

[Chairman: Mr. Pashak]

[8:30 a.m.]

MR. CHAIRMAN: Well, it's 8:30. Would you please take your seats. I'd like to call today's meeting of the Public Accounts Committee to order.

I'd like to welcome the hon. Minister of Advanced Education, John Gogo, and his staff, as well as the Auditor General, Don Salmon, and Andrew Wingate. As is customary, I'll invite the Minister of Advanced Education, if he so chooses, to make a statement, perhaps to just go briefly into the highlights of the fiscal year that's under consideration today, which is the year ended March 31, 1988.

MR. GOGO: Thanks very much. Mr. Chairman, members of the committee, I'm very pleased and honoured to have the opportunity of appearing before the committee to review the public accounts of . . .

MR. CHAIRMAN: If I may just interrupt. Sorry about this. I just think I should draw to the attention of the members that we have a new support person this morning, Louise Kamuchik. Ann Quinn, as you've probably observed over the last little while, has had to take a leave of absence, or resign I guess, because of an impending date with the stork. So Louise will now be our official secretary in the future.

Okay; sorry, hon. minister.

MR. GOGO: Thanks, Mr. Chairman. I know ministers of Advanced Education are responsible for many things. I plead total ignorance with regard to Ann Quinn.

I have with me, Mr. Chairman, members of the committee, key people from the department who will be assisting me this morning. On my left, the Assistant Deputy Minister of the Department of Advanced Education, Neil Henry; and to his immediate left, Peter Schmidt, who is concerned with operations of the department when we deal with primarily vote 2. On my right is a gentleman familiar to most of you as the executive director of the Students Finance Board, Mr. Fred Hemingway.

Mr. Chairman, I'd like to at the outset perhaps give an overview of the department as it was in 1987 so that in some way I may be in a position of defending the accounts of the department in that fiscal year. I'd like to do it in the following way: perhaps give an overview in terms of the fiscal position of the government as it related to the department in that year, how it applied to the budget of 1987-88; highlights of that year; perhaps some of the problems associated with that year; then deal with exceptions to the budget which were subsequently dealt with when the Legislature was not sitting, referred to by some as deviations, others as special warrants; additional funds required for special projects; the highlights of the year in terms of what was accomplished; and then finally, a response to the report of the Auditor General, who is with us this morning.

Mr. Chairman, my recollection tells me that the government had experienced a fairly difficult time and had adopted a fiscal plan or a fiscal strategy in '87-88 that applied to all government departments. My recollection as a member of the Heritage Savings Trust Fund committee was that our government at that time decided not to transfer any further revenue to the heritage fund from nonrenewable resource revenue, and aim at a balanced budget by, as it turns out, next year, 1990-91. So there was a three-point deficit reduction program, one of which was not to transfer any further funds to the heritage fund. Another was to

downsize or reduce, resulting in some government efficiency that applied to this department, as to others, and to increase revenue or taxes where they could. It resulted in, as members may recall, a tax increase.

So the overall budget estimate for the year was to apply to this department a reduction of some 6.3 percent compared to the previous year of 1986. Within the department the minister of the day felt it appropriate that the greatest reduction should occur at the top, so Departmental Support Services were reduced some 10 percent from the previous year, 1986. In the major part of the department, which deals with grants in vote 2, it resulted, in transfers to the institutions, in a reduction of only some 4.7 percent or about \$40 million, which was about half of the reduction in support services in vote 1 to the department. The Capital Funding Formula, which members may be familiar with, which deals with renovations, replacement of equipment, site improvement, and so on, had a somewhat dramatic reduction of almost 30 percent in that year. I expect questions in a moment, Mr. Chairman, and I'll do my best to answer.

In other areas, the endowment fund that had started in 1980 had run its course. A new fund was in place, and at that time had utilized its money but required some special warrants. I expect we'll come to that. So the department reduced by less than 5 percent its transfers or grant programs to the institutions. It ended up by having some, as I recall, not negative impact, but anytime there's reduced dollars going to postsecondary institutions, there is bound to be some reaction. My information was that there was some reaction, but none of it resulted in reduced quality to the people involved.

Student finance, vote 3, Mr. Hemingway will deal with. There was also a reduction, as you see from the public accounts, of about 10 percent, and that resulted in a reduction in some scholarships and fellowships being issued.

The high points, programs in terms of new spaces being funded. There was over \$5 million allocated from the department, as indicated in the estimates. That was the year, hon. members will recall, immediately before the 1988 Winter Olympics, so there were funds advanced to the University of Calgary in order to look after the housing needs for the Olympics. Mount Royal College in Calgary started a new program for which it received over a million and a half dollars. In terms of the capital projects, the bricks and mortar that went on, Grande Prairie Regional College, which recently had a major announcement, at that time had a \$6 million announcement in terms of capital for expansion. The Alberta College of Art in Calgary received three-quarters of a million dollars to improve a ventilation system. Two other areas that the department operates in are nursing programs in active treatment hospitals. Both the Foothills in Calgary and the Royal Alex here in Edmonton received substantial funds for renovations.

Then finally in terms of the good news, there was some \$52 million in grants and bursaries paid to students in that year, some \$35 million granted in the form of remission; in other words, those who owed the Students Loan Fund and completed studies received \$35 million in remissions. Then, as you know, the government guarantees and pays the interest on all student loans while students are studying, and the government paid almost \$9 million. Finally, that year saw \$133 million in student loans and about \$50 million in provincial student loans. There were some 57,000 students served by the student loan board. As members may be aware, that's on the basis of the government policy that those who have the ability and the desire to attend

postsecondary education -- the student loan funding is for this, to assist those. Finally, there was almost \$10 million awarded to over 6,000 students in the form of scholarships from the heritage scholarship trust fund. And just in closing, I'd mention that that was the year the new remission was instituted, a change from the previous system of 50 percent owed in terms of the Students Loan Fund to a new formula, which I'll report on, I believe, in response to questions. The Auditor General had made previous comments, so there was a new audit system put in place by Mr. Hemingway and the Students Finance Board with regard to student loans.

Finally, there were some 110,000 adult Albertans who accessed the department that year in terms of full-time equivalence in our credit courses in the institutions and another 300,000 Albertans who accessed the department in terms of noncredit courses.

With that, Mr. Chairman, rather than mention the special warrant situation or the deviations, perhaps I can respond to questions in that regard. That would give a summary of the activities as I'm informed occurred in 1987-88. Mr. Chairman, I'd be pleased to answer any questions I'm able to from hon. members.

MR. CHAIRMAN: Thank you very much, hon minister. I think the members enjoyed that statement.

Mr. Severtson.

MR. SEVERTSON: Thank you, Mr. Chairman. This fund on page 3.9, vote 2.8.2: the expenditure on Capital Formula Funding sat around \$42.7 million for the 1987-88 year, which is a significant decrease from '86-87. You mentioned in your opening remarks, I believe, a reduction of about 30 percent. Could the minister indicate why this funding for maintenance and replacement of capital assets was so dramatically reduced in '87-88?

