made in the student loan applications?

MR. HEMINGWAY: Yes, Mr. Chairman, the review has been done. There have been changes that may be noted on this year's application form. We are asking for substantially more by way of documentation from certain individuals this year in order that we can assure ourselves that the expenditures are appropriate. In addition, we have included a tax waiver form which is in use by almost all other provinces in Canada. We've put that on our form this year too. I think we are reasonably satisfied now that expenditures into the future will be going to those who really need the money.

MR. FISCHER: Thank you. [interjection]

MR. CHAIRMAN: Okay. You can use Mr. Fischer's supplementary if you like.

MR. JONSON: Okay. Mr. Chairman, could the minister outline the policy that is followed in situations where a postsecondary student with a student loan is unable to find employment following graduation? What type of treatment is ex-

tended to that kind of situation when their loan is due, I guess?

MR. CHAIRMAN: I'd just like to point out, as great information as that stuff is, this is really not a Public Accounts type question. But it's a very interesting question, nevertheless, and if the minister cares to answer it, that's fine.

MR. RUSSELL: Well, we've got the chairman of the board here, so we might as well pick his brains.

MR. HEMINGWAY: Mr. Chairman, there are a number of avenues a student may explore when he finds himself in this situation. Certainly the first thing he or she should do is talk to their bank manager. Unfortunately, many students in this situation perhaps avoid that discussion and a default occurs. But really the bank managers have some degree of flexibility in how they may treat such an individual.

The federal government offers an interest-relief program, where if unemployment can be demonstrated, the federal government in fact will continue to pay the interest for up to 18 months beyond the normal six-month interest-free period after graduation. So if the student can document his circumstances, all payments up to two years could be waived under that program.

With respect to Alberta loans, the majority of Alberta loans on graduation are in fact canceled by remission payments, provided the student consolidates his loan and submits a remission application to the board. For those where the remission payment does not cover it, however, provincial student loan legislation provides the banks with the opportunity, if they feel it's justified, to revise the normal terms of repayment and revise payments downwards, even to zero, if they felt that was appropriate for a short period of time until the individuals can get themselves on their feet.

In those cases, however, where the bank feels that is inappropriate or collection is not going to be possible, then they do submit the bill to the government, and the defaulted loan is paid by us, and the collection then is taken over by the Crown debt collections unit of Alberta Treasury. But there are in fact a number of avenues that students may explore in order to avoid that default situation.

MR. MUSGROVE: Mr. Chairman, I'd like to get back to the matching funds, particularly in capital, for institutions. Now, where property is the contribution for matching funds, do I understand that the province matches that double at this time?

MR. RUSSELL: No. It's a one-on-one basis.

MR. MUSGROVE: This property that's been donated, is it held in a trust, or how is that handled as far as Public Accounts is concerned?

MR. RUSSELL: It belongs to the institution. It becomes their property. So a donation of land to Medicine Hat College would be owned by the board of governors of the college.

MR. MUSGROVE: Okay. So that then is held in trust by the Medicine Hat College. Thank you.

MR. CHAIRMAN: Mr. Jonson.

MR. JONSON: Yes, Mr. Chairman. I have a question which

applies, I guess, to statement 2.3 and the overall list of institutions there. I'm wondering to what degree does the department monitor the expenditure of various postsecondary institutions with respect to the amount they allocate to instruction, say, versus administration. In some of the quiet times in the House I've looked through some of these financial statements, and I find great variation in the proportions in those statements in these different categories. Does the department have any involvement in that?

MR. RUSSELL: We don't really. They are autonomous and self-governing. The boards are made up from a variety of sources, citizens at large appointed through order in council as well as ex officio positions that come through various groups like the senate, the student body, the academic association, and the nonacademic staff association. Those groups together constitute a board of governors. I have to emphasize how jealous they are of their autonomy. So we give them an operating grant, and they're supposed to run approved programs with that. Now, how they do it is generally left up to them. I think from time to time we have made some editorial comments about the appearances of what they're doing.

MR. JONSON: Just one supplementary, Mr. Chairman. What would be the avenue of appeal should a member of the public wish to question something that they find or feel is out of line in the allocation of funds by a postsecondary institution?

