

Title: Wednesday, March 5, 2003 Public Accounts Committee

Date: 03/03/05

[Mr. MacDonald in the chair]

The Chair: Good morning, everyone. I would like to call this meeting to order on a cold winter morning, and certainly we have to have patience and a little bit of sympathy for those who are traveling on the roads this morning. There is significant congestion just to the east of the Assembly.

We have this morning with us officials from the Department of Learning. At this time, in light of the travel conditions and people having a great deal of difficulty making the schedule, I would ask now for approval of the agenda as circulated.

Ms Blakeman: Sure.

The Chair: Okay. Now, item 3 on the agenda, Approval of Minutes of February 26, 2003, Public Accounts Committee Meeting. Are there any questions regarding those minutes, or may I have approval, please?

Mr. Cenaiko: So moved.

The Chair: Okay. Approval of the minutes.

As I said earlier, today we are meeting with the Minister of Learning, and in light of the travel conditions I would like at this time, please, to ask the Auditor General for a brief synopsis of his report on the Ministry of Learning.

First, perhaps, we should introduce ourselves to the officials from the Ministry of Learning.

[The following members introduced themselves: Mrs. Ady, Ms Blakeman, Mr. Broda, Mr. Cao, Mr. Cenaiko, Mrs. Jablonski, Mr. Marz, Mr. H. MacDonald, and Mr. Taft]

Mrs. Dacyshyn: Corinne Dacyshyn, committee clerk.

Dr. Oberg: Lyle Oberg. Cold.

[The following staff of the Auditor General's office introduced themselves: Mrs. Dawson, Mr. Dunn, Ms Ludwig, Mr. Shandro, and Mr. Sittler]

[The following staff of the Department of Learning introduced themselves: Ms Cresey, Mr. Dueck, Mr. S. MacDonald, Mr. Olson, and Mr. Palmer]

The Chair: Okay. Please feel welcome. I believe there is a microphone back there if you want to assist in the answering of a question. You are quite welcome to participate in the proceedings.

Now, Mr. Dunn.

Mr. Dunn: Thank you very much. I'd like to take a moment and address some matters I was reading in *Hansard*, if I may, and it came up in our last meeting with the Public Accounts Committee. Mr. Chairman, through you to the committee, when reviewing *Hansard* for February 26, 2003, on the second reading of the Auditor General Amendment Act, 2003, I was pleased to see the connection that members made between the work of my office and the work of this Public Accounts Committee. Please permit me a moment to give some information about the recommendations that we make. I want

to correct something that was stated in *Hansard* there.

In referring to the unnumbered recommendations – and there were 31 in the last report – one member stated that we do not track whether the government reacts to them. I want to clarify that. Although we do not report publicly on the status of the unnumbered recommendations, we do follow up to ensure that each one is implemented. If there's a problem with implementation, we consider repeating it as a numbered recommendation in order to focus greater attention on the issue.

Another member unfortunately misconstrued the data on page 261 – and we talked about this last week – of the last annual report. This is the page where we show the status of past numbered recommendations. We did not make it clear enough that this data is cumulative. Each line shows the status today for a particular past report. The earlier reports now have a higher percentage of acceptance because the numbers are cumulative and reflect the passage of time. One should not conclude that the government is paying less attention to our recommendations since that's just not true.

So, Mr. Chairman, next year we'll make the data clearer. I've gone on record with the deputy ministers. We'll also make it more useful by highlighting any outstanding recommendations that are past a reasonable date for implementation. So thank you for allowing me to make those comments.

If I can now talk about Learning for a moment. Learning obviously, as you are all aware, is a large and wide-ranging ministry, and it's the second largest in expenses in fiscal '02, at \$4.8 billion. Our office has made 11 numbered recommendations and 11 unnumbered recommendations, and they're contained in our report on pages 185 to 214. Of the numbered recommendations three were included in the top 15 that we mentioned last week. Just to remind you, the three that are included in the top 15 are number 36, regarding the establishment of a risk management process; 40, regarding internal controls at the University of Alberta; and 43, regarding internal controls at the University of Calgary.

The government's response to our numbered recommendations was supplied to the Public Accounts Committee in a letter dated January 15, 2003, by the Minister of Finance, and that was addressed to the chair of the Public Accounts Committee. I expect that all members have a copy of that letter and have read through the official response. That letter addresses our numbered recommendations 35 to 45 inclusive on pages 7 to 9 of that letter. Hopefully, you've all got a copy of that letter.

8:40

I also want to mention something else today. You're aware that the ministry financial statements are on pages 49 to 73 of the annual report, and my office's opinion on those financial statements is contained on pages 47 and 48. I want to have you all be aware that this opinion is an adverse opinion wherein we conclude that the financial statements do not present fairly since many controlled entities are not included. This adverse opinion relates to our recommendation 15, which was discussed briefly last week and which should be addressed with the Ministry of Finance next week. In addition, we take exception to the disclosure of related party transactions, and we mention amounts that are not included on schedule 9 to these financial statements. We also mention the determination of the allowance for assessment adjustments and appeals in the foundation fund financial statements.

Mr. Chairman, those are my opening remarks, and I and my staff are available to answer any questions that the committee members believe should be addressed to us. Thank you.

The Chair: Thank you.

Dr. Oberg, now, at this time, would you like to give a brief overview, please, of the Department of Learning for the fiscal year that we're dealing with this morning.

Dr. Oberg: Certainly, and thank you very much.

To the Auditor General: thank you for making those comments. I would hope that those comments will also be made to the media so that they can correct the things that were in the paper when your first report came out.

Good morning. In presenting the Ministry of Learning's annual report, with me is, on my right, Jim Dueck, assistant deputy minister, systems improvement and reporting. On my left is Jeff Olson, executive director of budget, school financing, and reporting. On my far left is Steve MacDonald, executive director of adult learning.

The mandate for Alberta Learning continues to be to ensure that all Albertans have a solid basic education. They have opportunities for quality postsecondary education and to foster lifelong learning. The ministry's annual report is a detailed record of how we are progressing in this regard and on the specific goals of our business plan. We continue to base our assessment of our performance on two considerations: one is how we performed according to our measures, and the other is what initiatives we undertook to achieve our mandate. Whether it's in basic learning, adult learning, or apprenticeship and industry training, impressive results are being achieved.

Alberta Learning's efforts to achieve even greater results are meeting with success. Out of a total of 27 performance measures for our ministry, results improved in 14 areas and remained unchanged in eight areas. The target was met or exceeded for 13 of the 20 targets set by our ministry this past year. In '01-02 Learning's contribution to support of basic and adult learning increased by \$351 million from the prior year. Over \$3.1 billion in grants went to school boards, an increase of 6.9 percent over the prior year, and over \$1 billion in grants went to postsecondary institutions, an increase of 7.9 percent from the prior year.

