

8:30 a.m.

Wednesday, April 20, 1994

[Chairman: Mrs. Abdurahman]

MADAM CHAIRMAN: I'd like to call us to order, please, and good morning to everyone. Could I have an approval of the agenda, please? Moved by Mike Percy. Any discussion? If not, all in favour say aye.

HON. MEMBERS: Aye.

MADAM CHAIRMAN: Any nays? It's carried.

Approval of the minutes of the April 13, 1994, Public Accounts Committee meeting. Are there any errors or omissions? If not, could we have a motion to accept as circulated? Barry. Any discussion? If not, all in favour say aye.

HON. MEMBERS: Aye.

MADAM CHAIRMAN: Any nays? It's carried unanimously.

I'd like once again to extend a warm welcome to Mr. Andrew Wingate, our Acting Auditor General, and also a colleague, Bud Cuthbert, who is an assistant Auditor General and one of his areas of responsibility is advanced education. Welcome, Bud.

It's with a great deal of pleasure that I welcome the Hon. Jack Ady, Minister of Advanced Education and Career Development, to appear before Public Accounts this morning. I'd ask Mr. Ady to introduce his staff and make some opening comments, please.

MR. ADY: Thank you, Madam Chairman. I'm pleased to be here, I believe, before the select standing committee this morning. This represents my inaugural appearance before the Standing Committee on Public Accounts.

I would like to introduce the people I have with me, but prior to doing that, I advise all of you that I neither prepared nor spent this budget. The one that's before you this morning is just here to defend it, so please bear that in mind. But in an effort to ensure that we give as complete an answer as possible to the questions you might put to us, we have some staff here, and I'd like to introduce them: Lynne Duncan, our deputy minister, on my left; Fred Hemingway, chief executive officer of the Students Finance Board, on her left; Neil Henry, assistant deputy minister, institutional support, farther down; Ried Zittlau, assistant deputy minister, regional services, at the end; Shirley Dul, executive director of apprenticeship and industry training; and Gerry Waisman, director of financial planning, on my right.

Madam Chairman, I assume I should proceed with whatever opening remarks I wanted to make at this point. We're here to discuss the public accounts of two former departments that were amalgamated on December 9, 1992. While I was not minister of either of those departments at the time the 1992-93 budgets were developed, I'm pleased to have the opportunity to demonstrate accountability for them. Any discussion of public accounts is really about accountability and specifically financial management. Did we manage within our approved plan or estimates? Did we strive toward improving areas which required attention? Did we accomplish or maintain the level of service we intended for the fiscal year in review? In order to answer these basic questions, I'd like to provide you with a brief overview of the 1992-93 fiscal year, focusing on the tabled public documents, the Auditor General's 1992-93 report. We can then open up for questions and responses, and if further detailed answers are required, I'd be

pleased to provide written responses following a review of *Hansard*.

The 1992-93 budget objectives. My predecessors, the hon. John Gogo and the hon. Norm Weiss, had a number of budgetary objectives in 1992-93, including but not limited to, first of all, encouraging private-sector support for postsecondary institutions. The Universities Foundations Act was passed to provide more generous tax incentives for contributors, to continue to provide opportunities for learning by maintaining participation rates, also achieving further gains in productivity by looking at new ways of doing what we do within available resources. Examples include encouraging and nurturing business education and training partnerships, removing institutional barriers and improving transferability. Development of a training culture committed to training by both individuals and their employers was also an objective. The minister of the day established a consultative committee to obtain advice on what role the private sector might play regarding skills training issues. My predecessors, as well as myself, were charged with responsibility for protecting Albertans' essential services in a climate of fiscal restraint.

What were the budget highlights in 1992-93? Given that many members of the Standing Committee on Public Accounts became MLAs for the first time during the 1992-93 fiscal year, I am sure it will be useful to spend a few minutes to provide highlights of that budget. The 1992-93 fiscal year was the last year an across-the-board increase in grants to institutions was awarded. An additional 3 percent or \$26.3 million was distributed to the postsecondary education system, for a total in excess of \$876 million. Our commitment to increase funding to private accredited colleges for university level programs in arts and sciences: an addition of \$1 million was approved in 1992-93.

The Woodland Cree band from Cadotte Lake was awarded \$3 million over five years to support adult upgrading and vocational training initiatives; \$600,000 was identified for this purpose in that budget year. Additional funds were provided for programs to meet the specialized training requirements of staff for the new Pratt & Whitney aircraft engine plant in Lethbridge. The funds supported a community partnership between government and industry to train an area work force to meet future employment challenges. Construction of Grant MacEwan Community College's city centre campus and the University of Calgary's Professional Faculties Building were well under way. Together over \$71 million was spent on these projects in 1992-93. As well, \$2.9 million was spent to complete urgently required renovations to the University of Alberta's animal care facilities.

Our four vocational colleges have been very successful in developing and providing courses and programs funded by third parties such as business, the federal government, local interest groups, and others on a cost-recovery basis. The 1992-93 budget included an additional 2 and a half million dollars to front-end finance such recovery programs. The success of these partnerships was shown by the fact that revenues grew from less than \$1 million in 1990-91 to over \$5.8 million in '92-93. By establishing realistic levels for remission benefits and through more effective audit activity, we were able to improve assistance levels to individual students in need while reducing budgetary appropriations: estimates for 1992-93 of \$90.3 million versus 1991-92 at \$95.7 million.

Did we manage within our approved plan? If we examine the public accounts, we see the department lapsed approximately \$7.9 million of a \$1.177 billion budget. Stated another way, we spent 99.3 percent of our allotment. While the individual programs varied in the amount of unexpended balances, one case of overexpenditure prior to transfer as the major contributor to the

surplus can be linked to the implementation of a restraint program introduced in the fall of 1992. The overall savings of \$7.9 million may seem insignificant to the overall budget. However, I would point out that the majority of our expenditures are nondiscretionary. Institutional grants are announced at the beginning of the fiscal year. As well, to meet government's commitment that no student is denied access because of financial need, the program is demand driven. Students who are motivated and qualified for postsecondary funding are not turned away. Significant dollars are committed at the beginning of each fiscal year to support postsecondary institutions and to meet the financial needs of students.