MR. RUSSELL: I refer those people -- and we get a few inquiries like that -- to the chairman of the board of governors.

MRS. MIROSH: May I ask a supplementary, Mr. Chairman?

MR. CHAIRMAN: Yes. There's one further opportunity for a supplemental on that question.

MRS. MIROSH: Mr. Chairman, to the minister. Are there any incentives or have there been any incentives built into their budgets to try and encourage them to be good managers or operators?

MR. RUSSELL: Well, that's a fascinating question because many of the institutions have considerable reserves built up as a result of operating surpluses. In fact, this year when we looked at the impact of the 3 percent across-the-board reduction, we also examined the extent of those surpluses. The advice I was given was that there was probably between \$50 million and \$70 million in accumulated surpluses within the total community. So in this year they could soak some of that up to help them get through. I might stand corrected on the range of that surplus, but we'll get to that in a minute.

So there are incentives, and some institutions have done very well. Their plant's in good shape. The student body and faculty seem happy, and they have a nice surplus in the bank. To me that is an incentive. One example that really sticks in my mind is Medicine Hat College and what they've done there by way of innovative architecture and renovations to their buildings and careful stewardship. They really run a very good institution, in my view, from a financial sense anyway.

MR. CHAIRMAN: Mr. Heron.

MR. HERON: Yes, sir. Mr. Chairman, I'd like to address an-

other question to the minister which pertains to Westerra, which of course is in my constituency. I'm looking at 2.4.4, in terms of explaining the operating expenditures in this year and what we may expect for future years in terms of recent decisions. I would like for the record if the minister would be able to give us a brief overview of the process that he went through in terms of consulting with either, say, staff members or board members or the community at large before such a decision was made.

MR. RUSSELL: Mr. Chairman, I'm glad Westerra was brought up because I was disturbed by the fact that when Ms Laing addressed her original question, we didn't have the answer. That facility is rather unique. It was born in a time when Alberta was undergoing explosive growth. There was no way the existing system could keep up with the training of trades and certain related occupations. Certainly the apprenticeship spaces were very short in number, so the decision was made to build a brand-new technical institute rather than add to either NAIT or SAIT, and Stony Plain was the community selected.

One big multipurpose building was established, and I'm mentioning that because I'm getting back to Ms Laing's point. There have been a number of ongoing renovations to that building by way of redirecting services, tearing down, putting up, inner partitioning, et cetera. In my view, it's a model I would like to see used for perhaps all of our institutions, rather than these ornate, permanent kinds of structures with concrete blocks and brick walls. This multi-use space, in my view, for a modern technical institute is just ideal. But I'm making reference to that because that's the kind of capital activity that was going on at Westerra during the period we're discussing, and it was those kinds of things that caused the overrun in the capital vote on Westerra that you identified in the Public Accounts, Ms Laing.

We know what happened to the economy in Alberta while this new institution was undergoing, really, birth pains. So not only was it going through the difficulty of just getting established and starting to grow, but suddenly its very reason for having been born was taken away. Rather than racing to complete spaces for apprenticeship training programs, we found that in Alberta there was a large surplus of those spaces, so that reason wasn't necessary anymore. The Westerra board went out into the local business community and through a great deal of innovation established custom-designed manpower and staff training programs for industries and businesses in northern Alberta and continued with their base of some computer-oriented training courses, water resource training, gas co-op specialty training, and things like that but still struggled with declining enrollment at a time when money was getting harder to get.

We spent many months discussing this problem with them. They came up with a number of innovative suggestions, all of which would have required a substantial infusion of additional funding, which wasn't available at the present time. So we finally reached the conclusion as a government that we didn't need a board and the great administrative structure that went with that kind of thing for the small enrollment that was out there at the present time. But we wanted to preserve the separate and autonomous identity of the institution and still keep it viable in Stony Plain, so the board was replaced with a one-man administrator early this spring.