Also, this past year the Alberta government's revenue was impacted by volatility in the North American economy. As a result, all ministries were asked to make a midyear budget reduction of 1 percent. Learning responded by decreasing expenses in a manner that had the least impact on students, school authorities, and postsecondary institutions. No funding reductions were made to school jurisdictions or postsecondary institutions.

One of the ministry's goals is to provide high-quality learning opportunities that are accessible to all learners. Albertans recognize that jobs increasingly require higher education and training. This is placing a greater demand on the system. In order to facilitate this increased demand, Learning has introduced a number of initiatives, including the creation of more than 1,300 new postsecondary entry spaces in the high-demand fields of health, business, teacher education, and information and communication technology and improvements to the student loan relief program, which included implementation of the student loan relief benefit on August 1, 2001, with about 8,400 first-year, first-time students receiving this benefit as well as revisions to the student loan relief completion payment, eliminating the need for students to submit an application for loan relief and enabling benefits to be calculated and awarded automatically. On August 1, 2001, we also assumed responsibility for the issuance of over \$82 million in Alberta student loans.

So what are the results? Eighty-one percent of postsecondary graduates continue to be satisfied with the overall quality of their education, meeting the target of 80 percent. Thirty-six percent of adult Albertans participated in credit or noncredit courses, again meeting the target of 33 percent. The average financial assistance awarded to postsecondary students increased to \$7,577. The target

of at or above \$7,200 was met.

This past year we accomplished a lot, but it was also a year with challenges. In some of our jurisdictions our basic learning community experienced the strain of differing positions that impacted relationships, the school year, and some ministry activities. Public satisfaction with the quality of basic education, access to lifelong learning, and the affordability of the learning system declined this past year. These results may have been affected by heightened public attention as many jurisdictions were involved in teacher contract negotiations and strikes that further highlighted public debate on education issues and the basic learning system.

Even with the challenges during last year we were able to celebrate a number of accomplishments. We implemented 37 recommendations from the Special Education Review Report and continue to work on 24 others. This report was developed in consultation with stakeholders to address issues related to students with special needs and covered a broad range of concerns including access, funding, resources, communication, and administration.

We launched the LearnAlberta.ca web site, providing teachers, students, and parents with access to a variety of on-line multimedia learning resources. This web site is just one example of how we are maximizing the many possibilities that technology holds for education.

We enhanced curriculums in many areas including junior high school science, French, and English; kindergarten to grade 12; and aboriginal studies.

With respect to apprenticeship, there has been a 17 percent increase in the number of apprentices, an increase to more than 38,000. We attribute this increase to initiatives such as alternative delivery modes such as distance learning and mobile delivery for apprenticeship technical training as well as the Alberta aboriginal apprenticeship project, which was developed in collaboration with industry and aboriginal groups and piloted in North America. These efforts are clearly meeting with success. Ninety-five percent of recent apprenticeship graduates are satisfied with their technical training, and 92 percent are satisfied with their on-the-job training.

Another of the ministry goals is to evaluate, encourage, and support learner achievement. Our learners continue to achieve excellent results. Overall results for students writing provincial achievement tests met the target. The results increased from 80.8 percent in '97-98 to 85.2 percent in '01-02. Overall results based on total enrollment in grades 3, 6, and 9 have improved since '97-98 at both the acceptable and excellent levels and remained stable in the last three years.

In the program for international student assessment, PISA 2000, Alberta students scored highest in reading and ranked among the top three jurisdictions in science and math for the whole world. Alberta students achieved their best overall results on the Canadian 2001 school achievement indicators program mathematics assessment and moved to number one in problem solving. In this past year students met or exceeded provincial expectations at the acceptable level in three diploma exams and at the excellence level in six exams. All of these indicators demonstrate a quality assessment system, excellent teaching, and a high quality curriculum.

The ministry focused on high school completion rates this past year. We released the Removing Barriers to High School Completion report and developed an implementation plan. We also developed a method of calculating high school completion at the jurisdiction level and provided comparable high school completion rates to each school board. The high school completion rate increased to 73 percent of students completing high school within five years of grade 10. We are on track to achieve even higher rates in the next few years.

High school completion of Alberta's 25 to 34 year olds remains high, at 90 percent. The percentage of Albertans 25 to 35 years of age who have completed postsecondary education has increased steadily in recent years, reaching 59 percent this past year and exceeding the target of 56 percent, and I do believe that's number one in Canada.

We've increased the number of scholarships to postsecondary students, awarding over \$19 million in heritage scholarships to about 9,300 Albertans. We introduced a new graduate student scholarship program to assist 1,000 students.

We awarded 50 scholarships from the registered apprenticeship scholarship fund, which was created through donations from our industry partners, and we introduced a new apprenticeship scholarship program that annually will provide 165 apprentices with \$1,000 each. Participation in the registered apprenticeship program has increased by 29 percent and is now offered in over 180 participating high schools. Eighty-three percent of Alberta's graduating apprentices received the Canadian red seal certification that allows them to work across Canada in their trade.

8:50

We at Learning continue to support programs which promote lifelong learning and prepare the students for the world of work and citizenship. To accomplish this goal, we have provided \$2 million to implement the parent/child literacy strategy and to enhance and increase access to community-based literacy, English as a Second Language, and immigrant services. As well, we have developed the international education strategy, which defines vision, principles, and objectives for a learning system's international activities. This strategy enhances opportunities for Albertans globally and raises the international profile of Alberta's learning system by supporting a co-ordinated approach to education activities such as student exchange programs, international research partnerships, and recognition of learning credentials. This can be seen in such initiatives as a new exchange program with Jalisco, Mexico, the renewal of teacher exchange agreements with New South Wales and Queensland, Australia, and last fall's missions to Asia.

Public satisfaction that high school students are well prepared for citizenship was 59 percent, up from 48 percent and well above the target of 42 percent. Satisfaction that adult students are well prepared for citizenship continues to increase and is currently at 68 percent. The Campus Alberta Policy Framework and recommendations from the MLA Forum on Lifelong Learning are helping to foster a culture of lifelong learning and shape the seamless learners' centre system envisioned by all Albertans. Seventy-six percent of Albertans are satisfied that adult learners are being prepared for lifelong learning, meeting our target of 75 percent.

We also met our target with respect to learners being well prepared for work, as evidenced by the employment rate of postsecondary graduates at an impressive 93 percent. In Learning we believe that effective working relationships enhance learning and contribute to the achievement of the province's social and economic goals. We have been working in collaboration with partners and stakeholders in a number of initiatives including the aboriginal policy initiative; Alberta children and youth initiative; the Alberta youth employment strategy; the economic development strategy; the Ever Active Schools project with Children's Services, Community Development, as well as Health and Wellness; the provincial nominee program with Citizenship and Immigration Canada and Economic Development; the Online Learning Symposium, which last year was attended by more than 650 educators and leaders; as well as the interprovincial on-line learning priorities, for which we lead this initiative for the Council of Ministers of Education of

Canada.