Programs 2 and 3, which support nondiscretionary commitments, had a combined 1992-93 budget of \$1.0728 billion or 91.1 percent of the department's approved resources. It is significant to note that the department absorbed approximately \$4 million to support the cost of the early voluntary options program. This initiative resulted in a reduction of 11 percent of the department's permanent employment complement.

8:40

Did we accomplish or maintain the level of service we intended for the fiscal year in review? To talk further about the Students Finance Board, in 1992-93, 50,769 students received assistance to attend postsecondary institutions. This represents an increase of 3.6 percent from the previous year's student support level of 49,000. To ensure that financial needs did not keep qualified and motivated students from enrolling, loan limits were increased by \$250 to accommodate tuition fee increases and to offset a \$100 reduction in supplemental assistance grants. As a result, there was a net increase of \$150 in the assistance available in an academic year. The province repaid \$14.3 million of loans held by students through its remission program. The remission program is a debt management tool. Remission was available on total borrowing in excess of \$14,580 in the case of a university undergraduate and \$7,440 in the case of a college student.

During 1992-93, 8,600 students received scholarship awards totaling \$12.5 million. As of March 1993, over 79,100 Albertans had received awards totaling \$111.2 million from the Alberta heritage scholarship fund.

Enrollment and access. Approximately 116,600 full-time equivalent students in credit programs were served in 1992-93, an increase of 3.3 percent over the previous year. Part-time enrollment accounted for approximately 19.2 percent of the total. Over 500,000 registrations in noncredit courses were handled throughout the Alberta postsecondary system and further education councils in 1992-93.

University research. The University of Alberta ranks fourth and the University of Calgary eighth among Canada's top research-intensive universities in their ability to attract competitively awarded research grants. The University of Lethbridge is among the top research institutions for its size in Canada. Alberta's universities brought to the province approximately \$70 million from federal government sources and a total of \$103.8 million from all sources in 1991-92. This research money contributes significantly to high-quality jobs for Albertans and advanced training for the next generation of highly qualified human resources.

Skills development and employment services. The Alberta apprenticeship system trained over 14,000 apprentices in 1992-93. The career information hotline provided 27,200 Albertans with career information and referral needs. The department was awarded the Human Resource Development Canada award of excellence for the organization of the year for the video series *The Winning Edge*. This was video-based training material designed

to show that Alberta companies who invest in training of their human resources have a competitive advantage. It was produced as a result of a roundtable held with Alberta business leaders to discuss competitive advantage and the role of human resource development as one of the keys to success. Paddle Prairie and Buffalo Lake became the first two communities to be serviced by the two mobile industry training centres. These centres are designed to work with the community and local employers to ensure that the training provided is appropriate for local needs. The department entered into a tailor-made training contract with Pratt & Whitney in the amount of \$1.6 million to open a manufacturing operation in Lethbridge and to employ and train 170 Albertans.

Our department, through a network of career development centres, provided career counseling workshops, referrals to educational institutions, audiovisual materials, books, periodicals, and other publications to over 116,000 Albertans. Employment preparation services, including training on the job, work experience, and placement assistance, were provided to over 51,000 disadvantaged Albertans. The department assisted over 600 disabled Albertans to obtain the skill training, specialized equipment, and worksite renovations that enable them to gain independence through employment.

Are we striving towards improving in areas which require attention? I find the Auditor General's observations and recommendations useful, and my government takes them very seriously. In particular, the recommendations concerning costing of outputs, accounting principles, and the apprenticeship and industry training program are priority concerns. Our acceptance of the Auditor General's 1992-93 recommendations and our responses are a matter of public record.

I'd like to demonstrate just how responsible my department has been since we were informed as to the contents of the report. For example, I would draw your attention to introductory comments on pages 3 and 4 of the Auditor General's report concerning costs of outputs. As the Auditor General points out, this inability to relate cost to output exists generally throughout the government. What has my department done to address the inability to relate cost to output? How committed are we to improving? Through the first round of our public consultation process on adult learning, access renovation, Albertans told us that our traditional measures of program approval and financial statements were not a sufficient assurance of accountability. A major focus on our recently announced three-year business plan talks about affordability and accountability for use of resources and for outcomes achieved. Learning providers will be directed to inform potential students and taxpayers of key indicators of the performance of their programs. That is, they will be asked to give evidence of the value resulting from students' and taxpayers' investments of time and money. Our draft white paper also proposes the implementation of a new formula for funding postsecondary education and training. It focuses on productivity and performance outcomes. Madam Chairman, I believe our actions demonstrate we are making every effort to improve the accountability process.

In conclusion, our department's proposed vision statement for adult learning is that Alberta's adult learners will be recognized for the excellence of their knowledge, skills, attitudes, and experience that enables them to, first of all, take responsibility for shaping their futures and participate in a changing economy and work force and enrich the quality of life in their communities. We believe Alberta's adult learners will achieve excellence by participating in high-quality lifelong learning opportunities. In support of this vision, Advanced Education and Career Development will lead and work with other partners in facilitating new directions for adult

learning that ensure for learners and taxpayers an accessible, responsive, and affordable system for adult learning that is accountable for results. Madam Chairman, this committee plays a key role in fulfilling my responsibility to be accountable.

If the committee has some questions now, we'll be pleased to try to answer them.

MADAM CHAIRMAN: Thank you, hon. minister.

Mike Percy.

Could I remind members to please keep preambles as brief as possible. Thank you.

DR. PERCY: Thank you, Madam Chairman. Mr. Minister, we know that long-term unemployment has risen significantly. Certainly that was evident in the period '92-93 on, and it's particularly evident among youths. My questions relate to the apprenticeship and industry training program. The Auditor General focuses on program costing. Questions I want to ask relate more to performance indicators. In assessing the success of that program and the expenditures, what screening method was used? Were students screened on the basis of their skills and qualifications, or were funds allocated on the basis of industry demands? Was it linked to unemployment rates? Just what were the criteria for allocating those apprenticeship funds for the period '92-93?

8:50

MR. ADY: Well, first of all, the apprenticeship program is industry driven, because in order to get into the program, an apprentice must find an employer to carry him during the term of the apprenticeship. So the employment must be there. It's been a very successful model in our province because we train a very high percentage of the apprentices in our country, far more than our ratio of population. We train in excess of 20 percent, and we have a population in relation to Canada of less than 10 percent. So to answer your question, the screening process really brings the apprentices forward into the system from industry. It serves to keep the balance in place so we don't overtrain or undertrain, because it just meets the demand and it's demand driven. Does that answer your question sufficiently, or do you need some . . .