MR. GOGO: Yes, Mr. Chairman. I'll ask Mr. Schmidt to help me out. But two points. One, Alberta at that time -- now I believe there are one or two other provinces -- was the only jurisdiction that had what was known as formula funding. It started in 1972, not long after the Lougheed administration formed the government, and today we have some \$4 billion in terms of bricks and mortar, or institutions, by the department.

The view was that there should be a system put in place whereby there were funds allocated outside of the normal operating funds or programs to maintain facilities, to renovate facilities, to replace technical equipment, to improve or upgrade the utilities, and so on. So they arrived at a formula, and that formula was pretty exciting, my recollection tells me. We had got into pretty substantial numbers until 1986-87, when the government, in arranging its fiscal plan to balance the budget by '90-91 -- as members may recall, we had a \$2.3 billion deficit, as I recall. And I don't want, in deference to the Member for Edmonton-Kingsway, to refer to the national energy program as being the culprit, but I'm sure all hon. members who are informed are well aware as to the reasons why we had that terrible deficit. So there had to be reductions.

The view was that the Department of Advanced Education had relatively modern and new buildings and that perhaps one area that they could afford to reduce the expenditure in in '86-87 was the area of the Capital Formula Funding in order not to affect the programs, the programs being the most important. My

recollection is that that was the reason for that reduction.

Now, Peter, you may care to respond, or Neil.

MR. HENRY: I don't think there's anything more, particularly, that needs to be added to that. It's essentially correct.

MR. SEVERTSON: Mr. Chairman, a supplementary. Considering that colleges and universities need to remain technically up to date, how have the postsecondary institutes managed this funding decrease? Has it adversely effected their programming? You mentioned you didn't think it would, but has it, do you know?

MR. GOGO: Well, I guess I need some leeway, Mr. Chairman. My information was that it didn't, but that obviously is probably not -- I'm probably not even qualified to say that. I'm aware of the situation each day and how formula funding affects . . . Perhaps, Neil, you're in a better position than I. Did the '86-87 reduction of formula funding seriously -- I think that was the question -- affect the quality of education in the institutions in terms of the equipment?

MR. HENRY: Not, I think, at the time. The province had been providing very generous funding for replacement of furnishings and equipment for renovations, et cetera. The institutions, I think, were in very good shape at that point. They have since argued strongly that that and subsequent reductions increasingly inhibit their ability to replace equipment. It might be worth pointing out that there was an increase in this year for the first time since that initial reduction.

MR. SEVERTSON: Do you know what that increase was?

MR. HENRY: It's a 5 percent increase.

MR. GOGO: One point six million this year.

MR. CHAIRMAN: Ms Mjolsness.

MS MJOLSNESS: Thank you, Mr. Chairman. On page 3.9 under vote 3, the Students Finance Board. In the Auditor General's report they estimated that about \$4 million was paid in overpayments for student loans, and they made a recommendation in the report on page 8, recommendation 5, which stated:

that the Students Finance Board develop a comprehensive plan for the annual verification of student loan applications.

I'm wondering if the minister could just comment in terms of if the process has been tightened up at all.

MR. GOGO: Mr. Chairman, first of all, with regard to the \$4 million, I'm not quite clear on the question. My information was that where there were normally some 55,000 students, that year there were 57,000, so there was a fair increase of some 2,000 students who required more money. As to the Auditor General's comment on the verification system or auditing system, I think Mr. Hemingway should respond to that.

MR. HEMINGWAY: Well, Mr. Chairman, the suggestion that a comprehensive verification program be put in place was felt to be a very good one by the board, and we're just in the final stages of that process. We've been working all year with the Alberta Bureau of Statistics, who have provided us with some

advice in that regard, and we have also retained a consulting firm to help us with establishment and sampling techniques and so on. The \$4 million resulted from the fact that we reduced remission benefits by about \$600,000 on a sample of 1,500 students that we did a tax audit on, if you will. So the \$4 million was a projection onto the total population. The last thing I should mention there is that this audit system which began in '87-88 was in some respects a surprise audit. The students weren't given a forewarning in that year that we were entering into this process, so perhaps the estimate of savings that we came up with initially would be somewhat smaller today than it was then.

MS MJOLSNESS: Okay. Thank you. Now, when you're calculating how much money would be budgeted for student loans, is there some type of formula that is used? In other words, if a certain amount of students apply, is the money adjusted accordingly?

MR. GOGO: Well, first of all, the budgetary process is under way now for 1990, so there's got to be a fair amount of prediction done. A couple of factors are borne in mind. One is in view of the government policy of accessing the system for those that have the ability and the desire to go. You take into consideration such things as the tuition fees and so on, and you attempt to predict what's going to be required. It seems to me there are a couple of factors now involved. One, there was a change in our admission policy that Mr. Hemingway could probably comment on. Secondly, I guess you use your best guess as to what the demand is going to be.

We have found in recent years that there has been an increase in attendance in the postsecondary system. Whether that's connected to the economy and unemployment, I'm not sure. I suspect there's a fair correlation. The other factor which is very impressive is the number of women -- these are 18 plus -- who are accessing the system. At the University of Lethbridge, for example, in the nurses' program the average age is 34. There are more and more people with families accessing the system. I think Mr. Hemingway will probably respond that there's been a change in the age groups attending institutions; many of those people married, certainly with dependants. The average age in the college system, for example, is 27, which is a new phenomenon when you consider that many come out of grade 12, and normally from grade 12 into the system they're at the age of 18. So it's been quite a change. Therefore, the demands on the system I think have been greater, to the extent where now there is about \$220 million in terms of the Students Loan Fund.

Now, I don't know if I directly answered your question. Fred, do you have a comment as to the projecting for the budgetary requirements of the Students Loan Fund?

MR. HEMINGWAY: Well, Mr. Chairman, it's really two factors at work here. Number one, the benefit levels, such as student budget guidelines and so on, which are of course established in advance. The other one is some attempt to estimate the actual number of clients that we will face during the course of the year. But, historically, for example, we have not, if we found we had more clients than we had money, reduced benefit levels to individuals that came to us in that year. As you can see, and I believe as the minister mentioned, we did require a special warrant in '87-88 in order to meet the needs of all of

those who applied for assistance.

MS MJOLSNESS: Okay. So would you happen to have a number, I suppose, on how many students were turned away, then, or were not granted student loans? Is that a high percentage? Or you don't have figures on that?

MR. GOGO: Well, Mr. Hemingway's got to respond to that. To my knowledge, for anybody with the need, the funds were made available, but that's probably unfair. Mr. Hemingway?

MR. HEMINGWAY: Mr. Chairman, there were, as I recall, about 4,000 individuals that applied to the board in '87-88 that were judged not to be in need of funds in accordance with the board's assessment policies. Those people, of course, had access to the public appeals procedure if they were unsatisfied with that.