Our partners and stakeholders continue to agree that Alberta Learning staff are collaborative, flexible, and responsive. Our ministry continues to demonstrate leadership and provide value for dollars and improve on administrative and business processes and practices. We're in the process of revising the apprenticeship and industry training database to enhance effectiveness, efficiency, and client service.

The ministry is also trying to anticipate the education needs of Albertans by improving our communications. We are doing this through established web communication processes to ensure high-quality, on-line communications with all Albertans.

In consultation with stakeholders we have improved planning and reporting guidelines for school authorities and developed annual report guidelines for postsecondary institutions. We have also reviewed current North American education funding frameworks as part of our funding framework review to ensure that we develop the best possible solutions to achieve equitable, flexible, and accountable funding methods.

As a ministry we continue to strive for efficiency. Administration and program delivery spending as a percentage of total ministry expenses was within the established ministry target of 2 percent. We are always looking for new ways to make our system even better and provide learners with the skills and knowledge they need to realize their own individual success. Albertans benefit from a world-class education system, and we continue to build on this strong foundation. With the help of our stakeholders Alberta Learning continues to strengthen the system and improve learning opportunities for all Albertans. We will continue to dedicate our energies to responding and anticipating the needs of our learners now and in the future.

Thank you very much.

The Chair: Thank you, Dr. Oberg.

We will start with our questions from the committee. This morning we will start with Ms Blakeman, followed by Mr. Broda.

Ms Blakeman: Thanks very much, Mr. Chairperson. Welcome to the minister and his staff, and thanks again for the attendance of the Auditor General and his wonderful staff.

I would like to start by talking about the primary theme that's been set out around risk management. I note in this year's report that as a result of not implementing the recommendations to establish a risk management process to improve effective control and monitoring activities in the past, there are some deficiencies that are noted by the Auditor General including the CTS courses not meeting funding and program requirements, schools receiving funding for ineligible nonresident students, and that "the level of assurance required on grant accountability reports was not reflective of the level of funding."

Now, this recommendation has been made in two prior years and, as far as I know, accepted by the government in two prior years. We now have it before us a third time, and a third time we have the government accepting the recommendation. So my question to the minister is: why has the ministry made a choice not to implement the suggested risk management processes?

Dr. Oberg: Well, thank you. I'll talk about that from several contexts. First of all, on the CTS courses, as I'm sure you know, in Edmonton there was quite a large amount of abuse of the CTS courses by the Edmonton public school system, and subsequently some of the dollars were actually clawed back. This was in keeping with the Auditor General's recommendations, where we went in and

took a look at the outliers, took a look and investigated some of the issues that we had heard from people within the system. Consequently, we isolated several of the high schools in Edmonton that were not reporting the CTS courses, that were not reporting the CEUs in a fair and adequate way. We had had issues where students were receiving credits for courses that apparently were not given but certainly were not given towards the standards that they should be. We have gone in and we have looked at that, and we have acted.

This was the first year that we actually had claw-backs from schools. I believe that the majority of the claw-backs were in Edmonton public, which led to the budget last year where CEUs were taken out of the per CEU funding with regard to grade 10 credits. What we were seeing was that in some particular instances we were having grade 10 students that were taking upwards of 80 credits in one year. Obviously this is something that was not acceptable, and we went in and took a very serious look at it.

I will be able to respond to you that since our funding framework review we have looked very seriously at the issue of CTS courses, very seriously at the issue of CEUs, and we have decided to go back to it. The rationale for that as to the pros and cons, which obviously you have to weigh, was that the pros of having the CEUs and having the numerous CTS credits were quite simply that they provided the diversity in learning opportunities for our students. In sitting down and discussing that, we felt that if we were to go to changes that decreased the CEU funding, that went away from the per CEU funding, the school boards would inevitably migrate to fewer learning opportunities. So coming in September of this year is a new funding framework where the accountability mechanism that will be in place is that the school superintendent as well as the board chairman will have to sign off on each and every CEU report that is put in from high schools. Up until now the school principal has been the person who has put in all of the CEU fundings, all the CEU credits, and as the Auditor General agreed with and as we found out, there were numerous inaccuracies in what was put in. So that is certainly one area.

The schools receiving funding for the ineligible nonresident students was also something that was very serious. We have taken a serious look, and we have attempted to deal with that in the best way possible. I believe that one of these situations occurs with the native students, and the Montana students, I guess, is the other one. So we are taking a very serious look, and we certainly will clamp down on this one.

9:00

Ms Blakeman: I'll just draw the minister's attention back to the question. Risk management is a process in advance. You have certainly tried to explain to me what the department chose to do after the fact once some problems were identified, but the risk management process is a process that happens in advance so that we don't have these problems.

My point – and I'll ask it again – was that there have been repeated years of recommendations to the ministry to implement this process. The ministry has chosen not to. I'd like to hear a discussion of why the ministry has chosen not to, including in this third year, even though the Finance minister says that the recommendation was accepted. It was accepted last year and the year before that, as well, and still not implemented. So there must be choices that the minister and the ministry are making about why they're not going to implement a series of risk management, which includes risk analysis, internal control, and internal audit. So that's my question: why the choice not to implement this up front?

Dr. Oberg: There was no choice made on that. Actually, each and

every year that this recommendation was put forward, the risks were identified, the risks were looked at, and the risks were changed. As you probably have noticed, this year there were several risks that were recommended that were not cited before. The risk recommendation, the risk management process are different risks this year than they were last year.

The interesting thing about being in the Ministry of Learning is that you assume that the majority of the people that are putting in reports are putting in the right reports. We fully recognize that there are risks. One of the very good examples is the CEU and CTS that I just agreed upon. I believe, actually, that it may have been you or certainly someone from the Liberal opposition who questioned me on why the CEUs were taken away in grade 10, yet now you're asking me about the risk management. Well, you just have found out why the CEUs were taken away in grade 10: because there were not proper reporting mechanisms in place.

So this is what has occurred. We continue to look at risk management. It's something that we take very seriously. As these reports come in – and I do thank the Auditor General for bringing to our attention several of these instances, because that's his job – we look at them, and we decide what we can do.

The Chair: Thank you.

At this time, before we proceed with Mr. Broda's question, if I could ask all members of the committee and our invited guests if responses could be briefer, please, because we're developing quite a long list here of interested members with questions.

Mr. Broda.

Mr. Broda: Thank you, Chair, and welcome to everyone this morning. I'm looking at the Auditor General's report on page 191, recommendation 35, in regard to improving the system to ensure long-term capital planning for school facilities. Under the findings I find it quite interesting when you did nine jurisdictions – and I'm just going to briefly outline what it says here – that “for two school jurisdictions, modernization, new construction and replacement projects identified in the education plan did not completely match those in the capital plan.” The one I'm questioning is that for one school jurisdiction the education plan did not make any reference to capital needs even though the capital plan identified numerous capital needs. Could you explain that? Is it a lack of co-ordination between the school itself as to what their needs are? Why would they be identifying capital needs when their educational plan did not request it? Can you explain that one?