DR. PERCY: Yeah.

I have a supplementary, Mr. Minister, along those lines. From the data for '92-93, are there significant differences among firms in their success in completing apprenticeships through the duration of the program, and has that influenced the allocation of funds by the department?

MR. ADY: Maybe I'll ask Ried Zittlau to respond to that. Your question had to do with completion?

DR. PERCY: Yes.

MR. ZITTLAU: In terms of the completion, I don't think that's the driving force behind the question you're asking. The apprentices are taken on by employers, and as in any employment situation, I would see that they go through a period of probation as they're working through the apprenticeship process. The funding you're talking about is funding allocated toward classroom spaces, technical training. Employers would not release the apprentices to go to technical training if they were not satisfactory on the job. In other words, what I'm saying is that there's a turnover factor there. In all instances where apprentices are satisfactory and meet the requirements of the employer, they, of

course, would be released and would then go into technical training, which is the funds you're looking at in the public accounts.

DR. PERCY: Just to follow up, how significant is the variation among firms within an industry and between industries in that turnover? Does it have any bearing on the subsequent allocation of funds, or is it simply driven by firm decisions and the department passively responds?

MR. ADY: Why don't you deal with it, Ried?

MR. ZITTLAU: I'm not sure I understand the question.

MRS. DUNCAN: I think what the member is trying to question is whether some firms are more effective than others in ensuring apprenticeships get completed and whether we rate the effectiveness of firms in some way in signing up of apprentices.

DR. PERCY: I couldn't have said it better.

MRS. DUNCAN: I'd have to get some help on some detail on that. Quite clearly, when an apprentice is signed up, they're not indentured to one particular firm for the life of their apprenticeship, and some do move around. So perhaps it's not particularly appropriate to look at whether a firm necessarily carries an apprentice through.

I don't know, Shirley, if you'd want to supplement that or not.

MRS. DUL: What I can say is that there is a difference between some firms, and obviously the ones that don't do as good a job training are often highlighted. But I think we have to look at the system. Apprenticeship is industry-driven; it's demand-driven. It's a hiring system where a person goes through a three- or four-year process of training. I believe it's seen to be very effective by employers. For the majority of employers, they do a responsible job. There are ways we measure that. For example, there's a record book -- and we're improving our record book -- that shows every element of the trade and the skills that are required to fully develop into a journeyman. The employer is required to sign off each task of the trade. It is established as best as can be done that that apprentice has had experience in each element that's key to that trade, and it's supported by the employer signing the record book. So we have ways in the system to encourage employers to do a full job of training the apprentice.

MADAM CHAIRMAN: Thank you, Shirley.

Gary Friedel.

MR. FRIEDEL: Yes. I'm referring to public accounts, volume 2, page 2.22, and vote 3. It's the section on financial assistance to students. The entire section 3 shows an overexpenditure of approximately \$1.4 million, and I'm wondering if you'd give us some comments on the reason for the overexpenditure.

MR. ADY: I'm sorry. Could you give me the program reference again?

MR. FRIEDEL: The vote number is 3.

MADAM CHAIRMAN: Are you able to find it, hon. minister?

MR. ADY: Yes, thank you.

That has to do with the \$1.4 million being overspent in that element? It really has to do with the increase in number of students applying for assistance. The students finance program has been primarily demand driven. I guess when the budget was prepared, it was \$1.4 million out of sync with what the demand would be.

MADAM CHAIRMAN: Supplementary, Gary?

MR. FRIEDEL: Okay. In the same general section, 3.0.2, under grant assistance, I suspect this was part of the reason for the fluctuation in the overall total in that section, but that particular vote is overspent by \$4.7 million. Is that strictly overexpenditure, or are there transfers involved in that?

MR. ADY: No. Again, it resulted from an increase in the number of students applying for need-based support and also, though, in higher than anticipated average awards to high-needs students. In other words, every student is assessed. When the budget is done, there is an attempt made to anticipate how high that award will be. In this particular case, the awards were higher than anticipated, and that caused an overexpenditure of the \$4.7 million.

MR. FRIEDEL: Okay. Just going down from that, 3.0.3, interest payments. It's a sort of double-barreled question. Can you explain what the interest payments are? I noticed that in this case there's a surplus or an underexpenditure.

MR. ADY: The actual interest rate paid by the government on new loans was 8 and a half percent in that year, and a slightly higher rate was used for the budget, not anticipating a reduction in interest rates to the extent that took place. You asked how the interest rate is calculated. The interest rate is calculated using the average yield of government of Canada bonds due to mature in one to five years plus 1 percent. That's the basis of the calculation.

9:00

MADAM CHAIRMAN: Thank you.
Sine Chadi.

MR. CHADI: Thank you very much, Madam Chairman. Mr. Minister, with respect to vote 2.8, postsecondary institutions capital, page 2.22 of volume 2, it's quite clear that capital construction, the principle repayment being expended in the amount of \$15,440,000 – I understand what that would mean. The area that causes me some difficulty, and I'd like some explanation, is with respect to 2.8.2, capital renewal funding. When I look at the estimates of that year, it says that postsecondary institutions capital provides capital renewal grants to board-governed institutions for replacement of furnishings and equipment. Is that expenditure of \$32 million gone to renewal of furniture and equipment?

MR. ADY: Well, yes, it's just what it says it is. You're asking: is it a conditional grant? Was that your question, Sine? Must it be spent for that?

MR. CHADI: Basically, yes.

MR. ADY: In that year, under the conditions of the grant at that time, they were a conditional grant, yes. However, to bring us more current in this year's budget, we have rolled all that into one

envelope of funding, and the institution has the responsibility to spend the money where it needs to be spent.

MR. CHADI: It seems like a tremendous amount of money to go toward furnishings and equipment renewal. Given the fact that the colleges in that fiscal year of 1992-93 are in the range of \$565,000, to see \$32 million sort of throws me. Is there a mechanism in place that would ensure that the equipment that is being asked for or being requisitioned by – if that's how it works – the postsecondary institutions actually gets purchased, or are those funds expended? I'm wondering, Mr. Minister, if those funds aren't being put there and then, at the end of the fiscal year, there's a mad scramble to expend those moneys just for the sake of doing so so they don't lose that funding.