MR. CHAIRMAN: Mr. Jonson?

MR. JONSON: Yes, Mr. Chairman. First of all, I wonder, Mr. Chairman, if the minister could give us an estimate of the amount of money that the colleges, universities, overall postsecondary institutions that are self-governing would have in accumulated reserves or surpluses?

MR. GOGO: Well, I'm going to ask someone else to answer that, but I would like to make this comment. I appreciate you using the two terms, because there is a difference between surpluses and reserves. Just so we are all clear, each of the 29 institutions is now in the process of formalizing their budget and submitting it to me as minister, and I've asked them to prioritize. The department, as all departments, will deal with that within the department to determine the justification for the request. In the colleges and universities, in an attempt to operate within that budget, many end up, through good management, with an operating surplus. They then are able to do certain things with that surplus. If there has been a deficit in the previous year, it must be applied there. The whole question of reserves is a unique matter, and I as minister am in the process of reviewing the whole question of what reserves are and where they are kept in terms of either endowments or other designated purposes.

Neil, are you or Henry going to answer? I think you'd better answer, because you're the one that told me the answer.

MR. HENRY: I can't, in fact, give you an exact figure for the total reserves and surpluses held in the system. I would say, though, perhaps just further to what the minister has said, that reserves are created for many different purposes, as many purposes as there are reasons for postsecondary activity very often, and a number of them are required by government policy. For instance, in the area of formula funding, the policy of the department actively encourages institutions to set up reserves for replacement of major equipment or maintenance of buildings. That doesn't occur every year, but we fund them every year. So reserves are definitely part of the operating activity of any institution. There is a lot out there, and I'm sorry I can't give you an exact figure at this stage. For instance, in a recent exploration of reserves in the system, very, very little of it is actually flexible. Most of it is committed either to major capital construction or to academic programs, and simply happens to be

extra at the end of the year but is not extra to their committed needs.

MR. CHAIRMAN: Further supplementary?

MR. JONSON: Well, just the clarification, if you like, Mr. Chairman. Is there an answer to my question? I appreciate the other information. Did you have an amount, or did I not catch that?

MR. GOGO: What was the other part of the question?

MR. JONSON: I asked: do you have an amount or a figure on the total of reserves and surpluses held by our postsecondary institutions, self-governing ones.

MR. HENRY: Well, probably that's not possible.

MR. JONSON: Mr. Chairman, that's fine. I just wanted to clarify that.

MR. GOGO: What we would do, Mr. Chairman, in that regard . . . Under the Colleges Act and the Universities Act, as the member is probably aware, they're self-governing. The government provides operating funds. They build up either surpluses, deficits, or reserves, and the question is the reserves. They're published in the annual report of each institution. They're not very simple. At least I as minister, attempting to read the annual reports, read a variety. But I will commit the department, Mr. Chairman, to supplying Mr. Jonson with our best guesstimate of what the total reserves are, by definition, of the total institutions.

MR. CHAIRMAN: I'd like the Auditor General to comment on that question.

MR. SALMON: Mr. Chairman, I recognize that they're talking in the universal sense. In the Auditor General's report we did quote the actual financial reserves on the top of page 8 -- I don't know whether anybody has particularly noticed that or not -- where we talk about the universities' reserves as well as the college reserves as the statements showed at March 1988.

MR. CHAIRMAN: Does that provide a clarification for the hon. member?

MR. JONSON: Thank you, Mr. Chairman. I've found it now.

My second question was still along this same line. I'd like to draw the minister's attention to page 12, recommendation 9. I appreciate that the department encourages the establishment of reserves, but in the case of the University of Alberta, when in fact they were running a deficit, there seems to have been allocation to reserves nevertheless, according to an administrative decision. My question is: is the department concerned about this procedure? Would they be contacting the University of Alberta with respect to it, or would that be handled directly between the Auditor and the university?

MR. GOGO: Neil.

MR. HENRY: I think the answer is yes. The department was concerned about this particular procedure and has discussed it

informally with the Auditor General's department. I trust that we won't see it repeated.

MR. JONSON: One further question then, Mr. Chairman, still on the matter, though, of reserves and what the colleges, universities, and technical schools do with them. Over on page 7 of the Auditor's report there's recommendation 3, which recommends that the Minister of Advanced Education take certain action with respect to the Consolidated Cash Investment Trust Fund. Could the minister refresh my memory as to whether or not this action has been taken?

MR. GOGO: Mr. Chairman, the department agrees with the Auditor General. The department has drafted legislation to amend legislation so they could put these funds into the consolidated investment fund. Government, because of its legislative calendar, simply has not been in a position to present the legislation to the Legislature. Is that accurate, Neil? Well, in fairness, hon. members, the business of government is governing, and they rate their priorities [inaudible] with the legislative calendar. I've had discussions with the Government House Leader -- I'm somewhat close to him -- and I would hope in the spring we'd finally get that legislation dealt with. There's no argument by anybody, as I understand it, with regard to the legislation.

MR. CHAIRMAN: Mr. Payne.

MR. PAYNE: Thank you, Mr. Chairman. Ms Mjolsness, with her keen mind and incisive intellect, asked the precise question that I had intended to ask regarding the Students Finance Board. However, I wonder if I might add a couple of supplementaries to hers.

The first has to do with a fairly large number of students, I believe, one of whom is within my own home, who qualify for scholarships but who also need to apply for loans or grants. Now, I read in vote 3.0.2 that about half of our \$108 million spent on financial assistance to students goes towards fellowships and scholarships. It's my understanding that students receiving scholarship income are considered less eligible, for some reason, for loans and grant benefits. I wonder if the minister could consider the exemption of scholarship income from the calculation of eligibility for loan and grant benefits, or would such a change place too large a burden on the department's budget?

MR. GOGO: Well, Mr. Chairman, let me respond first of all, and then I want Mr. Hemingway to respond, because along with Mr. Jonson and others I have a certain view as an MLA, and it's not consistent with the department. I've long believed that those who show ability -- and bursary is a need, and scholarship, obviously, is ability -- to qualify and earn scholarships no way should be penalized because they earn those scholarships. However, having said that, one must recognize the whole purpose of the Students Loan Fund, both Canada and Alberta, is to assist those who need finances to pursue postsecondary education. So the whole scholarship question, I think, is a valid one. If one looks at Louise McKinney, the \$3,000 award, it's conditional upon returning the next year in the institution; secondly, it's considered as income for tax purposes, it's considered as income on your application for further funds. The position of the department, the position of the government, is that \$800 of

any such scholarship fund would be exempt on your application for a student loan. Other provinces, I think, you're about \$600. Mr. Hemingway can confirm that.

I think, Mr. Chairman, the fly in the ointment, based on complaints that I've received, is that those who have the ability end up, in effect, being penalized because of the remission policy presently in effect; i.e., 40 percent of the total amount owed on completion of studies is forgiven under the remission policy.