Dr. Oberg: Yes. I will say that some of the issues between Infrastructure and the Department of Learning are certainly undergoing some growing pains. In the original memorandum of understanding between Infrastructure and Learning it was agreed upon that the Minister of Learning would have the say over new schools but not over renovated schools and new school projects. It became readily apparent, though, that the decisions were very intertwined, that the learning opportunities versus the capital projects were very intertwined. Subsequently, what we have done is ensured that we are working together in order to do that.

I think you raise an excellent question because the educational plans, which are what the school system should be about, in my mind, albeit a very biased mind when it comes to the learning components, should be of primary significance. Included in this as well, though, are the conditions of the buildings, conditions of the capital structures. Some of the school jurisdictions have not meshed these to be what they completely are. Some of them have put their schools on the capital list as ones that are not included in their

education plan. What we are working on with Infrastructure is how we can resolve this and work together on it. Actually, what we've just been shown is that we have a target for '04-05 where these two plans must come together for the jurisdictions, and we're working to do that. I will say that we've taken a huge step in the upcoming capital plan with regard to Infrastructure and Learning being able to talk and work that out between the two departments as well as the jurisdictions.

Mr. Broda: A supplemental question, if I may. When we had – and I don't know if we still have it; maybe you can answer that – a school buildings branch, when we eliminated that, was this possibly the wrong way to do it? Did they review it more thoroughly or co-ordinate more than what's happening right now? In your answer that you gave me, I agree with what you've said. I'm just kind of wondering what happened when we had the school buildings branch. Were there the same difficulties then?

Dr. Oberg: Actually, Dave, what I'll say is that there were more difficulties then. What happened is that the school buildings branch almost did not look at learning opportunities at all. I will give you a very good example of that, which is Amiskwaciy Academy. The school buildings branch did not agree with that being funded, despite the fact that there were significant learning opportunities about having a new aboriginal high school. Subsequently, that was funded completely out of operating in my budget.

So the school buildings branch and its subsequent demise I think has been a positive. I think that there is still more work to be done in co-ordinating between the Department of Infrastructure and the Department of Learning on the overall learning opportunities as well as with the school jurisdictions. We're aiming at '04-05, but I do believe that this year we actually have taken some huge steps forward on that, and you will soon see those.

Mr. Broda: Thank you for your open and frank answers.

[Mr. Marz in the chair]

The Acting Chair: The Auditor General.

Mr. Dunn: Thank you, Mr. Chairman. Nick Shandro would like to . . .

Mr. Shandro: I wanted to just basically state something that I've experienced over many years not just in education but in health and other areas, this disconnection between what I call jam jars: you know, the capital, the operating, this, that, and the other. You can't deliver education out in the snow; you need a building. All these things become part of the system. To sometimes build a building, which has happened in the health sector, where you couldn't use it because you didn't have operating funds for it – it probably happened somewhere in education as well. I can't think of a specific example. Probably if I looked hard enough, I'd see a disjointedness. We see it here, and I really want to emphasize that it's really important to not let this fund accounting, what I call jam jar accounting, drive business decisions on its own. Capital is operating. You have to operate with capital. That's why we over the last many years have introduced amortization as a cost, which was hotly debated by many of the not-for-profit institutions: that it's not a cost, to reverse it out of their expenses, and so on and so forth.

We're now into a new method of accounting, but the business planning, the way of thinking and integrating it, has not yet caught up. As legislators I think you have to be concerned any time you

start setting up funds whether or not you're encouraging piecemeal thinking, which results in higher costs and less effective processes, and not integrated thinking.

9:10

Dr. Oberg: I'll just comment on that as well. I agree entirely with what the Auditor General's department has said on that. In our initial attempt, in our initial memorandum of understanding between the two departments we thought we were integrating extremely well. We soon found out, though, that new construction was not the only thing that should be looked at by both Learning and Infrastructure. So we have changed that. A new memorandum of understanding is coming forward with that.

The Acting Chair: Dr. Taft, do you have a question?

Dr. Taft: Sure. Thanks. It probably builds right on this current discussion here. I know that in my constituency most of the schools are in the range of 50 years old, and some of them are really showing it. The ones that have been renovated are terrific, but some of them are in very poor capital condition, and I think many MLAs will be sensitive to these issues.

I'm on page 47 of the Learning annual report, the Auditor's report and his comments, and towards the bottom of the page he says, "I estimate that, if consolidated, total assets of the Ministry . . . would be increased by approximately \$8.0 billion and expenses for the year then ended would be increased by approximately \$2.0 billion." Can the Auditor General and perhaps the minister or the minister's officials expand on that a bit? This is fundamentally the issue of bringing in the universities and school boards and so on.

Mr. Dunn: That's right. If I may, Mr. Chairman . . .

Dr. Taft: Can you relate that to the issue of capital assets and keeping track of the depreciation of assets?

Mr. Dunn: Well, the \$8 billion, as we mentioned, relates to the school boards – and there are 72 school boards, I believe – the universities, the colleges, and then the technical institutions. In the aggregate those assets amount to \$8 billion that would have been added to the statement of financial position in the consolidated ministry statement if included, and the expenditure flow-through would have increased by \$2 billion.

I'm going to ask Nick to comment here. I believe that all those institutions do follow depreciation accounting. They actually do capitalize their assets – that's how we know the amount – and they actually do record in underlying statements depreciation on those capital assets.

Mr. Shandro: Yes. All of the capital assets are reported correctly in the institutions' financial statements – that's in accordance with generally accepted accounting principles – so they're booked. But what happens, of course, is that moneys flow from the government for capital. It's expensed and then shows up on the institutions' financial statements. Therefore, it's impossible to look on the consolidated statements to see the effect on the whole system because certain assets and certain transactions related to expense and revenue are not included in the ministry's financial statements.

[Mr. MacDonald in the chair]

Dr. Taft: So does that make it more difficult, then, to get a proper

picture of the state of the capital assets of our learning system?

Mr. Shandro: Yes, it does, because if you want to plan for the long term, you have to understand from the broad perspective what you have in the system as a starting point and which direction it's heading and where to make the necessary forecasts in terms of what is needed. So if the infrastructure is being depreciated – it's going down and not being replenished at a sufficient rate – it's an issue.

Another issue is that not all of the funding comes from government. There's an expectation that institutions will self-fund certain capital assets on their own. That is part of the whole operating understanding that we've had for a very long time between what government will be responsible for providing and what the institutions through their own means, whether it comes out of operating revenues or comes out of donations or whatever, will be responsible for providing. Any institution that has no plans to deal with the replacement of these capital assets and is dependent totally on government funding can run into a difficulty or a situation where when it comes time to replace something, they're in a bind; they can't do it. Maybe they have big plans about education, but the financial statements have no muscle to back up their plans. Therefore, when you see those sorts of situations developing, unless you can understand from a broad perspective how well the system is doing . . .