MR. ADY: Well, I would hope that's not the case. Inasmuch as you're getting into the detail of what happens at the institution level, I'm going to ask my deputy to give you some additional information on the way that grant works within the institutions.

MRS. DUNCAN: The capital renewal money is to deal with physical plant and capital equipment. Universities and colleges and technical institutes would tell you that the \$32 million is far too little to meet their needs, so I'm sure they don't have to scramble at the end of the year to find ways to spend it. In fact, most of the money goes to make urgent kinds of emergency repairs to physical structure to deal with safety codes and standards and such. It is a conditional grant and, as such, our colleagues the auditors would follow up to ensure the moneys were spent where they were intended to be spent, but I have no doubts that institutions are putting most of those moneys into making sure the physical plant is healthy.

MADAM CHAIRMAN: Final supplementary, Sine.

MR. CHADI: Thank you. My question, of course, arose from the fact that I had a couple of phone calls from different people that are telling me that in one particular vocational college there was a mad dash to expend excess funds they had in their budget and they bought things that were totally unnecessary. It really hurt me to think that in this time of fiscal restraint we can't have a mechanism in place – and that's what I was getting at – to ensure that that doesn't happen. It's really not uncommon to see that. I note that . . .

MADAM CHAIRMAN: Sine, could you get to the question, please.

MR. CHADI: Yeah. Thank you.

The Auditor General in comments on page 60 of his report, in particular to the Northern Alberta Institute of Technology, made reference to obsolete assets and these assets that continually are recorded in the financial statements of the institution and, as a result, there's an overstatement in the recorded value. My question is: are these pieces of equipment or furnishings, whatever the case is, that are obsolete not only in NAIT but in other postsecondary institutions being transferred over to public works, or is there a mechanism in place to dispose of these assets that are no longer being used by these institutions? How do we dispose of them?

MR. ADY: Neil, would you respond to that, please?

MR. N. HENRY: For a start, the assets are in the ownership of board-governed institutions. There's a regular process of disposal of obsolete assets in every institution in the system, but it's controlled by the policies of each board. So it's not something the department has a direct line to. But I know disposal of assets is a regular part of audit procedure. Maybe I'm missing the point. There is not a process that transfers assets to public works. Disposals are handled by individual institutions.

MADAM CHAIRMAN: Thank you, Neil. Thank you, Sine. Barry McFarland.

MR. McFARLAND: Thank you, Madam Chairman, and welcome to the minister and staff. My questions this morning deal with the training allowances and assistance on page 2.22 of public accounts, and the reference is 4.3.3. It seems that under this particular item there was an estimated amount of \$18,559,000, but in actual fact only \$15,977,000 was spent. Could the minister or the staff please identify what these allowances are meant for and what the eligibility criteria would be?

MR. ADY: Training allowances and assistance are provided to unemployed and unskilled and economically disadvantaged people in the province. The training priorities would include academic upgrading, English as a Second Language, and pre-employment courses, very basic courses, and expenditures would cover tuition and training. There would be in excess of 11,000 people involved in that. Because we had some funding unspent there – which I believe you made reference to – of some \$2.6 million, \$1 million was transferred to advanced education ledger 30(a); therefore, the unspent amount was \$1.6 million. And some of these funds were used to compensate for overexpenditure in the rehabilitation and training program.

MR. McFARLAND: Just out of curiosity, I don't know what ledger 30(a) means.

MR. ADY: Advanced education.

MADAM CHAIRMAN: Do you need further explanation?

MR. McFARLAND: No, that's fine.

The supplementary I have: what will the minister or the staff be doing in the future to make sure these funds actually are going toward their intended use rather than guessing at what may or may not be overspent or underspent?

9:10

MR. ADY: The department has gone through a process of rationalizing all training allowances and assistance. Much of this has resulted in a transfer of funds to the Students Finance Board. The rest is being used to address the needs of those requiring attention the most, specifically clients of Family and Social Services through initiatives like training on the job and job placement and integrated training. That's the direction we've taken to address that.

MR. McFARLAND: When you talk about the training priorities – academic upgrading and English as a Second Language and pre-employment courses – is there a rough breakdown as to the percentage that goes into each of those areas? I guess a concern is that a lot of people talk about English as a Second Language, but in fact I didn't understand that some of the money went into

academic upgrading and pre-employment courses. Do you have a rough breakdown on how those are allocated?

MR. ADY: I don't have that information broken out and readily available, but I think we could calculate that and supply it to you at a later date.

MR. McFARLAND: Thank you.

MADAM CHAIRMAN: Thank you. Alice Hanson.

MS HANSON: Thank you. Good morning, Mr. Minister. My questions are from the Auditor General's report, page 51 at the bottom, where the Auditor General expresses concerns about information on the extent to which contractors are successful in the employment alternatives program. I know that people referred to employment alternatives have been on social assistance. Some of them are chronically unemployed. I just wondered: what kinds of courses, the range of courses, are covered by the employment alternatives program?

MR. ADY: Okay. Ried, would you like to deal with that?

MR. ZITTLAU: Yes. Under the employment alternatives program, we typically engage contractors to provide services, as you said, to social allowance recipients or the unemployed, who face a multitude of barriers. A lot of the work would be with regard to basic life skills adjustment, attitudes, how to properly search for a job, how to go through interview techniques, how to write appropriate résumés, and covering the fundamentals of what employers look for in terms of appropriate skills on the job.

MADAM CHAIRMAN: Supplementary, Alice?

MS HANSON: Yes, thank you. What about the assessment, Mr. Minister, of people before they go into those programs? I'm using this as an example. What brought this to mind was someone I met not long ago who had been through the pre-employment training and the job club. A résumé had been produced, but this man couldn't read his résumé. So I wonder if there is any kind of literacy assessment that goes on, because it's all pointless if people can't read and write.

MR. ZITTLAU: Well, yes, there is to the extent that we try to help all people to a point where they can communicate properly with employers. I don't know the specific example you speak of, but clearly there are people with varying degrees of abilities in that regard. If it's deemed that the person would benefit more from English as a Second Language training, then it would be our objective to refer them or direct them in that direction and have them take that type of training as preparatory to employment.