I'll just make this concluding comment, and then I'll ask Fred Hemingway for the rationale of the finance board, as its chief executive officer. Last week, or 10 days ago, I ordered a review of the students loan program in Alberta, for a variety of reasons which were included in the press release. One of the items to be looked at within that is the whole treatment of scholarship as it applies to applications and treatment of the Students Loan Fund. Perhaps, Fred, you could respond to Mr. Payne with regard to the policy. That's really what the issue is.

MR. HEMINGWAY: Sure. Thank you, Mr. Minister. Mr. Chairman, I can certainly confirm that the \$800 figure that the board uses as an exemption, which has the effect, of course, of allowing every scholarship recipient at least \$800 to do with what he or she will, is the most generous exemption in Canada at the present time. The basic policy of the board and all other jurisdictions at the present time, really, is that the need-based concept of loan and grant programs must not be forgotten. Scholarships, in the board members' view at the present time, are awarded by all agencies, whether public or private, to assist, at least in part, with educational costs. They are, perhaps, a little different than a prize that one might win for outstanding achievement that may not be expected to be used towards one's education.

As a bit of background, last year the students applying to the board declared about \$4.5 million in scholarship income, about \$2.5 million of which came from the Alberta heritage fund and about \$2 million came from private sources. So the private sector is very, very active in the provision of scholarship support to students in this province. An additional concern that the board has had when looking at this policy, Mr. Chairman, is that if we began to totally ignore scholarship income and declared publicly that loans and grants would be provided to everyone who needed them, regardless of scholarship support, there might be a tendency in the private sector to perhaps reduce their activity in this area, and the board really wouldn't like to see that.

Just as a final point, of those recipients under the heritage scholarship fund last year, about 4,800 of them received almost \$7 million, and those almost 5,000 students did not apply to the board at all for loan and grant support. We can't estimate accurately what the costs might be if we ignored scholarship income because we don't know the details and financial background of those students and their families. Nevertheless, the numbers are fairly substantial, and there would be a cost associated with ignoring that source of income.

MR. CHAIRMAN: [Inaudible] the Chair hadn't anticipated all of the member's supplementals, but in any event . . .

MR. PAYNE: Well, Mr. Chairman, if I could be permitted a presupplemental editorial comment, I'm somewhat more impressed with the logic and justice of the MLAs' intuition expressed by the minister rather than his ministerial rationale. Having said that, I'd like to move to a related supplementary.

It has to do again with vote 3.0.2. My question is: does that vote include scholarships granted under the heritage trust fund program, and if not, how much additional funding was provided via the trust fund?

MR. CHAIRMAN: Would you please repeat the vote number?

MR. PAYNE: Three point zero point two, page 3.9.

MR. GOGO: No, it doesn't, Mr. Chairman.

MR. PAYNE: Well, if it does not, then how much additional funding was provided via the trust fund?

MR. GOGO: Nine point three million, which I think was some 6,600 scholarships.

MR. CHAIRMAN: Thank you.
Mr. McEachern.

MR. McEACHERN: Thank you, Mr. Chairman. My first question is really based to some extent on the numbers on page 2.17. I see Advanced Education in the original budget was allotted \$901 million compared to the 1987 expenditure on the same page of \$944 million. While it's true that the expenditure for March 31, 1988, was almost the same as for 1987 -- in other words, some \$943 million -- the reason for the increase was a special warrant to cover the endowment fund capital and operating expenses of matching dollars that the government puts up. So we really did see in terms of government funding of universities, directly anyway, a drop in that year by the 3 percent that the government anticipated.

I guess my question to the minister is: are we seeing the universities struggling to maintain their level of -- I suppose "services" is the right word -- in view of that cutback? Has the effect of that gone through the system now, or are we still struggling with effects of that cutback?

MR. GOGO: Well, let me respond generally and then ask the staff to provide a more accurate response, because they deal on a daily basis. With the exception of I think one province, the funding of our postsecondary system on a per student basis -- I think a global basis -- is probably amongst the most generous in the country. The reasons I think Mr. McEachern's aware of: '87-88, because of budget restraint. Whether that put unusual strains on the system that have either long-lasting effects or short-term effects, I'm not aware of. Neil, could you respond to that?

MR. HENRY: Not terribly specifically, because it's really a matter of judgment. Certainly the institutions, particularly the universities, claim that they continue to suffer from the cutbacks, but there were significant increases in subsequent years; that is, the 3 percent was the only year in which there was an actual cut in grants. In '88-89 the government responded with an additional grant adjustment worth approximately 1.5 percentage points on the operating budget, and then 5 percent this year. There isn't an easy way to respond, Mr. Chairman, to the specifics. The universities in particular are so complex that it really is a matter of judgment, both for them and for us, whether they're really suffering.

MR. McEACHERN: Thank you for that answer. My next question is related to recommendation 4 and the information prior to it on page 8 of the Auditor General's report. It's to do with the reserves that we were talking about a few minutes ago. There's no doubt from the information given here that some of the universities and postsecondary educational institutions are tucking money away from one year to the next, and sometimes it makes you wonder if some of that money isn't money that should have been spent in this fiscal year, by the fact that the government gave it to those institutions to spend on the education of students in this province. But I wonder if some of those educational institutions are doing that because they are concerned about the inconsistency of funding, like the cutback that occurred a couple of years ago, and so they start hedging their bets and sort of pinch things this year to save some for next year. They're worried they won't get enough money next year to carry on, and so they try to build in a little stability.

My question is: is that why we see this problem with the reserves? I mean, after all, there's some \$92 million reserves, you know, which is money that theoretically should have been spent in the year it was given.

MR. GOGO: Well, let me respond initially this way, and then I'll rely on Mr. Henry. In visits to the institutions, Mr. Chairman -- and I've been to 11 of them -- I meet with the stakeholders in each institution and I hear a variety of things from the boards. One of the concerns I hear is the whole question of long-term funding. I try to explain that under our democratic system governments are elected to govern, Legislatures are elected to legislate, and in the final analysis the determination of budgets comes from this Legislature, so it's difficult, other than on an annual basis, to appropriate funds.

I think the member is on an excellent point. People like to know where they stand and how consistent funding is going to be. I would point out that we have today in our system many players in the game. Although Alberta is responsible for education in Alberta, we continue to see activities such as the Canadian job strategies, which is a federal program, providing operating funds to colleges to operate certain programs. Colleges undertake that on behalf of their community, their constituency being the community. Yet the bricks and mortar and the support side has to come from the provincial government. So they keep wondering... Let me quote an example: Lethbridge Community College, which has a tremendous number of job strategies programs in place paid for by the federal government. They pay a 10 percent overhead factor to run the programs, which is not near adequate, frankly; it takes about 20 percent. But the province has to provide the space. The province has to supply the heat, light, and water. The province has to provide a lot of that. So what the colleges are saying is: "Minister, if we're going to run these, we'd like to know where we stand financially," and so on. I can't really do that, because I can't commit the funds without knowing what's ahead and what the authority of the Legislature is.

