

8:30 a.m.

Wednesday, March 23, 1994

[Chairman: Mrs. Abdurahman]

MADAM CHAIRMAN: I'd like to call us to order. We'll do some housekeeping, hon. minister, before your staff gets comfortable. Please help yourself to coffee or some other refreshment.

For the benefit of committee members Corinne is circulating the schedule of meetings relating to the '92-93 public accounts review, and this is as confirmed as it possibly can get, which is actually excellent. Corinne has done an excellent job in conjunction with the ministers' offices. I want to commend the government for coming through expeditiously with confirming dates. It's been gratifying.

With that being drawn to your attention, I'd ask for approval of the agenda, please. Sine. Everyone in favour? Ayes? Any nays? It's been carried.

Approval of the minutes of the March 16, 1994, committee meeting. Are there any errors or omissions? If not, could I have a motion to accept the minutes of March 16 as circulated? Moved by Sine. Everyone in favour say aye. Any nays? Carried unanimously.

I'd like at this time to once again acknowledge the presence of Mr. Andrew Wingate, the senior assistant in the Auditor General's department. Also this morning I'd like to welcome Bud Cuthbert, who is an assistant Auditor General from the Auditor General's department. Welcome, Bud.

This morning we've got the Hon. Halvar Jonson, Minister of Education. Thank you for agreeing to be here this morning, Mr. Jonson. I'd ask you if you'd like to introduce your staff, please, at this time.

MR. JONSON: Yes, Madam Chairman. On my left is Dr. Reno Bosetti, Deputy Minister of Alberta Education; on my right Gary Zatko, assistant deputy minister in finance. From the finance department we also have Jeff Olson and Gary Baron, and we have Dave Antoniuk, who's well informed and involved with the learning distribution centre.

MADAM CHAIRMAN: Thank you. If you'd like to start with some opening remarks, hon. minister.

MR. JONSON: Yes. Thank you very much. I'm pleased to be able to be here this morning with my staff to present the public accounts for the Department of Education for the fiscal year 1992-93 and discuss the 1992-93 annual report of the Auditor General. I'd like to add that it's an unusual experience for me to be on this side of the House in Public Accounts, because along with Ron Moore, a former MLA for Lacombe, I think I spent one of the longest terms on Public Accounts, from 1982 until 1989 I believe it was. I am somewhat familiar with the work you do.

I'll make some very brief comments, and then I'll look forward to your questions on the department's expenditures relative to public accounts. Also, of course, as in the past, if we cannot provide detailed answers here this morning, we will certainly follow up with a written response.

When we look at the public accounts for the Department of Education for 1992-93, we begin to see a balance in meeting the essential needs of students and addressing the fiscal realities facing the education system. Through the fiscal reality meetings which took place in the fall of '92, we continued the process of dialogue and discussion with the education sector on how to enhance the quality of education during a time of fiscal restraint. There was a renewed and vigorous effort to address the special needs of

children in the education system with the initiation of the co-ordination of services for children project, a project looking at better ways to provide education, health, social services, and other government services to children at risk. At the same time, we saw the completion of a new policy on the educational placement of students with exceptional needs. The policy followed several rounds of extensive public discussions and outlines government's position on the placement of special-needs students. The year also saw the implementation of a new science 10 course with an enrollment of approximately 30,000 students, and the expanding career and technology studies program introduced new programs in tourism studies and enterprise and innovation.

In a continuing effort to build partnerships between the education system and the community, more than 1,800 Albertans from business, industry, professional associations, community groups, and schools participate in the career and technology studies network to ensure that curriculum in CTS is relevant to the real world of work. At the same time, 35 school jurisdictions work directly with business and industry to offer the registered apprenticeship program to high school students, allowing those students to complete some apprenticeship requirements while obtaining a high school diploma.

As you can see from the public accounts for 1992-93, Alberta Education distributed almost \$1.6 billion in provincial grants to school boards. Included in this total was \$116.5 million for special education grants for students in grades 1 to 12 and almost \$11 million for early childhood services special education programs. With specific reference to the recommendations of his report, the Auditor General recommended that Alberta Education gather more information about the operations of school boards and do additional analysis of available data to improve monitoring of provincial funding. I can advise this morning that a major focus of the department will be to establish a more accountable education system, as evidenced by the goals of the three-year education business plan. School boards will be required to develop business plans and report publicly on costs, student performance, and results. Value-for-money audits and comprehensive management reviews will be put in place, and school boards will be required to demonstrate efficiency and effectiveness in their operations. As part of a new fiscal framework for full provincial funding, the financial information obtained from school jurisdictions will be analyzed to determine performance relating to established provincial performance measures. The analysis will help to identify concerns and promote efficiencies and improvements in the operation of school jurisdictions.

Madam Chairman, the public accounts for Education before us today show where provincial education resources were expended during the 1992-93 fiscal year. They do not, however, give evidence on whether those resources were well spent or whether our desired outcomes were achieved. In coming years our focus in education will be on substantiating those outcomes. Our focus will be on results. We will be increasing our measurement evaluation reporting not only on student achievement but also on the performance of the education system as a whole. Our efforts will be directed to reducing administrative costs and to making our education system better at what it does at a lower cost.

Thank you, Madam Chairman. With that very brief overview, I would be pleased to entertain questions from members.

MADAM CHAIRMAN: Thank you very much, hon. minister.

I would just remind members if you could please identify the document your question is resulting from and reference the page. Yvonne.