That's an overview of some of what's behind the figures you're seeing in these public accounts with respect to Westerra, and this goes back to your opening question, Mr. Chairman. On a full-time equivalent basis, the other technical institutes were putting out students at about \$8,000 a year, and Westerra was

three times that. Now, there are other factors that come in, but certainly the costs were getting out of line, and we had to take some economies when we were asking the whole system to economize.

MR. HERON: Thank you, Mr. Chairman. I would like to just take a brief opportunity to thank the minister for his numerous visits to the community and meeting with the elected officials, the staff, and the representation that was made there in reaching such a tough decision. Mr. Minister, can you safely assure Albertans that embryo institutions created during more buoyant economic times will be examined in the context of the Westerra decision?

MR. CHAIRMAN: Again, that question is technically out of order, but if you care to answer it, that's fine.

MR. RUSSELL: I'll just say yes.

MR. HERON: What I'd like to do then, Mr. Chairman, is look at the amount of money we're looking at here in terms of expended and if there are decisions being made today, which I think would give us a fair level or an indication whether these expended funds will be maintained into the future.

MR. CHAIRMAN: He's answered. Did you have a further supplemental, Mr. Heron?

MR. HERON: Well, then I would like to ask a further one. Getting back to Westerra, is it safe to assume that the operating funds expended -- that is, the \$5.39 million under vote 2.4.4 -- can be maintained to enhance program delivery at the local effort, or do you see this being shifted to another budget, Mr. Minister?

MR. RUSSELL: No, Westerra was treated the same this year over last year as all other institutions: a 3 percent reduction from their previous year's budget. However, with the new administrator and with the work the faculty and staff are carrying out, I expect that our savings will actually be closer to 18 to 20 percent rather than 3 percent. But, you know, with the deficit we have, it's all borrowed money, and so it means borrowing less.

MR. BRADLEY: I have a question on page 2.4 under vote 2.1.3 with regards to Community Consortia. I wonder if the minister might comment on how successful he feels the consortia program has been in terms of delivering services to rural Albertans. Has his department done an assessment of these programs in terms of courses offered? What has been the success rate in terms of graduation, people who have actually completed a course or program and received a degree or certification?

MR. CHAIRMAN: I wonder if I could interrupt for a minute before the minister gives his answer, just to explain to a large number of guests in the gallery that this is a meeting of the Public Accounts Committee of the province of Alberta. We invite one of the ministers responsible for a government department here each Wednesday morning, and we ask questions about how his department spent money during the fiscal year ended March 31, 1986.

A question has just been put to the Minister of Advanced Education, and he's about to provide us with an answer.

MR. RUSSELL: The consortia have been a good success story and are now flexing their muscles. By flexing their muscles, I mean some of them want to get into permanent, centralized facilities. Some are talking about amalgamating with other institutions or organizations within the advanced education system. There have been a number of suggestions along those lines.

At the present time we're not thinking of making any changes. The status quo seems to be working very well. The unique part of the consortia is that the communities, on a voluntary basis through the advisory boards that are involved, develop and provide credit courses according to the need that has been determined at the community level. They buy their services from any number of institutions or mix of institutions, be it a university, a technical institute, or a college. In my view it's been pretty successful. They're one part of the system that I haven't been able to spend time with in my first year as minister, but I intend to during my second year.

Dr. Berghofer, I'd like you to add to what I've said.

DR. BERGHOFER: I would agree with the minister that the consortia program, which has been in place for about five years now I think, has had a remarkable degree of success in getting credit programs out into the regions where we have consortia, which are centralized in Drumheller and in Crowsnest Pass and Hinton west to Jasper and north to Grande Cache and Peace River and Drayton Valley. These are the locations where the five community consortia are placed.

The model of institutions consorting together to deliver services into a region where the community is basically saying, "This is what we need," is working very well. I think it's something that Alberta can be quite proud of in our efforts to deliver services to people as close as possible to where they live. We do now have examples of people who have taken two years of a credit program, such as early childhood education, right in their own centre without the need to have to come to a place like Edmonton or Calgary where that program is permanently located.