MS HANSON: So there is some sort of assessment. This wasn't ESL. This was illiteracy, a Canadian who was illiterate.

MADAM CHAIRMAN: Final supplementary.

MS HANSON: Thank you. What about the accountability procedures that were mentioned by the Auditor General as far as standards, follow-up, how many people get jobs, just that kind of practical stuff? Have you been able to put any of those in place?

MR. ADY: By way of tracking them after they leave these types of programs?

MS HANSON: Yeah. Do those programs work? How many people get jobs afterwards?

MR. ADY: Do we have some statistics?

MRS. DUNCAN: We actually do have a management information system. I think what the Auditor General was telling us is that he thought it should be better. We do attempt to track these people and evaluate the programs. The Auditor felt we should have more performance indicators and closely link them to certain kinds of variables. Although the Auditor General and the department may not ultimately agree totally on what ought to be there, we're certainly working in the direction they have suggested.

MS HANSON: Yeah. I was really wondering whether or not the contractor is evaluated on the basis of the effectiveness of their programs. So there are two components here, the contractor and the client or the student.

MRS. DUNCAN: Well, I'd ask Ried to elaborate on that.

MR. ZITTLAU: The answer to your question is yes. In virtually all contracts – it depends on exactly what the remedial service is – the objective we use for success is that the client should be linked to employment as readily as possible and hopefully have a link to employment and retain employment for a three-month period where we try to evaluate it. If that is not possible, then some people have a multitude of barriers, and another direction would be that they have made progress in their undertakings and are showing progress and going into other training programs that eventually will get them into employment. So they either have to be demonstrating progress in continuing their education and training or have to have been employed in the workplace and retain employment 90 days after the intervention. Most contractors that are working for us succeed in – it varies with their success rates, but it ranges from probably a low of 40 percent having employment by the time the intervention is complete to as high as in the 70s.

MADAM CHAIRMAN: Thank you.
Harry Sohal.

MR. SOHAL: Thank you, Madam Chairperson. My question refers to the Auditor General's recommendation 15 on page 51 that deals with the accuracy and consistency of costing information for the apprenticeship and industry training program. The Auditor General's concern was that the cost per apprentice varies greatly at different institutions due to the use of different methods of determining costs. What has the minister done to outline the department's information requirements so that the cost and performance of the apprenticeship programs can be monitored and compared?

MR. ADY: As I said earlier, the industry is the driving force in the apprenticeship system in that all who become apprentices must be employed first and their employers must agree to participation in the training program. The strength of the apprenticeship system is that it is economically driven by industry, and supply is created as a result of industry demand. In regard to performance, the department is looking at developing specific delivery expectations. Some of the things that would flow from that are increasing the

effectiveness of monitoring to ensure that employers provide quality on-the-job training, as mentioned by Shirley Dul a few minutes ago, and increasing the number of skilled workers in the Alberta labour market – that's always a focus – and streamlining the process related to scheduling apprentices for technical training and for the delivery of the examinations. I hope that covers most of your question.

MR. SOHAL: Are there significant discrepancies between institutions even after the different methods of determining costs are considered?

9:20

MRS. DUNCAN: We are now in the process of developing comparable costs for a full-time equivalent student across our system. One of our problems historically has been that institutions include different things in the costs, so we've got to standardize that so that everybody's talking about the same thing. But even once you get some uniform definitions, you are going to have some differences due to class sizes. I mean, one wouldn't expect a Keyano College that perhaps runs a carpentry program – and I'm just using hypothetical numbers here – that has six students in it to be as cost efficient as a Southern Alberta Institute of Technology program that maybe has 20 or 30 students in it. There is a factor of economies of scale. So there is a policy decision Albertans have to come to as to whether efficiency is the ultimate criterion or bringing education to some people outside our major urban centres. I would take it that the government, because of the creation of regional colleges in this province, has recognized that the lowest per unit cost isn't the bottom line, that there has to be some balance between bringing education to people out in the regions and centralizing it in institutions such as NAIT and SAIT.

MR. SOHAL: Thanks very much.

MADAM CHAIRMAN: Supplementary, Harry?

MR. SOHAL: No supplementary, thank you.

MADAM CHAIRMAN: Debby.

MS CARLSON: Thank you, Madam Chairman. Good morning, everyone. I'd just like to follow up on your comments to Harry's comments. You talk about the possibility of efficiency as not being a criteria, but in fact when we take a look at the Auditor General's report and take a look at recommendation 12 on page 46, it's been determined that for Advanced Education and Career Development there are no consistent measures of outputs. So in fact it's very tough to have sufficient information on the cost of outputs and no way to assess and compare the performance of institutions. Has there been some change in this regard, and can you tell me why this happened in the first place?

MR. ADY: Well, the Auditor General is encouraging us to do more by way of costing outputs. As the deputy said earlier, it's very difficult because you don't necessarily have a level playing field. We feel we have a responsibility to provide programs to Albertans. I'm not making excuses for it, except to say that I suppose if efficiency was the only criterion we were going to deal with, then we would centralize every program in one institution and efficiency would be the byword. All Albertans would be caused to travel to mecca and get their education there. That in my mind is not a responsible thing to do. We are working on trying to level that out and finding out how best we can rationalize

the system maintaining this cost efficiency and still be responsive to the students' needs. It's a balancing thing. But in order to reach that balance, we have to do an evaluation of our costs at each institution, and perhaps that's what the Auditor General is really expecting us to do. Then we can move forward in a meaningful way to rationalize, keeping in mind serving the student and also being concerned about the cost.

Lynne, do you want to expand on that, or have I done enough damage with it?

MR. WINGATE: I think the point being made here is that we need to know where the costs differ. We're not suggesting that all the costs should be the same, but we do know that the costs vary and we need to know where they vary and why they vary. I think that's the point we're making. We're not for a moment suggesting that all costs should be the same and that all decisions are made based on cost. I don't think that is what we're suggesting.

MADAM CHAIRMAN: Thank you.
Supplementary, Debby?

MS CARLSON: Yes. I have to completely agree with Mr. Wingate's comments. No one is suggesting that efficiency should be the only criterion, but in fact we have to establish some criteria. We do need to know a per unit cost so that Albertans or the government can in fact make a decision. Can you outline the exact steps you have taken between this report and the current time period to establish these outputs?