So I think there's a fair degree of legitimacy to their concerns, and as a result, they try and build up reserves. I as minister, representing the taxpayer of Alberta, have got to say: "Hey, just a minute. The taxpayer is paying these dollars, and you'd better justify to this department why that's going to be necessary. And if you've got those funds in reserves, there's no way, in my opinion, that we're about to do this or do that or so on, until you use your reserves." Now, in fairness, I'm not tell-

ing tales out of school, but I'm telling part of the negotiation process. And the result is that you'll find some institutions with -- to use the figure \$90 million-odd in reserves is kind of a mythical figure, if you look at the designation of those reserves. They're not all cash reserves, as Mr. Henry says.

Mr. Henry deals with them on a daily basis, so I'd ask him to respond as to the utilization or keeping of reserves for the unexpected in terms of the department not funding operating funds to their liking.

MR. HENRY: I would say that even in the best of times an institution, if it's managing itself well, should be maintaining reserves over the end of a fiscal year. Some of them have very specific purposes, some of them contingency purposes of the kind that I think you're referring to. Cutbacks in funding or uncertainty about government funding simply adds to the need to do that.

Institutional funding is very rigid. It's primarily government grants and tuition fees, and tuition fees are also governed by government policy and are quite rigid. So the rigidity of the revenue means that if you've got any contingencies, any emergencies, that occur, you'd better have provided, because you're not going to be guaranteed that you can turn around and ask the government to deal with a situation that perhaps you should have foreseen. They are complex organizations that run year after year, and they have to think in multiyear terms. That's the major reason, I think, for reserves.

MR. McEACHERN: Thank you for those answers.

My next question is related to page 9 of the Auditor General's report, 2.4.4, in which it stated that the provincially owned entities such as universities and technical institutions and so on, do not have their financial statements

published in the public accounts, nor are they included in the . . . consolidated financial statements.

To the minister, and I know he's a new minister: the Auditor General has been recommending this for a number of years, and you suggested a few minutes ago that there was some legislation in the works to that effect. But I would remind you that this item has come up year after year after year. We pushed on the Treasurer on this point a number of times, and he's always claimed that these institutions are not government controlled, even though the government puts up almost all of the money. When you take the Auditor General's report on Advanced Education -- it's several pages here -- it is a terrible indictment of the way the universities and the postsecondary educational institutions are looking after their books. It's scandalous, quite frankly, in a number of areas. If the Advanced Education department would make that move to bring them under the control of the public accounts and put them into the consolidated statement, perhaps they would be forced to tighten up their procedures and bring them into line with accepted accounting procedures for government.

I ask the minister: how strongly is he going to push that, and start cleaning up this mess?

MR. GOGO: Well, Mr. Chairman, you know it's a judgment call as to whether it's a mess. It's the view of the department, and has been, that it's a matter of the Provincial Treasurer and the decision really lies with the Provincial Treasurer. Now, if one reads the statute, there's a very high degree of autonomy with those institutions. I agree with the hon. member that the

majority of funding, roughly 90 percent on the dollar, comes from government, or the taxpayer. They are exempt other than the auditing by the Auditor General of the province. As to whether or not they should, like a hospital, come under the government, I really can't respond to. I'm aware of the recommendation. I'm also aware that the authority lies with the Provincial Treasurer in insisting, or convincing the government, it should come under his jurisdiction. I don't think I have any other comment other than I think the department is on record that that's a prerogative of the Provincial Treasurer.

To answer the hon. member's question of how hard would I push it, frankly, I haven't given it any thought at this point. But I would point out that as minister I've initiated a series of reviews. One I've already mentioned. Another one will deal with the residential system of our universities. Another one will deal with the whole reserve question of the statement of reserves. It may be, Mr. Chairman, within that context I'll be convinced -- I haven't yet -- that they should report through that process.

MR. CHAIRMAN: Before I recognize the next member, I'd just like to make a comment. I think it would be in the interests of all members if we try to make the background statement that leads up to the question as concise as possible. It would allow for more questions.

Mr. Paszkowski.

MR. PASZKOWSKI: Thank you, Mr. Chairman. My question comes off page 3.7, statement 3.2.1. I'm interested in knowing the amount of money that is spent on the problem of illiteracy. Could the minister give some indication as to how much of the money that is accounted for on page 3.7 is actually allocated to the problem of adult literacy?

MR. GOGO: Well, first of all, Mr. Chairman, anything that this department deals with by definition is 18 or over, so under the definitions that would be the age of majority or adult. We presently spend in Alberta some \$45 million a year on the question of literacy. In this department I believe the figure -- I can be corrected -- is \$20 million. Then there's Career Development and Employment and social services and community health that pay the balance. Part of it is related, I think, Mr. Chairman, to the reorganization of the department in '84 when the then Department of Manpower come under this department. Since, of course, it has its own department.

To answer, the total figure's \$45 million, of which \$20 million comes from this department directly.

MR. PASZKOWSKI: Could the minister provide some insight as to what types of programs are provided under the literacy upgrading?

MR. GOGO: I'll probably need some help, but let me first of all respond in this way to the hon. Member for Smoky River. Much of the funding is with the Alberta vocational centres, AVCs, which are administered by the department. Many of those in the north, such as Lesser Slave Lake, involve not only upgrading but the whole question of literacy, from reading to whatever. Just to quote Lesser Slave Lake. At Grouard, for example, they operate in some 20 communities in the north, delivering a variety of programs, many of which are basic literacy programs. There may be members pursue this matter,

Mr. Chairman. Our definition tends to be along with the United Nations' definition that below grade 9 is really functionally illiterate. Many of those people are grades 2, 3, and 4, and they need upgrading. So a lot of the illiteracy is in the north. I would point out that next year is the International Year of Literacy, and there are many projects under way now. I think September 9 is the official kickoff.

Now, Neil, I don't know whether I've answered that accurately.

MR HENRY: Yes. Perhaps I could say with a bit of further information that, generally speaking, all of the \$45 million that's provided through this department or career development and to some extent also through the Department of Education is directed at adults. I assume that illiteracy at earlier ages is dealt with through the K to 12 system. There are really two broad forms. One of them is upgrading people through the school grade levels. We call that academic upgrading, and probably the largest portion of what we spend is spent in moving adults through the grade system. In large part that is a fairly formal kind of process delivered through a variety of institutions, as the minister has indicated, primarily through the Alberta vocational centres. Then there are a number of literacy projects which are aimed at the lower levels: people who have difficulty writing their own names. Those are delivered in a variety of ways, through community literacy projects primarily, and have to be handled differently because people in that situation are often reluctant to become part of a formal program and they have to be handled differently, often on a one-to-one basis.