MR. BRADLEY: I'd like to encourage the minister in his second year to come down to the Chinook Educational Consortium and visit there and listen and take back some of the exciting ideas that they have and would encourage him to take under consideration some of these new ideas that the consortia are developing, because they are new to the province in the sense they've only been there for five years. But I would extend that invitation to him.

I'd like to ask a question under 2.1.6 under federally funded programs. There's some \$4.5 million allocated there and only \$3.2 million expended. Are those dollars which come to us directly from the federal government as a transfer to the province? Or is it the province's share of programs? What exactly are these programs that are involved there? And why the reduction from the estimate to the actual expenditure?

MR. RUSSELL: My understanding is that it's the federal government actually purchasing spaces or services under manpower or in some cases apprenticeship training programs run by the minister of caregr development. So they pay for the spaces actually used. Those funds are separate and in addition to the funds transferred under established program financing, which is a big portion of our Advanced Education revenue.

DR. BERGHOFER: Another component of those federal cost-shared funds is the federal government's support to bilingual education, which in the advanced education system consists of a variety of programs run out of our different institutions, including Faculté Saint-Jean here in Edmonton, in teacher training and providing of degrees to students in the second official language. I forget what the exact figure is, but I think it's in the order of \$1 million to \$2 million of that amount. We recover those funds afterwards, and that's why we call them cost shared.

MR. BRADLEY: I wanted to ask one final question under vote 2.8.8 on the Lethbridge college under the capital program. I'm going to perhaps be treading very carefully on this question in terms of how I phrase it so that it would fit into this fiscal year.

I recently visited the college and had an opportunity to visit their athletic facilities. Most high schools, I believe, have better facilities than they do. My questions is: why didn't we have funds under this current year's expenditure to provide for better athletic facilities for the Lethbridge Community College?

MR. RUSSELL: I'm not quite sure how to relate your question to these votes.

MR. CHAIRMAN: I'm not either. Can you relate it more clearly to the vote please?

MR. BRADLEY: I think I can in terms of the priority that the department has placed in terms of capital expenditures. There have been a number of projects approved in other communities throughout the province. My question is: why would not this, in my judgment, poor quality facility, not receive a higher priority in terms of the department's approval process for capital projects? It seemed to me that it was a very obvious need, and it was not met in that fiscal year. I ask the minister: how does he set his priorities?

MR. CHAIRMAN: Again, you're asking the minister to make a judgment about policy, not in terms of how expenditures are related to policy that's been previously established. That question is out of order.

Mr. Nelson.

MR. NELSON: Thank you, Mr. Chairman. I would like to first of all congratulate the minister on doing his usual grand job in his portfolio. Certainly his opening comments about his chair and desk leaning left I'm sure are very appropriate, and I just hope the red doesn't rub off on you. I'm sure it won't. But we'll leave that to others to keep that rub for themselves.

Anyway, Mr. Chairman, I would like to ask the minister: during the particular fiscal year we're discussing, the funding to the University of Calgary was considerably less than that to the University of Alberta by some roughly \$89 million. I would like to know -- and I should add that the minister has a consultant presently examining this shortfall, as I deem it -- if the minister could outline the reason why the Calgary institution has such a large shortfall as against the University of Alberta in funding?

MR. RUSSELL: Well, there are three, I suppose, obvious reasons and then a whole bunch of reasons which aren't as obvious. The three obvious reasons are student enrollment, programming, and physical plant. The student enrollment at U of A is about -- what? -- one-third higher than U of C: 23,000 full-time students

at U of A for that year as opposed to 15,000 at U of C.

Secondly the programming itself, which is a factor of history, is quite different. I made earlier reference during the meeting to the faculties of agriculture and dentistry at the U of A, which are far more expensive to run on a per-student basis than, say, arts or education, which U of C has. Those are two obvious differences, but one must examine the historic development and array of different faculties and different programs within the faculties at the two institutions.

The third obvious reason is the physical plant, because we do, by way of ongoing depreciation or service element funds or formula funding -- whatever you want to call it -- recognize the cost of repairing, renovating, or replacing parts of or equipment in those buildings. The U of A is a much, much older campus, and many of its buildings are 60 and 70 years old, so the cost of maintaining or repairing them tends to run higher than the cost of the newer buildings at the U of C.