MR. ADY: I accept your question. It's a fair question. It's something we're trying very hard to address. In fact Neil as assistant deputy minister is charged with the responsibility of developing this process, and I'd like him to respond to it.

MR. N. HENRY: I think there are two answers to the point. The process the minister has referred to is to establish accountability measures. That's not a very easy task in the educational area. They're not just efficiency measures; they're also student-related output measures. How successful were students? What did they think about their education after they had a chance to test it? Those kinds of things have to be developed. There are no models elsewhere in the world. We are having to invent them, along with a lot of other people. So that's the first thing that's happening, and there's a formal process with all institutions under way at the moment to try and do that.

The second thing, and perhaps a little closer to Mr. Wingate's comment: there is a need to establish common definitions for calculation of costs, for counting the students, et cetera. We have another related process, that informally has been under way for some time now but we've just formalized it into a project in collaboration with the institutions, to set those definitions in place so the information base is essentially comparable and consistent.

MADAM CHAIRMAN: Thank you.
Final supplementary, Debby.

MS CARLSON: Yes. In line with these comments, recommendation 13 in the report indicates that the institutions don't now amortize their capital assets, which would help in determining the cost of educational programs and services. Are you in fact moving to that kind of model now?

MR. ADY: On the amortization issue that the Auditor General brought forward, postsecondary institutions are not yet required to

amortize capital assets or to record depreciation under generally accepted accounting principles for nonprofit organizations. At such time that that becomes a requirement, we would expect the institutions to comply with it, but at this point it isn't.

MADAM CHAIRMAN: Thank you, hon. minister.
Moe Amery.

MR. AMERY: Thank you, Madam Chairman. Mr. Minister, on page 2.22, vote 3.0.4, I wonder if you can explain the \$5.9 million surplus in the remissions account.

MR. ADY: Yes, I can. I'm happy to get this question, because it has to do with remissions of loans and the fact that we didn't have to spend as much money as we budgeted on that. What really happened is that we intensified our audit procedure on remission applications in the year 1992-93, and applications for remission benefits consequently reduced substantially due to the audit initiative. Many students made the decision that they would not apply for remission for various reasons, and it caused us to have a surplus of \$5.9 million.

9:30

MADAM CHAIRMAN: Supplementary.

MR. AMERY: Yeah; thank you. Could it be that the remission program is too generous if some students choose to decline remission benefits rather than comply with the board's audit requirements?

MR. ADY: Well, I don't know if the remission program is too generous, because what really happens with the remission program is that there is a cap set for the maximum debt load of a student and when they reach that debt load they're considered for remission so that it lets them out into the marketplace in a circumstance they can work within to pay down that debt. In that year that cap was \$14,580, and over and above that number they would be eligible for some remission. Now, for whatever reason, fewer students made application for remission. Whether there were just fewer students who reached that cap or whether in their own minds they saw fit to not apply for the remission or a combination of both, there were fewer applications and less dollars expended.

MADAM CHAIRMAN: Supplementary, Moe.

MR. AMERY: Yeah. My final one is on vote 3.0.1. The administrative support was overexpended by around \$350,000. I wonder if you could just give me some explanation. Why did that occur?

MR. AMERY: Gerry, could you handle that?

MR. WAISMAN: Yes. The reason for that overexpenditure was that the Students Finance Board acquired a minicomputer that year costing over \$500,000. The administration would have been under budget, but as a result of the acquisition of the minicomputer, which wasn't in the planned budget, we overspent by \$369,000.

MADAM CHAIRMAN: Thank you. Thank you, Moe.
Leo Vasseur.

MR. VASSEUR: Thank you, Madam Chairman. In the overall expenditures of the department, Mr. Minister, we've been able to

remain well within budget – we've expended about \$8 million less than the total budget – yet throughout the expenditures, starting right from the minister's office, 1.0.1, 2.1.1, 3.0.1, and 4.2.1, wherever there are administration costs, most of that has gone up considerably from 10 to 20 percent. I'm just wondering why there is considerable extra cost in administration and yet we're able to remain within budget. Obviously something else suffered.

MR. ADY: Some of that was due to the voluntary severance allowances, and I'll let Gerry expand on some of the other expenditures that caused that.

MR. WAISMAN: Yes, the minister is quite correct. In our administration elements we had people who took the voluntary severance allowance package, which was unplanned. Of course, we had to make the payout in that fiscal year, which resulted in a difference between what we estimated we were going to spend and what we actually spent. That was the major reason.

MADAM CHAIRMAN: Supplementary, Leo.

MR. VASSEUR: Yes. I need an explanation on something else here: item 2.1.9, other program support. We've expended less money than we had estimated, but the question is: what is it?

MR. ADY: Neil.

MR. N. HENRY: Other program support is, as you might guess from the title, a collection of things, but I can give you some idea. It includes targeted funding for inmate education – and I'm talking about '92-93 – and funding for a variety of interprovincial agreements to purchase seats in such areas as veterinary medicine, optometry, and prosthetics where we don't actually have a specific program in the province. As in the vet medicine, we have a western school of veterinary medicine and all provinces contribute to it by seats; in our case, for Alberta residents. So that's a big part of that fund.

MR. VASSEUR: Would it be very difficult to get a breakdown of that and provide it to . . .

MR. ADY: Sure.

MR. VASSEUR: Okay. Thank you.

MADAM CHAIRMAN: That was your final supplementary?

MR. VASSEUR: No. But I guess it was, eh?

MADAM CHAIRMAN: No. You were clarifying. You can have your final supplementary.

MR. VASSEUR: Okay. The other thing I want to go back to – the question was asked before – is 3.0.4 on the remission issue. I didn't quite follow. I thought part of the remission was to students based on the marks they attain. Could that be part of the reason why the remission wasn't as high or as low as . . .

MR. ADY: No. It doesn't impact. That doesn't have anything to do with it. The remission program is strictly a control of debt.

MR. VASSEUR: Okay.

MADAM CHAIRMAN: Thanks, hon. minister.
Pearl. Pearl Calahasen.

MS CALAHASEN: Oh, I'm sorry. Thank you very much, Madam Chairman. Good morning. I was so busy discussing advanced education and Fairview College, et cetera.

Mr. Minister, on public accounts, volume 2, 2.5.2 regarding Fairview College. Fairview College overexpended its budget by about \$900,000. Could you explain why that would be?