MR. CHAIRMAN: Final supplementary.

MR. PASZKOWSKI: The total expenditure on the problem of illiteracy in Alberta -- you'd mentioned that career development is somewhat involved, as well as Education. Are there any other departments involved? Are there any other departments that provide funding to alleviate this problem?

MR. GOGO: Well, the Department of Education spends \$9 million. Career development, I think, is \$16 million or so. I think it should be pointed out, Mr. Chairman, that at a meeting with board chairmen yesterday they pointed out their activities, for example, at a community college. The library at Lethbridge -- and I assume this is at many places -- carries out literacy programs. It's pretty hard to define, other than the actual dollar amount from this government. I do know there is federal sharing with regards to literacy programs. I don't know what the aggregate in total would be, but certainly the commitment by this government is some \$45 million.

MR. CHAIRMAN: Mr. Cardinal.

MR. CARDINAL: Yes, thank you very much. Just a quick comment to the minister. I commend your department for the vocational programming you're doing up in northern Alberta. It's a very worthwhile program, especially in my constituency, in the area of adult upgrading. It's a program that's very much needed, and I commend your department for all the hard work.

My question is on page 3.9 of the public accounts manual, and several matters under vote 2 concern me. First, I would reference 2.1.10. I see that although \$2.2 million was provided to Other Program Support, none of the moneys were expended.

Could the minister explain what this category refers to and why the appropriation was not expended?

MR. HENRY: Other Program Support, Mr. Chairman, is essentially a holding tank for funds that have been allocated to a purpose but where the exact allocation to the institutions hasn't been determined at the time that the budget document is published. Probably the best example is supplementary enrollment money, which is estimated at the beginning as part of the budget process, but until we get the fall enrollment figures we don't know how much should be allocated to which institutions, so it's held in that account. You will notice that virtually all institutions look as though they're overspent against their original allocation, and the reason for that is that the funds in Other Program Support are allocated after the beginning of the fiscal year.

MR. CARDINAL: Okay. Further down the list in vote 2.2.1, \$2.15 million was estimated for Service Funding, and yet again no expenditure was made. Could the minister indicate why these funds were authorized and why none of the moneys were spent? Is it the same situation as the previous one?

MR. GOGO: Well, we operate, Mr. Chairman, provincially administered institutions which are the vocational centres and so on, and it would be the same answer that Neil gave with regard to your anticipating certain activity for the year and the institutions prepare budgets. Then, if the expectations are not realized with enrollment and so on, those funds are then not expended. So the same answer would apply to the provincially administered institutions, which is that vote, as Neil gave with regard to the board governed institutions.

MR. CARDINAL: Thank you.

MR. CHAIRMAN: I would just ask the members to be somewhat judicious in terms of putting supplementaries, or I'm afraid I won't be able to get all members in. But just use your own discretion.

Mr. Lund.

MR. LUND: Thanks, Mr. Chairman. I'm looking at public accounts, on page 3.7, statement 3.2.1 and down on 2.1. The special warrants are always of an interest to me. Now, I know this warrant has been alluded to earlier, but I don't think it really got to the heart of it. Could you explain for me and the members of the committee: I notice that the estimate was \$40.373 million, the expenditures \$76.408 million, and the special warrant in there is at \$41.063 million. I'm wondering exactly what those funds were used for.

MR. GOGO: Thanks, Mr. Chairman. As members know, special warrants may only be passed when the Legislature is not sitting. With regard to the \$41 million, there was a substantial amount involved with what was just mentioned, the supplementary enrollments. For example, just to add up these figures, government budgets on the basis of the priorities given by the institution to anticipate a certain enrollment. Enrollment occurs and is greater than the actual numbers they expected, and in this case, for '86-87, there were additional funds and we ended up with a figure of about \$800 per full-time equivalent of student in the system. So one could do some division, I guess, as to num-

bers. But, for example, that year the \$41 million was composed of the following amounts: \$100,000 for private colleges, \$102,000 for the technical institutes -- that's NAIT, SAIT, and Westerra -- the universities' enrollment increase was \$1.2 million, and the public colleges \$600,000. Then the two outstanding issues, the two big items, were the endowment incentive fund, one for \$18 million and one for \$21 million.

I think, Mr. Chairman, an explanation is required, certainly on the latter two. The endowment fund commenced in 1980 to last 10 years at \$80 million. It was \$80 million because it was 1980, which was not unreasonable, I guess. It ran out of money. A new fund was started in 1986, again for \$80 million. There had been a buildup in private donations to the extent where the fund again had run out of money, but these pledges or promises or dollars actually received by the institutions amounted to a total of some \$39 million. So the special warrants were passed so the department could match the contributions to the endowment fund, and that was the bulk of the \$41 million. Roughly \$39 million was the endowment incentive fund.

MR. LUND: Thank you. Then it's probably fair to say that when you get down to the very bottom line and you are talking about the \$45 million in special warrants, a large portion of that was used for programs throughout the system.

MR. GOGO: Well, it was used primarily . . . Mr. Chairman, if I may, of the \$45 million, \$39 million was used for the endowment incentive fund. A lot was capital; a lot was operating. The rules have since changed and so on. But included in that was \$4 million referred to by Mr. Hemingway on the student loan side, and that was also the year, I should point out, of the Dupré study about equity in the system amongst our postsecondary institutions. I think it was about \$800,000 for that cost, but that was also included as a special warrant.

MR. LUND: Well, if I might, on page 3.9, vote reference 2.8.2, the Capital Formula Funding, I'm wondering if there's any in those numbers for the upgrading of student residences, and if not, where would we find those?

MR. GOGO: Well, first of all, there wasn't, Mr. Chairman, but it being an appropriate time to respond, I think, with regard to student residences and the Department of Advanced Education, the policy of the government and the department is that although government will fund bricks and mortar with all institutions -- and indeed they have ownership to about \$4 billion of our institutions now -- student residences traditionally have always been the responsibility of the institution, not the department, mainly because they recognize the need, they collect the rents. Now, of course they must utilize those rents in such a way as to pay off mortgages, to maintain buildings and so on. That has not necessarily always been successful or consistent, and that's why recently I ordered a review of the whole student residence question.

I think Mr. Henry should respond whether any dollars are in there at all with regard to that appropriation being used for student residences.

MR. HENRY: No; your response was correct. We don't supply formula funding for residences.

MRS. B. LAING: On page 8.5 of the public accounts statement

8.3, under vote 2, I see that the Advanced Education Endowment and Incentive Fund received \$21 million in special warrant in order to match the eligible donations that institutions receive. Could the minister explain why such a large warrant was required and how it was used?