Now, notwithstanding that there's still a difference, and that's what Dr. Dupré has been commissioned to examine, to see if there is an inequity notwithstanding those differences I've mentioned.

MR. NELSON: Would the same argument hold true insofar as the expenditures relevant to NAIT and SAIT, where there is a \$7 million differential, at least in the estimate, and \$6.1 million in the actual expended amount?

MR. RUSSELL: Yes, to a degree it would. In the case of the two technical institutes the difference in programming is not that dramatic, and the difference in financial support per full-time equivalent student isn't that great either. But there's still that difference, and that's also within Dr. Dupré's terms of reference.

MR. NELSON: With the universities, again it's perceived as a large differential. If you take into account those areas that you've identified as the enrollment, the programming, and the physical plant -- and I guess maybe I should, before I go into this other question, ask with regards to the physical plant: would you not be capitalizing large expenditures on the physical plant rather than putting them into your operating budgets?

MR. RUSSELL: Well, there are two kinds of capital. One is the big capital vote that is self-evident, the money it takes to build a new building. The second one is really a depreciation allowance which is given to the institutions, and in a way that is based on a formula which is capitalized. It takes into consideration the age of equipment and furnishings above or under 10 years old. It used to take into consideration lump sums for minor renovations to buildings and repairs to grounds. These campuses now, of course, are like small cities, so they have sewer, water maintenance, paving, and all those things that a small community would have. This year we put all those together into one vote and said: "You're autonomous. You spend it where you like. You make the decision to buy a new microscope or cut the grass." Really, it comes down to that basic.

So on the one hand, those kinds of things are capitalized because they're approached on a depreciation basis. It's only last year that we've started, through the Capital Fund in the Provincial Treasurer's budget, to capitalize the big new building projects, and we are borrowing and mortgaging those for financial reasons. But up until last year they were paid for on a cash basis.

MS LAING: I'd like to ask some questions about the revenue on page 2.6. Is that okay? I note dramatic reductions in some areas of payment from the government of Canada, and you said they bought spaces, so to speak, and reimbursed you. So when we see this great reduction in terms of "Vocational training, disabled persons," does that mean that there was less opportunity provided? I'm not sure why there would be, and I'm wondering why there would be such a drop in the amount of revenue received there.

MR. ROBINS: Mr. Chairman, there were some drops in the postsecondary education, vocational rehabilitation, and citizenship instruction. In the postsecondary education a \$4.8 million drop was a result of the valuation of the tax points.

MS LAING: The what?

MR. ROBINS: The tax points. There's a combination of cash received . . .

MS LAING: So it's not just -- it's a formula?

MR. ROBINS: It's a formula, yes. And the total entitlement was steady, but the valuation of the tax points went down, and it resulted in a cash increase. I'm sorry. That one was up, on the first one, by \$2.6 million. It was up from \$201 million.

MS LAING: I think we're looking at a different place. What page are you on?

MR. RUSSELL: Page 2.6. Vocational training. There was a dramatic drop there.

MR. ROBINS: There was a three-year federal/provincial agreement that was signed in 1985-86, and the revenue had been accrued for '83 and '84 and '84-85 on the basis that it was going to continue that way on that previous funding agreement, and it was supposed to cover the costs of institutional training. However, that didn't come through. That '85-86 changed, which resulted in the reduction. The federal . . .

MS LAING: I'm not understanding what changed. Was it because there was an accrual of funds and then a carryover, or why?

MR. ROBINS: Yes. We didn't have an agreement in place for '85-86, so we accrued the revenue based on previous years' experiences and the previous agreement. When they did sign '85-86, the terms of reference were different, and I don't have those at hand right now. But that was the reason for its dropping.

MS LAING: How about the bilingualism programs? Again I see a drop, and I'm wondering: I've heard via sort of here and there that there's less federal money for bilingual programs. Is that what is happening here? I guess I'm again wondering what is going on. Oh, it's up. Just a minute. Maybe I'm looking -- it's up. Sorry. Okay, it's up.