MR. ADY: Yes, I hope so. The overexpenditure relates to courses that were budgeted for under item 2.1.9, other program support, but have become part of the Fairview College base budget funding. The funds for these courses were transferred in year from program element 2.1.9 to cover these expenditures. So there was a transfer there, to simplify it for you, that caused the perceived overspending.

MS CALAHASEN: The transfer occurred rather than it being overspent. Why would you make that transfer then?

MR. ADY: Gerry, can you explain what happened?

MR. WAISMAN: What happened was that when the estimates were established and published, the amount of money wasn't determined. Therefore, when we can't put an exact amount of money into a particular area, it's lodged in this element called other program support. The money was moved in year, and in future years the money is in Fairview College. The money was spent in Fairview College. We transferred in year and spent the money where it belonged, in Fairview College. Unfortunately, because the estimates are published and you can't change them, there's this transfer issue.

MADAM CHAIRMAN: Supplementary, Pearl.

MS CALAHASEN: Thank you, Madam Chairman. If you'll look at the Auditor General, page 59, talking about colleges again, there's a recommendation there that was made for Keyano College to

improve the way it determines and reports the costs of its programs and services so that informed decisions can be made.

Could you indicate to me, Mr. Minister, what has been done relative to that recommendation?

MR. ADY: Yes. We've responded to that. The college is reviewing ways it determines and reports on its financial operations and has committed to take appropriate action to ensure that informed decisions can be made in compliance with that recommendation of the Auditor General.

MADAM CHAIRMAN: Final supplementary, Pearl.

MS CALAHASEN: Yes. Again on page 58, there's a letter to the chairman of the board of governors of Grande Prairie Regional College recommending "that the College implement a system to maximize student access to programs and courses." I just wanted to know whether or not that has also been implemented.

MR. ADY: By clarification, this has to do with the Auditor General's comment?

MS CALAHASEN: It's on page 58. In there it says "management of student enrolments." It was a management letter to the

chairman of the board of governors. They recommend there "that the College implement a system to maximize student access to programs and courses." Do you know where that's at?

MR. ADY: Neil, can you respond to that?

MADAM CHAIRMAN: Do you have the appropriate point of reference, Neil?

9:40

MR. N. HENRY: I think so, yes: the bottom of that section. All I can report to you is that the college has indicated its acceptance of the recommendation and it intends to act on it. I can find out more for you if you want, but I don't have more than that information available.

MADAM CHAIRMAN: Any comments from the Auditor General? Bud Cuthbert.

MR. CUTHBERT: Yes, Madam Chairman. The college, as pointed out, has accepted the recommendation. A large part of the concern the auditors found related to the speed with which information was available so they could promote higher access to the courses. If they have the information, then they can ensure they get every student placed in the college that they possibly can. They have not been able to do that over the past few years, but they are certainly working toward improving that information flow.

MS CALAHASEN: That's fine. Thanks, Madam Chairman.

MADAM CHAIRMAN: Thank you.
Debby Carlson.

MS CARLSON: Thank you. Mr. Minister, I have to go back to your answer on recommendation 13. I don't accept your answer that you don't amortize capital assets because officially you're not required to do so. In fact, it seems to me that's a fundamental for responsible reporting and also responsible management. You can't adapt your capital facilities to evolving technology, educational and safety standards, as the Auditor General referred to, unless in fact you do amortize. Your colleagues here this morning have talked about the emergency nature of some of the repairs that have to be made just to keep buildings up to building codes. Given that, why is it that you wouldn't take a more responsible perspective on this and be able to amortize your repairs and maintenance over a period of time as opposed to having to do them in emergency situations?

MR. ADY: I didn't hear the Auditor General take exception to my earlier response, but in fairness to the hon. member, I'll ask Neil if he can give an answer that perhaps would be more acceptable.

MR. N. HENRY: I think probably my answer would be that accounting requirements generally across the country for post-secondary institutions or nonprofit organizations are in a state of change right now. I think everybody accepts that the costing of the use of physical assets has got to be incorporated, but it hasn't been part of what is being done anywhere in this country. The only reason you got the reply you did is that the accounting profession itself is still somewhat uncertain about how it should be carried out. On the basic principle that it should be done and that those kinds of costs should be incorporated, I don't think there's any argument. So it's not part of generally accepted accounting

principles for nonprofit organizations yet. Undoubtedly it will be very soon.

MR. WINGATE: That statement is absolutely correct: it's not yet part of generally accepted accounting principles. But it's interesting to note that hospitals are already charging amortization and that the government has accepted the concept of amortization, following the recommendation in this report actually. So what's being said in the education area is absolutely correct: it's not part of generally accepted accounting principles. But I think in Alberta there's a clear indication we're moving in that direction since the government has already said it wishes to move in that direction and hospitals have already moved in that direction. Postsecondary educational institutions are saying that since it has not been decided yet, then they're not prepared to move yet. Our point is that if you're serious about getting to grips with the cost of service, then amortization is a significant portion of that cost of service and therefore should be included.

Another point of interest is that universities have agreed to charge amortization this year, so there's definite movement on this front.

MADAM CHAIRMAN: Bud, have you anything to supplement? No? Thank you.

MS CARLSON: Following the same train of thought, I go to recommendation 14 where the Auditor General has recommended that liabilities for vacation pay and other staff benefits be accrued in the financial statements, and in fact at the end of 1992 a total of \$47.8 million for such liabilities was not recorded. Have you made a move to do this?

MR. ADY: Yes, the institutions have accepted that recommendation and are moving to do that. It's somewhat cumbersome for them, but to answer your question, yes, it's going to happen.

MRS. DUNCAN: If I might just supplement. This is a case where our colleges resisted, because their view is that while one can do it mechanically, it's not representing the true state of the financial condition of the college. That's because their fiscal year-end is June 30 and college faculty typically don't take their holidays until July and August. So when you report on June 30, you show a large unfunded liability for vacation pay which, if you reported on September 1, would be gone. The position the colleges have been taking is: we recognize what you're trying to achieve, but the timing creates a problem for us because it misrepresents our financial condition. I guess what we finally said to our colleagues from the Auditor General is: we still have problems from a principle point of view about what you want to do, but uncle. So we're going to do it.

MADAM CHAIRMAN: Final supplementary, Debby.

MS CARLSON: That's fine. Thank you.