MR. GOGO: Yes, Mr. Chairman. As I alluded to a few moments ago, the endowment fund, now the endowment and incentive fund, was created for institutions -- that's all colleges and the universities -- to raise funds the government would match. The fund had run out of money. It had been so successful, but the donations kept coming in. So the institutions had built up these dollars that were given on the basis of being matched -- who knows; perhaps even having your name on a door or a building or a program. Because there were no funds and because the legislature was not sitting, the minister of the day then had to convince the government to pass a special warrant. So we have the two special warrants at different dates, one of \$18 million and one of \$21 million. That was simply to match the contributions made by private donors or corporations, I guess.

MRS. B. LAING: Okay. Also on page 3.9, under statement 3.2.3, vote 2.1.7, it shows again that the estimates for the endowment incentive capital expenditures were overspent by \$30 million. Given the overexpenditures -- as you've noted, the earlier ones too -- and need for special warrant, has the minister reconsidered examining either the functioning or the budgetary needs of this fund?

MR. GOGO: Well, perhaps Mr. Henry can help me. But as the hon. member may be aware, on February 16 of this year or the opening of the Legislature -- I'm trying to recall the date; it was so long ago -- the government committed itself to a new endowment fund of \$80 million, with various strings attached. I should point out what some of those strings are. Because -- and that's a very recent "because" -- the funds were used up so quickly, the government has said that the present endowment and incentive fund must last 10 years. A maximum of \$8 million a year is all that can be spent. As minister, I felt that the success of U of A and U of C, which are the two big players in the game, attracting the biggest funds -- there was not sufficient left for regional colleges, for example. So we've put a system in place whereby each institution is virtually guaranteed a quota.

Now, we would sincerely hope that in spite of the generosity of Albertans, the institutions will live within those guidelines that we've pointed out and the \$80 million appropriated will last the 10 years. But the primary reason we've done it is the very item you've raised.

MRS. B. LAING: Thank you very much.

MR. CHAIRMAN: Mrs. Black.

MRS. BLACK: Thank you, Mr. Chairman. My question has basically been dealt with, but I still have a concern over the buildup of reserves within the postsecondary facilities. I guess I'm referring again to recommendation 4 from the Auditor General's report. I realize and appreciate that the postsecondary facilities are self-governing bodies in their own right, but I do feel that from the recommendation from the Auditor General, little more definite guidelines should possibly be pursued as to the use of the buildup of reserves and the accountability of the reserves

and maybe an indication of what the reserves may be earmarked for in the very new future. Your comments were well taken on the problems of the facilities having to have long-range planning abilities. I appreciate that as well. But I am concerned about the massive buildup of reserves, particularly the Banff Centre of \$59 million in 1987. That in 1987 was more than the other public colleges and technical schools combined. They had a buildup of \$27 million. The reserves are getting a little bit in excess, and I'm wondering if we could have some clearer guidelines as to the use of those reserves.

MR. GOGO: I think that's a good question, Mr. Chairman. As the new minister I've been attempting to wrestle with this whole question. Recently we asked the institutions to participate in a review of the whole question of reserves. I as minister look at an annual report of an institution. I see a page of reserves, this dedicated to this and this dedicated to that and so on, and I start asking myself the question: whose money is that? Invariably much of it is taxpayers' money or government money; the source of the money comes out of here. For example, in front of me this past budget year I had requests for \$620 million of capital construction in the system from our institutions -- \$620 million. We now have in place \$320 million under way. So then I look at the annual reports of the institutions and see these reserves, and I say to myself, "Should they not be participating with that money?" I want to know where the money came from. Now, a lot of it is interest. I know a college that's got \$7 million, \$8 million, or \$9 million in reserves. I say to myself, "Shouldn't they be participating if it's taxpayers' money?" So we've now undertaken a process to have these people involved in developing a policy on the whole question of reserves. That will result this fall in policy being formularized by me as minister on the whole question of reserves. My job's to help, not to hurt. But I've got to understand that the system can work only if everybody participates with regard to the taxpayers' dollars.

I think that's an excellent question. I should point out though, just in case people get the wrong idea, that the U of A leads all of Canada in research in two specific areas and is second in Canada in two other areas. They do a tremendous amount of research; they build in this infrastructure and attract scientists and so on to do things. So they earmark reserves for specific purposes. They attract funds because of their calibre, so various corporations donate money and so on. Now, it costs a lot of money to provide the support for that, and we've recently instituted a policy that 65 percent of all the support costs for research must come from the donor. If it's a government department, they've got to come up with 65 percent of that. That's caused some unease at the institutions, because maybe those departments are not going to provide that support cost. So now institutions, some of them, are eyeing their reserves and attempting perhaps to earmark some of those.

I don't want to be critical of the system -- I mean, it's been around a lot longer than I have, and I'm sure it will survive me -- but I think we have to rationalize the whole question of reserves. Once we identify which are taxpayers' dollars, I think part of my responsibility as steward of those dollars is to see they're utilized in the best way. So in short, Mr. Chairman, we would hope to have in place, with the co-operation of the institutions, a firm policy on the whole question of reserves later this fall.

MRS. BLACK: Thank you. Mr. Chairman, my supplemental is

a little different but along the same line of guidelines. There seems to be a problem with control over inventories and disposal of fixed assets within the postsecondary facilities, and it appears that even with the elaborate computer systems that have been purchased and put within the facilities, we have a problem with inventory controls. I'm wondering if we might be able to develop some form of directional or guideline policy that could go out to the institutions, as to the methods of controlling their inventories and their fixed asset accounts in a little better fashion so they may be easily recognizable through the audit process.

MR. CHAIRMAN: Excuse me, hon. minister. Is that a question that comes from a specific recommendation?

MRS. BLACK: Yes, it does. It's dealt with at the University of Calgary, the University of Alberta, SAIT, basically each of the institutions. There are recommendations throughout the report from the Auditor General as to the tightening up of internal controls within the EDP systems. I'm wondering if some form of directional guidelines could come from the department as to tightening up the system's controls.

MR. GOGO: I think Mr. Henry better speak to that, because he's been dealing with the institutions.

MR. HENRY: I think there is certainly need, and the department has no quarrel with the judgment. The answer is probably not going to be specific guidelines, because the institutions vary quite widely in the kind of physical assets they have. But there is certainly need for them to improve their performance in this area, and we will be bringing pressure to bear, I guess is the answer, to try and make sure they do so. It is a specific responsibility of boards of governors to control the assets of the institution, and in a sense they are the first line of responsibility for it. So I think that's probably the answer, that we try and get them to perform better rather than dictating to them how they should do it.

MRS. BLACK: My final question is: have the 1988 financial reports for Olds College been filed? In the Auditor General's report it said they had not, and there was an exception on the financial statements, a reservation made.

MR. GOGO: I don't know the answer, Mr. Chairman, but the hon. member will know today.

MR. CHAIRMAN: Fine. Thank you very much, hon. minister. Mr. Thurber.

MR. THURBER: Yes, Mr. Chairman; thank you. If you would turn to page 3.10, under Fees, Permits and Licences, we do know that the tuition fees in that year were increased by about 10 percent, but there doesn't seem to be an increase in the amount brought in. Is there some explanation for that? Did the enrollment drop, or what happened there?