Now, when I talk about consolidation, that's only part of the picture because then after you have to see what's happening overall and drill down to the various institutions to deal with these issues. So it isn't like consolidation will solve everything. It's only an indicator as to what is happening systemwide.

Dr. Oberg: The only comment that I will make on that – and I'll limit it exclusively to the school boards on that if I can – is that it's very difficult to plan according to the life expectancy of a building when the demographics change dramatically. This goes back to the further question that we were just talking about, that in many cases the demographics have outlived or outstripped the life expectancy of the building. For example, there are basically no students in some of these. That's the problem I have with this type of accounting, that I want to do the assessment based on the learning needs as opposed to just based on the physical and capital needs, because the two are significantly different.

I think in the previous recommendation they made a very good recommendation, where we have to mesh these even more. Where the problem comes in, though, is if we're dealing with those buildings that are out there, ones that haven't been closed but ones that are operating at 25 or 30 percent occupancy, that we should not necessarily be keeping up because they are going to be closed very soon. So that's the difference, and that's where we have some difference of opinion.

The Chair: Thank you.

Mrs. Ady: Well, while we're on capital, on page 195 of the annual report you talk about how

we again recommend the Department of Learning, in consultation with the Department of Infrastructure and the Department of Innovation and Science, provide an updated Capital Assets Policy

for public postsecondaries, and I'm wondering if you've made some progress on this. I know that in the city of Calgary some institutions borrowed in order to expand and some didn't, and I did hear some grouching about those that borrowed and have taken on that debt versus those that didn't. I wonder if we've come up with some consistent guidelines so these institutions can plan forward and know

what to expect.

Dr. Oberg: Well, consistent guidelines are something that is very difficult because in some particular areas – and I believe what you're talking about is SAIT, where they wanted to move ahead with a \$110 million or \$115 million project that we did not have the dollars to fund at that particular time. They knew that, yet they still wanted to move ahead. They felt that they had a strong business case to move ahead, and subsequently they did. In other jurisdictions the business cases are not as solid for them to borrow completely, borrow exclusively, and I'll use the example of Mount Royal College in Calgary. They do not have the businesses that benefit directly from their students as much as SAIT does. They do not have the opportunities to receive donations, to receive dollars from the private sector as much as SAIT does. One of the issues, quite simply, is that things such as the first two years of university, university transfer, are not that sexy for industry to donate to, and subsequently there are not as many dollars available. So what we prefer to do is do it on a case-by-case basis. We attempt to look at each case individually and determine how many dollars will go into each particular capital building according to what they have the capacity to fund-raise for, what they have the capacity to utilize, and how we can leverage those dollars to ensure that there are more buildings being done.

I will add two components to this if I can, Cindy. The first one has to do with postsecondary building construction. I think that what you've seen in the last four years on the postsecondary side is an unprecedented growth in building and capital construction that has not been there for probably the last 15 or 20 years, and there are a lot of new buildings. I will say, though, that something we are pushing extremely hard is that we do have to get the utilization up on these buildings. What is occurring in many institutions is that they're running on a semestral basis as opposed to a trimestral basis, and subsequently there are times of the year where billions of dollars of infrastructure are not utilized to their full capacity.

We are succeeding. The Alberta College of Art and Design has just announced that it's going to a trimester program and will be running full scale all year round. We need more of our postsecondary institutions to do that. The myth that students must have four months off in the summer because that's what they have to have is just that, a myth. I think we have seen that in some of the nursing programs we have done that have gone all year round and the demand for accelerated programs where students can receive a baccalaureate degree in as little as three years or potentially two and a half years. The demand is there, and I think that is something that really has to be pushed with our postsecondary institutions as well.

9:20

Mrs. Ady: Thank you very much.

Nick, do you want to . . .

Mr. Shandro: I wanted to comment on it because I've worked quite closely with SAIT and with Mount Royal over the years. To me this recommendation is perhaps more complicated than I'd like it to be, but it has to be what it has to be.

When I worked with SAIT, I noted that that institution first of all started out with some assumptions about what it wanted to do in the future and worked towards a target of achieving certain things and positioned themselves financially to do that. I mean, this is a long time back. This isn't just when they started construction. This is years before, in the days of Dale Landry and Irene Lewis. I could see that institution taking very much of a business approach to managing their situation and deciding what moneys they had to set aside to meet their future.

In talking with other institutions, they don't want to do that sort of thing because they feel that if they set something aside, that prejudices their case for government assistance in building these sorts of things. What's happening now from time to time – I don't deal with it on a day-to-day basis – is that these discussions range sort of like, "We don't want to do this planning because we're in a position that if we plan, the ministry will say: well, we're not going to fund it; we're going to fund those who haven't planned." I think it encourages weird behaviour.

Now, when we're looking at institutions, some of the institutions are operating programs that are not government-approved programs. I mean, they're programs where they may go into contracts, say, contractual programs, with some industry where the industry wants to use the facilities that would normally be in an institution such as SAIT for delivery of industry-specific training and so on. That institution is well positioned to offer that service, and industry is prepared to pay for that service. Now, they're prepared to pay the full cost of that service, and if they're prepared to pay the full cost of it, should the public also be funding a proportion of capital and other costs that are associated with the thing? It has to be laid out in terms of what's expected, if you're going to have a level playing field from one institution to another, in terms of what responsibility they're going to take on for programs which are not approved, not sanctioned. They're a contractual type of program that may be good for the community and should be encouraged, but if they're going to be funded through private-sector contracts and so on, then it should be made clear that they should be putting those moneys aside in reserves and the like. So that's why we're talking about a capital asset policy, which has to do also with determining what sorts of net assets you need to support your programs.

Mrs. Ady: Well, first of all, I'd like to say: a good idea on the capacity thing. I've noticed at Ricks and BYU now that they accept students into just the winter and spring tracks. That's how they do their schooling the entire way, which has enhanced their capacity greatly. Kids that are getting turned away might like that as an option.

Just my supplemental. I know that at this time K to 12s do not have the ability to borrow or do those things. Will they ever in the future?

The Chair: Excuse me, please, Mrs. Ady. That's three questions. If the minister could be brief, please.

Mrs. Ady: I thought I only asked one.

Dr. Oberg: Probably not. When the institutions have essentially 100 percent of their funding, with a few exceptions, essentially 100 percent of their capital dollars coming from the government of Alberta, we do not see a day where they will be looking at borrowing. I'll put a couple of exceptions on this if I can. One of the exceptions could be if a school ever chose to build a parkade. That is something that we would not fund. It may be something that could occur in the future if needed; for example, at a high school.

The second question. If – and this is a huge if – there was ever a residence needed for a school, these are what our recommendations are in the postsecondary system, and those are the types of things that we would have to look at on an individual basis if they ever came forward. I'm not anticipating them coming forward. I have never seen those recommendations come.

The Chair: Thank you.

Ms Blakeman, followed by Mr. Cao.