MR. ROBINS: I'm having the same trouble.

DR. BERGHOFER: If I might just comment on the bilingual program. There is now in place a protocol which governs the

agreement of the amounts of funding for each province under that agreement. The protocol is actually expiring this year, and it's in the process of renegotiation. But what the federal government has really done is move toward a capping of what they provide. Under the previous situation it was open-ended, and that obviously is something that the federal government didn't feel comfortable about. So for the last four or five years it's essentially been capped.

MS LAING: So would that be capped in terms of total amounts or total students funded, say?

MR. BERGHOFER: Total amounts, and we do have a fair amount of flexibility to move around within the various elements within the bilingual program, but the actual totals are now capped.

MR. CHAIRMAN: Okay. Mr. Mitchell.

MR. MITCHELL: Thank you, Mr. Chairman. To the minister. With respect to the Auditor General's report, recommendation 12 concerning the preparation of comprehensive annual plans for each academic year by NAIT, could the minister please inform the committee what steps have been taken to implement recommendation 12? It's on page 23 of the Auditor General's report.

MR. RUSSELL: You were on NAIT?

MR. MITCHELL: NAIT, yes.

MR. CHAIRMAN: Page 23 of the Auditor General's report, Mr. Minister. It's recommendation 12 by the Auditor General. We'll give the minister a chance to review that recommendation. Page 23 of the annual report of the Auditor General for 1985-86, and it's recommendation 12.

MR. RUSSELL: You're on SAIT, aren't you?

MR. MITCHELL: No, I'm on NAIT. There wasn't a recommendation under the report on SAIT. It's just recommendation 12 which does refer to NAIT.

MR. CHAIRMAN: Will you please restate your question, Mr. Mitchell?

MR. MITCHELL: I'm simply wondering what steps have been taken to ensure that this recommendation is implemented.

MR. RUSSELL: Well, I can read you a report that I have on that recommendation. The institute disagrees with the inclusion of the indirect costs being included in the central costing system; otherwise it is in agreement with the recommendation and is taking steps to develop and refine the systems necessary to prepare comprehensive annual plans. The department is in agreement with the approach the institute is taking. So there's general agreement except on that one detail.

MR. MITCHELL: Thank you. With respect to the NAIT Centre for Entrepreneurship, I understand that that's a highly successful program. I visited, and have been impressed with it. Were there plans? Was a decision made consciously in the year under consideration not to begin such a program in SAIT? Are

there plans to begin one in the future in SAIT or in other colleges around the province?

MR. HERON: Sorry, Mr. Chairman. I can't make reference to the vote or the page. Could you help me?

MR. CHAIRMAN: I think you're right but . . .

MR. MITCHELL: Vote 2.4.2 and vote 2.4.3. I guess specifically vote 2.4.3. Were funds allocated to the Southern Alberta Institute of Technology, some of those funds in turn designated or designated for a SAIT centre for entrepreneurship? If not, are those plans in the works?

MR. RUSSELL: Not that I'm aware of. However, I'm glad you brought the matter up because there's a great deal of innovation occurring throughout the whole system, and I think it's a reflection of two things: number one, competition, not only within Alberta but from outside of Alberta; and secondly, a response to the economic times we're in. So the boards of governors are taking, in my view, a great deal of leadership in developing these innovative and almost custom designed courses for their own surrounding business communities. Needless to say, insofar as the department is concerned, we're supportive of that.

We made reference to what Westerra had done earlier and their success there, and there are others. You've referred to NAIT. Athabasca University is getting international acclaim for what it's doing, and we're supportive of that.

MR. MITCHELL: Thank you. Another supplemental with respect to vote 2.6, universities' operating expenses. Could the minister please inform the committee: what is the government's policy on government participation in revenues resulting from discoveries, innovations, and inventions by university personnel? I'm, for example, referring to the case of the university professor who discovered a grass seed that . . .

MR. CHAIRMAN: Again that question is out of order. It's a very interesting question, but it doesn't . . .

MR. MITCHELL: Yes it does, because it was last year that this occurred. I'm getting to a specific case, Mr. Chairman.