MADAM CHAIRMAN: David Coutts.

MR. COUTTS: Thank you, Madam Chairman. My questions this morning, Mr. Minister, are on page 2.22 in volume 2 of the 1992-93 public accounts, dealing with financial assistance to students. Vote 3.0.5. deals with the implementation of guarantees, and I notice it's overspent by \$3 million. I wonder if the minister can explain why this account was overspent by that amount.

MR. ADY: Yes. It has to do with defaults on loan accounts, both the number of students defaulting on loan accounts and the average amount of the defaulted loan. So it was the number of students and the amounts that caused the overspending of \$3 million in that category.

MR. COUTTS: Then what is the default rate presently on the student loans?

MR. ADY: Well, the current default rate on average is 23.6 percent. The default rate for the public postsecondary sector is 15.1 percent. The default rate for upgrading students is 61 percent. The default rate for private vocational schools on average is 44.9 percent.

MADAM CHAIRMAN: Supplementary, David.

MR. COUTTS: All right; a final supplemental then. I have heard that one of the biggest liabilities we have is student loans, and I guess it has traditionally been that way in the past four or five years. The real root of this is: what are you and your department doing to control the cost of these loan defaults?

9:50

MR. ADY: Well, the hon. member certainly touches on a very important issue. Loan defaults are too high, and we're moving in a meaningful way to deal with that. First of all, we conducted a detailed review to try to determine what's happening out there in the system; why are students defaulting? We found that a great deal of it had to do with the repayment process for students. So we're close to reaching an agreement with financial institutions on a new process which would be more income sensitive to the student on their loan repayment. It will provide students with a more flexible opportunity to repay loans and manage them. We're confident that will give students a better opportunity.

I come in contact with a lot of students who say, "I have every intention of repaying my student loan" or else "I did have every intention of repaying it, but before I could catch my breath, the bank defaulted me and I'm facing a collection agency." That's something that I don't think is fair to the student, and I don't think it's fair to the taxpayer. That's why we have moved in the direction we have to put in a system that's more responsive to students. We'll let them deal with an institution that will do due diligence and work with them and treat them like any other client as opposed to having a circumstance where, on day one when a student is late, the bank can phone the government for the money and put the student into default. They wouldn't do that to you and me, and I don't think they should do it to students. I'm confident we are very close to an agreement that will change all of that for the benefit of students and the benefit of the category dealing with defaults.

MR. COUTTS: Thank you very much.

MADAM CHAIRMAN: Thank you.
Sine.

MR. CHADI: Thank you very much, Madam Chairman. My question to start off is going to be related again to vote 3 with respect to financial assistance to students, in particular the remission of loans. The beauty of public accounts, if I can say that, Mr. Minister, is the fact that we can actually look into the future and see what happens in the future and then go back and see what it is we've either done wrong or done right.

With respect to the remission of loans, I note that in the year we're talking about, 1992-93, the actual expenditure was around \$14,346,000, for which we had an estimate of \$20,300,000. You look in 1993-94 and again the forecast was \$14,300,000, so we're about the same as we expended in 1992-93. Then again in 1994-95, looking into the future, we have an estimate of a whopping \$21 million; we're back up again. Relating back into 1992-93, my question is: what factors, if any, did we determine that contributed to the saving that took place in 1992-93, factors that perhaps we could implement in the future? Are there any, or was it just by chance that this came about?

MR. ADY: Well, certainly in looking back at earlier years, we're confident that the audit process had a great deal to do with the savings found in the 1992-93 year of almost \$6 million. As far as what has caused us to budget for increased remissions in this current year, we should be clear that we've changed the structure of the student loan program from grants to loans on the supplemental assistance. That will cause students to in fact accumulate more debt later on as opposed to having a grant system in each year. That will increase their debt load at the end of the day and will impact on the remission program. I hope I'm clear on that. There's a change in the student finance program wherein we used to have a supplemental grant for students who needed additional funding for a variety of reasons. There was \$2,000 in there that they could access. That has now been changed to the point that they can still access it but it becomes a loan. At the end of the day a student will accumulate additional debt and cause their debt load to be higher because of that. So we anticipate having to deal with remission with more money.

MADAM CHAIRMAN: Supplementary, Sine.

MR. CHADI: Yes. I want to just follow up on your response to a question that was asked by one of my colleagues. That was that you felt lending institutions shouldn't one day after default or whatever immediately pick up the phone and say, "Hey, government, pay up, because this student defaulted," et cetera. Now, you kept saying it was a student. Is it a policy that a student would have to continuously pay on the loan while they are still a student? It would appear to me that once they've borrowed money to complete their education and completed their education, they're no longer a student. They're out there in the job placement field, and for whatever reasons - believe me, I sympathize with them just as much as everybody else does, but they are no longer a student in my eyes. Am I missing something? Were they still being a student and having to repay that loan? That's what I got out of your response.

MR. ADY: I'm sorry if I wasn't clear on that. No, you're quite right. All of this takes place when they have graduated and consolidated their loan. All of the time from their first year in a program until they graduate, the government continues to pick up the interest for that loan - the interest does not accumulate as debt - and for six months after if they require it. Then at that point the responsibility becomes theirs to consolidate that loan and work out a process with the bank to repay it.

As I said earlier, the bank has not had any incentive to work with the student because they always had the government there as a guarantor. If the student received notification from the bank that it was now time to make his first payment and he happened to move, didn't get the letter on time, didn't respond, the bank knew Fred Hemingway's phone number and would phone him up and say: "Send over the \$12,000 that the student owes. He's

defaulted. He's late with his payment." The government made good on the guarantee. It's been too easy for them. They've had the advantage of the interest for the full four years. It was a win/win for the banks and not for the student or the taxpayer, and that's what caused this.

MADAM CHAIRMAN: Thank you, hon. minister.

Because of the hour, I'm afraid I can't allow a final supplementary, Sine.

Could I at this time thank the minister sincerely for answering the questions very openly, and also your staff, hon. minister - it's much appreciated by Public Accounts - and once again Mr. Wingate and Bud Cuthbert.

The date of our next meeting is April 27. The Hon. Brian Evans, Minister of Environmental Protection, will appear before our Standing Committee on Public Accounts.

Thank you all once again.

We stand adjourned.

[The committee adjourned at 10 a.m.]