Ms Blakeman: Thanks very much. I'm looking at recommendations 40, which appears on page 201, and 43, which appears on page 205: essentially this same recommendation about improving systems of internal control for the University of Alberta, which is recommendation 40, and essentially this same recommendation, 43, that the University of Calgary significantly improve its internal control systems. Now, these two form the rest of the trio of top 15 hit parade recommendations selected out specifically by the Auditor General for special attention. There is a long list of findings for both the University of Alberta and the University of Calgary of things that could have been avoided or problem areas that haven't been addressed yet. It's not so much the specifics of that long list of findings; it's that again these are repeated recommendations.

So does the minister accept that there is a problem here, that a weakness exists in these cases, and is he willing to work to overcome that? I'll add that I do understand that there are issues around: the government is not the 100 percent funder of these institutions, and that is where some of the problem arises. Nonetheless, we continue to see this recommendation coming forward year after year. So does the minister recognize that there's a weakness, a problem here that needs to be addressed, and what is he looking to do about it?

Dr. Oberg: Yes, yes, and yes to all of your questions. We recognize that there's a weakness. The University of Alberta is working on that weakness, and they are on line to have it corrected by '05-06. They ran into some significant problems with their business systems. They ran into some significant problems with personnel. They are on track, and they're on line to have it fixed by '05-06. And yes, I completely agree that it needs to be looked at.

Ms Blakeman: Okay. What is the government's, the ministry's, the minister's role in this?

Dr. Oberg: We are ensuring that it is done. We are working with them to help them.

The Chair: Thank you.

Mr. Cao, followed by Mr. Taft.

Mr. Cao: Thank you, Chair. Thank you very much for being here, Minister, and department staff and Auditor General. I appreciate very much the two reports, from the department and the Auditor General. I have looked into the situation, probably more from my constituents' than from the government's perspective, and I brought up an idea in the last meeting here. We spend about \$20 billion every year. That's a huge amount, and if I recall, there are always statistics saying that 80 percent of that is for people, salary, wages. So it's a huge amount, and then my constituents always ask me for a comparative across the nation, for example, in the funding we pay teachers, we pay doctors, and we pay public employees and other professions serving the government. The question always comes to me: where is the comparative benchmarking relative to other jurisdictions?

I know there is some Measuring Up document here talking a bit and relating to income and gross income and seniors' assistance programs. But I haven't seen – well, I should say that I have seen benchmarking or comparative data on funding from the government or salaries published but only at a time when there was heated discussion or debate about this and that. At the time it was so confusing because the government gave us some numbers and then the people or interested parties also gave us some numbers, and my constituents were confused. So I raise a point about whether the Auditor General could report or get some numbers from the

government or others and certify it and put it in as part of either the appendix or the Auditor's report so my constituents have some sort of confidence.

9:30

Dr. Oberg: One of the large issues that deals with interprovincial comparisons is the whole apples and apples/apples and oranges argument. Stats Canada is probably the best body that we have to provide an unbiased viewpoint of what is happening across Canada. When we take a look at dollars expended per capita, we are significantly higher than any other province in learning, and included in learning in the StatsCan report are some of the skills courses that are under Human Resources and Employment as well as anything to do with the education component.

To put it in perspective, Ontario spends about \$1,090 per capita on education, on learning, and Alberta is around \$1,950 per capita. The next closest is actually 16 percent lower than what we spend on a per capita basis. In saying that, I will also say, though, that there are differences in populations. For example, the closest that we have come on a per student funding in the comparison are some figures that were put out by British Columbia, which show that we're number one and that they're number two on the per student, and that's probably as close to an apples and apples type of arrangement as there is.

I think you have raised an excellent question. I think that as we look at a lot of the labour disputes that come out, there tend to be numbers thrown around all the time, and I would like the Auditor General's opinion as to whether or not there can be reasonable interprovincial comparisons on things such as salaries, on things such as dollar amounts that are spent on programs. You're absolutely right: you see a tremendous amount of figures that are thrown around by everyone, and I will say myself included. We need to have a true, standardized set of comparisons across Canada, and I would suggest that the Auditor General's department is probably the most unbiased one apart from Stats Canada to do that, but I would welcome their comments.

Mr. Dunn: Thank you, Dr. Oberg.

Mr. Cao, I'm going to refer you back to Measuring Up. You talked about how there are some measures in there around Learning, and those measures are under goal 3, Alberta Students Will Excel. You'll see that in your Measuring Up document under pages 67 through to 72, and there are some comparisons in there.

However, on your point around the comparisons in salaries being paid to service providers, there will be some difficulty in getting the different provinces to want to agree to provide all that information. We did have some experience this year in Health and Wellness, where there was some information that was trying to be shared amongst the different provinces. It took a number of meetings and actually two years' worth of discussion to try and get the different provinces to agree on the criteria against which they will report. So if your initiative is to be followed through, we're going to have to have the different ministries across the country to ensure that we have got all the apples being compared. Once that criteria is established, then each jurisdiction can report against the same criteria, and each Auditor General in every jurisdiction will supply their opinion on that.

Dr. Oberg: I will just add, for example, that how capital is dealt with whether it's depreciated, whether it's amortized is significantly different in each and every province across the country. The unfortunate part is that the special interest groups tend to use the numbers that are most beneficial for them in what is reported. To get

standardized numbers would be something that we would find extremely valuable, but as the Auditor General has said, it is very difficult and has been quite a challenge to do.

Mr. Cao: Before I get to my supplemental questions, I'm more focused on the 80 percent of people costs than other matters.

Dr. Oberg: Sure.

Mr. Cao: Okay. Thank you. That is part of the operating costs.

When I look at the Auditor's report on page 197, regarding the financial statements, in looking at the bottom there's some sort of new methodology, estimates and so on. It's a huge number as stated in the report there. The total asset increase is revised, \$6 billion to \$8 billion. We're talking about billions of dollars. My question, probably to the Auditor General, is: since it's not followed like that, then where do we report those things right now? Is it hidden somewhere, or is it just not reported at all in any report?

Mr. Dunn: The consolidated financial statements of the province go up to a certain extent, which we discussed last week, and I believe you'll be discussing it with the Ministry of Finance next week. The other individual components that are not included, the school boards and the colleges, are all independently reported on. They all have their independent financial statements audited. So that information is available. The University of Alberta reports audited financial statements; we audit it. Calgary, et cetera, and all the different institutions are reported on. They're not just compiled together in one entity.

Mr. Cao: Okay. Thank you.

Dr. Oberg: One thing I will add, though, is that we do provide summaries of all the various capital profiles, which are put forward too.

The Chair: Dr. Taft, followed by Mr. Cenaiko.