MR. GOGO: That's reference to statement 3.2.4?

MR. THURBER: No, 3.10 in the Public Accounts: Fees, Permits and Licences.

MR. SCHMIDT: Mr. Chairman, the tuition fees referred to on that account are the tuition fees collected by our provincially administered institutions, not the postsecondary board-governed institutions. There has been no change in the amount of the individual fees. There's been no rate increase or decrease in the fees. The difference is represented by just a minor increase in the number of students attending the institutions.

MR. THURBER: You say an increase, or a decrease?

MR. SCHMIDT: An increase.

MR. THURBER: An increase. Okay.

Well, having said that, when we know there was a certain increase there, did that result in a greater demand on the student loans? Or is that a fair question on that?

MR. GOGO: Well, that would be to Mr. Hemingway. You know, the policy of the student loan board is that whatever a tuition fee is is given in terms of the student loan. The question, Fred, is: was there a greater demand in that year for student loans because of tuition fee increase?

MR. HEMINGWAY: Mr. Chairman, the board doesn't believe so. I suspect if we looked across the system, the increase may have been in the order of \$75. A budget for a student living away from home would exceed \$6,000. We don't believe the tuition increase in and of itself would be a contributing factor.

MR. THURBER: Thank you, Mr. Chairman. My other supplementary has already been answered.

MR. CHAIRMAN: Thank you. Mr. Bruseker.

MR. BRUSEKER: Thank you, Mr. Chairman. My question kind of stems from recommendation 7 on page 12 of the Auditor General's report. At the top of that page, there's a statement to the effect that

there are more than 100 arrangements to promote technology transfer, including subsidiary companies and licence agreements.

Yet it seems difficult to find much information as to what those technology transfer companies are, and the subsidiary companies and so forth. I'm wondering if the minister could make some comment about the types of arrangements in terms of: is his department involved in funding some of these subsidiary companies, and what's happening in that direction?

MR. GOGO: I don't know much about that. I think the answer is no, but I think Neil should respond to that.

MR. HENRY: Well, these arrangements are again in the context of autonomous, board-governed institutions. These arrangements are usually entered into on either a cost-recovery or a money-making basis, hopefully a money-making basis, by the universities, primarily the two big universities. It's a fairly recent kind of phenomenon. The institutions have gotten into it increasingly in recent years. I think for the department there's a strong need to monitor and understand and try and make sure we can give the institutions assistance so they don't undertake undue risk, but it's hard again to dictate to the two universities how they should enter into an arrangement to ensure that a par-

ticular technology enters the private sector.

With respect to the particular concern of the Auditor General, you know, we'll work with the University of Alberta to try and make sure they don't get into deep water in this kind of area. It would be a very specific one-on-one kind of approach with the institution, not a systemwide kind of approach.

MR. BRUSEKER: The one I'm most directly interested in is Chembiomed, which is shown at the bottom of page 13. Looking in different places through the public accounts books, it seems the provincial government is, shall we say, into this company for a total of almost \$34 million at this point. Yet there's no annual reports mentioned in terms of what's going on in this particular firm. I'm wondering if we could get some more information about what's happening at Chembiomed. I note that even in the estimates this year we're giving more money to Chembiomed, which will bring our total investment to well over \$40 million. I'm concerned about that kind of expenditure when we don't see any information about the company.

MR. GOGO: Well, the short answer is that I'm surprised. I don't know anything about it, Mr. Chairman. I feel a little more comfortable that the hon. member asking doesn't know either, but I will look into that. I don't know what I can do, but if we have that responsibility, I'll certainly commit myself to getting an answer for the hon. member.

MR. BRUSEKER: Thank you. Just to follow up then, I'm wondering about recommendation 8, which sort of follows on the same area. It says:

... the University of Alberta formally designate responsibility for monitoring and reporting on compliance ... [regarding] technology transfer.

I'm wondering if that is now being a little more closely monitored, because as I said, there are a hundred agreements. I'm wondering if the whole procedure has been tightened up now.

MR. GOGO: It's an area, Mr. Chairman, that everybody agrees on. The Auditor General's raised it. The department agrees. The university agrees. That is now under way, where everybody's agreed that things must be monitored. Right?

MR. CHAIRMAN: Mr. Gesell, I think we've got a chance to get one more question in, perhaps.

MR. GESELL: Great. Let me make a note, first of all, before I get into it on the expenditures. I note in the public accounts document that the total expenditure has decreased some \$717,000 overall, and the minister has given some rationale for that decrease. I think departmental support was 4.7 percent for institutions and 30 percent was -- I think bricks and mortar was the phrase. I note that, but I want to ask specifically in relation to that some questions about revenues which occur on page 3.10, specifically statement 3.24. I see some significant differ-

ences between '87-88. One of them that maybe the minister could explain to me is the payments from the government of Canada. There has been a substantial increase that appears, and I'm wondering if the minister could explain if that reflects a change in the federal government's general policy toward advanced education or whether that is in recognition of some specific circumstances that occurred in '87-88.

MR. GOGO: Mr. Chairman, I'm going to ask Mr. Schmidt to respond, but I would just say that as the hon. member knows, based on my opening comments, the government announced its restraint program because it had been through a difficult period. The EPF, the established programs financing, the transfers from Ottawa, fluctuate, and they fluctuate in accordance with certain events in the economy of a given province. I think that year there was a substantial increase for some of those reasons, but Mr. Schmidt will know the exact answer.

MR. SCHMIDT: Mr. Chairman, the prime reason for the increase of approximately \$50 million reflected in 1988's numbers is that about \$31 million of that is a retroactive payment that applies to the fiscal years '85-86 and '86-87 that was received from the federal government during '87-88.

MR. CHAIRMAN: We have a little business to conduct. I think I'll have to cut off questioning at this point. I'd like to thank the minister and his officials for being with us this morning and for their informative and comprehensive answers to questions.

The first item of business is to adopt the minutes from our previous meeting. Would anybody care to ... Mrs. Black, are there any errors, omissions, corrections? Hearing none, are you ready for the question? Those in favour of adopting the minutes as distributed? Thank you.

The next item of business is the date of our next meeting. Perhaps we should consider first whether we're going to meet next Wednesday morning or not. Is there a motion with respect to that? Mr. Moore.

MR. MOORE: Mr. Chairman, inasmuch as the members will be coming back from their constituencies that morning, I move that our next meeting be held on August 16 and there'll be no meeting next week.

MR. CHAIRMAN: Okay. You hear the motion. Any discussion? Those in favour of the motion as presented? Anyone opposed? Motion carried. A motion to adjourn would be in order.

MR. MOORE: I move that we adjourn.

MR. CHAIRMAN: Moved that we adjourn. Those in favour? Motion carries.

[The committee adjourned at 9:57 a.m.]