MR. CHAIRMAN: Are you going to be able to relate a specific expenditure to some policy that the government has established?

MR. MITCHELL: Well, maybe I should come at it from my example first. Forget what I said, and I'll start again.

I believe it was last November or December that a university professor sold a grass seed that he had developed to produce a grass that doesn't grow -- I want to find this guy, because you don't have to mow your lawn if you have it -- and I believe that the payment he received was \$7 million. I'm wondering whether that would appear in any way in university revenues or in government revenues or in the long-term benefits that would accrue as a result of commercial enterprise that would follow from it. How would that come back to government, if at all?

MR. RUSSELL: I can answer the question in a general way. If the institution gets into research or development activities, we regard that as something above and beyond and separate from the scope of our operating grants. And particularly the U of C and the U of A depend heavily upon research grants as part of

their almost built-in budgets, which are in addition to the operating grants from the government. As far as who gets what, either patent rights or revenues accruing from those as a result of research programs, it's my understanding that that's a matter between the institution and the personnel involved in each case.

MR. CHAIRMAN: Okay. We have time for one question from Mr. Shrake.

MR. SHRAKE: Mr. Chairman, just one question. I see here that the Alberta Vocational Centre has \$6.599 million, roughly \$6.5 million, and then they had quite a large overrun of almost \$1 million. I understand they run about 1,800 students a day through there. And then I see, of course, the universities. Their estimates run up in the real multimillions of dollars. I wonder if we were underfunding the Alberta Vocational Centre back in this year, and if you've taken a look at that, with the number of people going through and the demand they've got down there. We've got a lot of people unemployed. They're trying to learn vocations, and so on. Has the department taken a look at this?

MR. RUSSELL: Yes, the AVCs are what are called PAIs -- that is, publicly administered institutions -- in that they're simply run as a part of the Department of Advanced Education, and the staff, teaching and nonteaching, are employees of the department. They don't have boards of governors. The two that I want to particularly mention -- Calgary and Edmonton, of course, in the downtown centres of our two major metropolitan centres in Alberta -- really take on quite a load with respect to English as a Second Language and other supportive courses for the newcomers that tend to congregate in Calgary and Edmonton: the upgrading, special adult extension courses. You know, I could go on and on. Certainly the demand is there, and they're bearing the brunt of it.

MR. SHRAKE: Well, Mr. Chairman, the question I wanted to ask, which I can't ask, is: are you going to give them more money? So I have to ask the reverse question: why is their funding so low in comparison to the monstrous megabudgets you have for the universities? And again in my asking my reverse question, you can actually tell me: are you giving them more money?

MR. CHAIRMAN: The second part of that question is clearly

out of order.

AN HON. MEMBER: But it's intrinsically interesting.

MR. CHAIRMAN: But it's intrinsically interesting. I'll accept that.

MR. RUSSELL: They're quite a different kind of institution to a university, and so their unit costs are much lower. They took the 3 percent cut this year, the same as any other institution in the field.

MR. SHRAKE: Just one final supplementary, because I think we're running out of time. There again, this Alberta Vocational Centre in Calgary handles, I guess, just about everything, including they've got stuck with the ESL courses, and they've done a good job. I guess they're the best in the province right now in handling English as a Second Language for our new Canadians. How much are we spending on ESL there? And then, how much of this are we recovering and getting back from the government of Canada? As I said, there's no breakdown here on page 2.6.

MR. RUSSELL: We'll have to get that for you.

DR. BERGHOFER: I could just comment that it comes from a couple of different sources. One part of the ESL comes from the Canadian citizenship program of the federal government and another part would come from the [Canada] Employment and Immigration Commission.

MR. CHAIRMAN: Well, we've gone beyond our normal time for adjournment. I'd like to thank the Minister of Advanced Education and his associates for being with us this morning. The next person to appear before our committee next Wednesday at 10 o'clock will be the Minister of Social Services.

Mr. Moore, I recognize you.

MR. R. MOORE: I move we adjourn.

HON. MEMBERS: Agreed.

[The committee adjourned at 11:31 a.m.]