Dr. Taft: Thanks. The Alberta initiative for school improvement is mentioned here. I've heard some excellent things about it. I'm not sure if it's mentioned specifically in the Auditor General's report. But the concern: I hear very good things and then very nervous things, and the nervous thing is that it's three-year funding. The concept of this whole project, as I understand it, is three years of funding to try a new initiative, and then that initiative is over. Some of these – I don't know how many, but certainly you've tried 700 projects, and probably many have been very successful. I'm concerned about the piecemeal thinking, which is a phrase the Assistant Auditor General used in a different context earlier this morning, that having programs supported for three years and then terminated can create. Has the Auditor General considered or reviewed any of those in that program in particular, the Alberta initiative for school improvement?

Mrs. Dawson: No.

Dr. Taft: No? Okay.

Any comments you want to make?

Dr. Oberg: Absolutely. A couple of things. There are a couple of things that are very near and dear to my heart in the Department of Learning. One of them is the Alberta initiative for school improvement, and the second one is the Learning Resources Centre.

The Alberta initiative for school improvement when it was initially put out was intended to be a three-year study of different ways to improve schools. It was never intended to be incorporated into the operating expenses unless there were good ideas that were brought forward from the Alberta initiative for school improvement. The whole idea and what I actually told the various school boards is that I would be quite happy, frankly, if 20 percent or 10 percent of the projects worked. As you know, being a former researcher, even by finding things that don't work, you disprove theories and you learn from that, and that was the whole concept behind it. We have subsequently continued on with the Alberta initiative for school improvement, but we have asked that the projects be new projects so they don't become dependent on operational funding, that they actually change the scope of what they do and tend to look at all other ideas.

9:40

There are a couple of exceptions to that though. One of the exceptions is if they can make a case that their project in order to get results must go on for more than three years. The other exception is if they stopped a project halfway in the three-year term because it was not working and started a new one. What then would happen is they would be able to extend. But what we don't want in this particular program is for it to become something that is just another name for operational funding. We want new ideas. We want improvement. We want to find out what is happening in the learning system. For that reason we are doing it in three-year chunks. It's very good and very easy for school jurisdictions to continue doing exactly what they're doing, but I want the impetus there for them to change and look at new things, look at all different things. Subsequently, that's why we're doing it in three-year blocks.

Dr. Taft: A supplemental on this. I'd sensitize the Auditor General to the program, maybe for next year.

I understand and appreciate all of what you said. What happens, though, is that if you have, as you do have, some ideas that are very good, a program that is up and running really well, at the end of the third year you then have to walk away from that really good program – at least that's the perception I'm getting, and that's the perception that others are getting – because the funding isn't there to sustain it.

Dr. Oberg: No. Actually, that's not the way it works. What we initially intended for those good ideas that are working is for them to be implemented jurisdictionwide. We have to move on and look at other ideas as well. For example, in Northern Lights we saw one where they went very much to a visual type of learning to read, a corresponding of words to objects. What we found, first of all, is that 100 percent of the kindergarten kids were reading, and we had some kids in kindergarten that were reading up to a grade 7 level. These things are not expensive, but what we also have to do is we have to encourage the jurisdiction to do this on a jurisdictionwide basis as opposed to just a schoolwide basis, and we need to encourage them, for those projects that are working well, to jump in with both feet and do them. In the meantime we're not penalizing them in that they can look at other ways to do things as well.

We have modified it a significant amount. For example, if they want to move one program to another school where there are different demographics, different socioeconomic statuses, et cetera, et cetera, they are more than able to do that in the second three years as well, to try it in a different group. What I don't want, though, is to simply get it standardized, where they do the same thing over and over and over again in the same school, without it going jurisdictionwide.

Dr. Taft: Well, I hope it works. I'm not sure it's going to.

The Chair: Thank you.

Mr. Cenaiko: Good morning, Minister. I just have one quick question for you. Basically, looking at schedule 2 and schedule 4, pages 64 and 66-67, I notice that the teachers' pension is separated out but teachers' salaries are not. So with the concerns raised about funding, would it not be more transparent to display total wages, salaries, and benefits for teachers so Albertans can see where their tax dollars are going, to wages and salaries or to education?

Dr. Oberg: Yes, it would be. There are some significant issues there though. One of the issues is that the pension liability, both funded and unfunded, is the responsibility of the government and not a responsibility of the school boards. Subsequently, that's why it is approached as a line item in our expense budget. The particular amounts set for salaries in the province are set by the school boards, and it varies on a case-by-case basis. Each school board may have different expenses, different ways of paying for their teachers. But your point is absolutely well made, and I think it's a good idea to show exactly what percentage is being spent on salaries.

To give you an example, in Edmonton public right now one of their major issues is that they have some schools that are spending over 90 percent of their operating dollars on salaries, and they estimate that as soon as you hit 90 percent, you can't make a school viable. That is what one of the issues is in Edmonton public, that that has been allowed to happen.

So would I like to see it? Yeah, I would like to see it, but in saying that, I have to put an asterisk beside it because there are a lot of variables from jurisdiction to jurisdiction. I'd like the Auditor General's comments on that.

Mr. Cenaiko: That was my second question, to the Auditor General.

Could we in fact look at, with the accounting principles that you do have, being able to show to the public that, in fact, this amount of dollars is being put towards teachers' salaries, wages, and benefits so it is there and transparent to taxpayers?

Mr. Dunn: That's one of the reasons for the consolidation. In fact, when you do consolidate them all, where one would show grant revenue and the other shows expense, you'll start to bring them onto the same lines. That would help very much when the school boards and that are consolidated, to address your question. That's exactly what would happen.

The Chair: Thank you.

Ms Blakeman, followed by Mary Anne Jablonski.

Ms Blakeman: Thanks very much. I'll direct the minister's attention to page 64, which shows schedule 2 expenses directly incurred by object, and also back to page 41, where it's looking at a comparison of 2001-2002 actuals to budget. I'll start on page 64. Under private schools there was a budget of \$86 million and change. Under the actual it shows \$109 million, almost \$110 million. I read that as a difference of about \$23 million, but when I go back and look at the comparison, it says:

Private school support increased \$15 million due to higher enrollment, salary enhancements and funding to designated special education private schools.

I hope I'm missing something here.

Dr. Oberg: No.

Ms Blakeman: Is this an error, that it's actually \$23 million difference but in your explanations you dropped some and you're only talking about \$15 million?

Dr. Oberg: No.

Ms Blakeman: Okay. Well, there. That's the question.

Dr. Oberg: Sure. On the private school side the dollars were made up – first of all, there was an extra \$8 million for designated special education private schools. I'll give you an example. I believe Calgary Academy is one. It's a private school, but the public school boards send their high-needs students or special-needs students to these schools, and they're paid on a tuition basis. That was increased by \$8 million, which was consistent with the inordinate increase in special-needs education. For example, the other grants went up about 3 percent. Special-needs education grants went up 10 percent.

Another one there was \$2 million for salary enhancement, which was for the private schools as well. This was part of the \$40 million . . .

Mr. Olson: The salary enhancement? It's \$114 million.

Dr. Oberg: Right.

. . . which was the salary enhancement component for private schools. There was \$2 million because the enrollment had increased. As you know, the funding for private schools goes under enrollment as well. And there was \$8 million to various other additional grants. That was in March 2002, and I'm assuming that that is . . . What were those additional grants?

Mr. Olson: I haven't got those. I think the big thing is that it includes ECS.

Dr. Oberg: ECS is one of them.

Mr. Olson: It's the big piece. And we phased in; remember? It was the last year of the phase-in.

Dr. Oberg: Right. That was from year to year.

The other thing was that this was the year that we phased in to 60 percent of the actual funding. As you know, it went from 50 to 55 to 60 percent. This was the last year of the phase-in.

Ms Blakeman: Okay. I'm just curious about the salary enhancements. What is this?

9:50

Mr. Olson: The 4 and the 2 percent.

Dr. Oberg: Oh, sorry. Yeah. I put that out of my mind. It was the 4 and 2 percent. It went to the private schools as well.

Ms Blakeman: As well. Okay. And that wasn't anticipated, which is why it was higher. But essentially private schools got \$15 million more – is that how I'm reading that? – plus the additional \$8 million that came through the public school boards towards designated schools.

Dr. Oberg: Yes, they did. Much of that was for higher enrollment. Much of that was for moving from 55 to 60 percent, as well, and the ECS grants, things like that.

Ms Blakeman: I'm sorry. Could you translate?

Dr. Oberg: ECS, early childhood services. Kindergartens.

Ms Blakeman: Thank you. Okay.

The Chair: Thank you very much.

Mrs. Jablonski, followed by Dr. Taft.

Mrs. Jablonski: Thank you. Good morning. I'm referring to page 212 in the Auditor General's report. The recommendation is not numbered, but it's under 4.2.5.2, ministerial approval of deficits. Red Deer College is experiencing significant growth, and it's finding it difficult to meet its budget quotas. So I'd like to know, if you could tell me, please, how Red Deer College is funded and if it's funded according to the number of students.

Dr. Oberg: No. No institution is funded according to the number of students. They are funded on block grants. Where they are funded on number of students is with regard to the access fund.

Mrs. Jablonski: So is this a funding formula that applies to all the colleges? And if it's a block formula funding, how does it account for an increase in student population?

Dr. Oberg: In effect, it doesn't. For example, one of the issues that is different for the schools and the school boards, the public school system versus the postsecondary system, is that it's extremely difficult to fund on a per student basis because they never know what their per student enrollment is until probably September 15 of each and every year. They have signed contracts with their professors. They have signed contracts to put in certain courses regardless of what the enrollment actually is. So subsequently we fund them on a block basis. The block basis is something that has been established over time and has been looked at on numerous occasions. There are variables in the block grant, such as performance grants, such as the access fund grants, which enable it to be topped up.

One of the issues, as well, is that we see several colleges that have actually shown decreased enrollment, where the enrollment has gone down in many cases by up to 50 to 100 students. That causes these institutions to have significant problems, especially when there are only 600 or 700 or 1,000 students in the particular institution. Therefore, we have chosen to average it out with block grants as opposed to going on a per student actual grant.

Mrs. Jablonski: Thank you.

Dr. Taft: Well, since I asked about one of the minister's personal favourites, I might as well ask about the other.

Dr. Oberg: You would have been very, very remiss if you wouldn't have.

Dr. Taft: I'm sure you're ready for whatever. In no way have my questions previously meant to offend the minister on the Learning Resources Centre.

It's referred to on page 39 here. The revenues from the sale of learning resources are \$29 million, which is off, I think, a fair bit from previous years. But my impression of the Learning Resources Centre is that it functions as a wholesale service for the school system.

Mr. Cernaiko: What page is that? I'm sorry.

Dr. Taft: Page 39 is the pie chart, for example, that refers to sales of learning resources.

So it's sales. It's a wholesale service for school boards. Is it, then, managed within the department as a separate business unit?

Dr. Oberg: It's managed as a portion of the department. It is run entirely by the department. The wages, for example, are paid entirely by the department. It's in one of our dedicated revenue funds. For example, what happens in the majority of issues – and I'll use the traffic fine. When traffic fines come in, they go into general revenue. They don't necessarily go to Transportation for roads. What this does is it goes into dedicated revenue, where that revenue from the Learning Resources Centre is put into Learning. So it's to offset the expenses of purchasing the books from the revenue coming in.

Dr. Taft: All right. I guess I'm wondering: in terms of accounting – I don't know if the Auditor General has reviewed the Learning Resources Centre – if it were operated as a business unit with all the expenses and all the revenues sorted through on its own, is it in effect a profit centre for the department?

Dr. Oberg: No, and it's not looked upon as a profit centre. What it's looked upon as is, quite simply, a way to provide economies of scale for purchasing materials. It's looked upon as finding a very expedient way for school boards to purchase their textbooks. Rather than having to look at various different organizations, they give a call to the Learning Resources Centre. The Learning Resources Centre then sends them out; shipping and everything is included. The other thing which is very interesting is that our e-mail orders have grown significantly and substantially in the last couple of years since we have put that service in.

The Learning Resources Centre is something that has come a huge distance. It's come a long way in probably the last three years. It was not working as effectively as it could have been, but now we are so effective that we have other provinces looking at utilizing it, as well, in order for them to purchase their textbooks from us.

Dr. Taft: But your internal bookkeeping doesn't crack that out, the expenses of that particularly, as a separate item?

Dr. Oberg: We do record the profit or loss. We aim for a break-even point, but I believe last year there was a million dollar profit or

something along those lines, around a million dollar profit.

The other point that I will make, which I think is important as well, is that right now there's a \$5 million credit toward school jurisdictions at the Learning Resources Centre. This will increase to \$25 million with the extra \$20 million.

As I commented on earlier, it is something that I feel runs extremely well and in many ways is a good example for all of government, where we utilize something to get the economies of scale, get the buying power. When you purchase 10,000 books for 64 school jurisdictions as opposed to purchasing 20 books for one school jurisdiction, you get a lot better price, quite simply.

Could the Auditor General comment on that?

Mr. Dunn: Well, I can only emphasize that that's the right way to do business, to consolidate the purchasing and procurement activities. You don't duplicate labour, and you also get the buying power.

The Chair: Thank you very much.

At this time that concludes the questioning for today from the members of the committee to the Minister of Learning and his officials. Please note that our next meeting is next Wednesday, of course, with Mrs. Nelson, Minister of Finance.

Is there any other business on the agenda this morning? [interjection] A call to adjourn.

Before we do that, I would like to express on behalf of the committee our gratitude to the Department of Learning officials for their co-operation in planning and attending and looking after the schedule for this meeting. If we were to give out a report card, you would certainly get an A plus. Thank you.

Adjournment, please.

Mr. Cenaiko: So moved.

The Chair: Thank you, and we'll see you next week.

[The committee adjourned at 9:59 a.m.]