MRS. FRITZ: Thank you, Madam Chairman. Good morning, Mr. Minister. In your opening remarks you touched on a question I'm going to ask you, and it refers to the annual report of the Auditor General. The first recommendation on page 85, which is recommendation 21, says:

It is recommended that the Department of Education analyze the financial statements of school boards to improve its understanding of the differences in school board operations.

I wonder if you could please elaborate a bit more than what was in the opening remarks in that regard and comment on why that was not done in the past and how you've changed that.

MR. JONSON: Perhaps, Madam Chairman, I could comment on the second part of the member's question first, and that is that in the past, quite frankly, we've provided funds – let us take the example of special education grants to school boards. There was a broad policy in place, and we expected money would be applied for that purpose. We recognize what the Auditor General is saying in his report, and that is that we should be able to account, first of all, in more detail and be assured it was actually spent on that purpose. Secondly, a more challenging task – but as I indicated in my opening remarks, we intend to address that – is to be able to report that in fact policy was followed, the results were achieved using that money. In other words, that money was applied for the purpose it was destined for and, of course, to the best of a school system's ability, used to get results.

8:40

MADAM CHAIRMAN: Supplementary, Yvonne.

MRS. FRITZ: Thank you. I think I'm going to refer to the same recommendation. What that brings me to is: will there be any incentives for the well-performing boards? From what I hear you saying about the results from the achievement testing, it may lead to that. I am wondering if there will be incentives at all.

MR. JONSON: I think there's always a general incentive for school boards and for anybody, and that is to be able to have it reported that you are doing an effective job and be recognized for it. Perhaps, Madam Chairman, I should not be putting words in the hon. member's mouth, but there is consideration being given in our business plan to looking at a system of providing modest incentives to the system at the school-based level for improvement, for excelling in certain areas. In that overall direction, I would like to emphasize that the concept would be one of looking at a school's performance from where they are and then rewarding improvement, not treating every school from the same starting point. We recognize that in some situations they have challenges, problems, a base they are working from which means they can't all be looked at the same. You've got to look at a school in terms of its performance, where it's at a certain point in time, and then measure improvement and reward that.

MRS. FRITZ: Thank you.

I'm just going to lead a bit from there, Mr. Minister. When you talk about incentives for the efficient organizations – and I didn't really hear you say this, but I think it would be part of that – there may be penalties for boards that are poorly operated. What I am wondering is: will that apply to the levels of performance for students? Also, would you comment a bit on whether or not you think achievement testing would lead to schools teaching simply to the test?

MR. JONSON: First of all, to the member, Madam Chairman, in terms of your first question. If the school jurisdiction has the information and they are required to show where the money was spent and what results were achieved, another important link here, and it's also part of our plan, is that there's going to be open reporting of results, open reporting on where money is spent. I think I would look at it in a positive sense rather than in terms of a penalty. Nevertheless, with that openness, with that accountability comes the factor of being held responsible. I wouldn't put it in the negative sense; I'd put it in the positive sense. The parents, the students, and the public will know about these things. It will be a more open reporting process. If a school system is not doing well and does not have good rationale for their situation, there's obviously going to be pressure on them, an incentive or inspiration to improve things.

With respect to teaching for the test, when looking at performance measures we'd certainly be looking at test performance. I think we have to recognize that whether it's in school or in later life, there are tests, there are external evaluations we have to deal with, and right now in education they're one of the best measures we have. So I think we have to continue to use them. Also, when we're talking about measures, we would be looking at things such as retention of students or, to put it the other way, the dropout rate. We'd be looking at – and perhaps it's not an easy thing to measure in quantifiable terms – the degree to which they are working with agencies in their community. Many things would be part of this.

MRS. FRITZ: Thank you.

MADAM CHAIRMAN: Thank you, Yvonne.
Mike Percy.

DR. PERCY: Thank you, Madam Chairman. Mr. Minister, since your opening comments dealt with both the '92-93 public accounts and also a prospective in terms of suggesting changes that would emerge as a consequence, and since the last question also dealt with current issues that derive from both the Auditor General's report and the public accounts, I'm going to follow the same tack. I'd like to deal specifically again with recommendation 21:

It is recommended that the Department of Education analyze the financial statements of school boards to improve its understanding of the differences in school board operations.

It is very clear from reading page 85 of the Auditor General's report that there was a concern expressed over administration costs. There was an exhortation to assess and review and, on the basis of this assessment of administration costs and other costs, to come forward with proposals. It's clear, in light of the changes suggested in the business report and of policy statements, that that is indeed the direction you're going, and it derives from this recommendation. Can you tell us, then, what in fact the administration costs are school board by school board by school board? Is that information now available as a consequence of this recommendation, and will it be available to members of the Public Accounts Committee?

MR. JONSON: Madam Chairman, I will give an initial response, and for details I'll refer to my staff. The answer is that at this point in time we have only started the process of acquiring that information. I believe at this point in time we have that information for a sample or a cross section of school boards across the province ranging from the very small to the very large, but quite frankly we have not at this point completed that process. We've only started into it.

I'll ask Dr. Bosetti to respond in terms of what specifically has been done and what the findings to this point in time are.

MADAM CHAIRMAN: Dr. Bosetti.

DR. BOSETTI: Thank you. Just to look back, we do have current information with respect to each board's expenditures on administration. However, that information is based on the old – I can't remember what it's called – planning and budgeting system of about 1982 vintage. So we don't have good current data. We have it for every board, of course, but it's not accurate in our view.

We have now sent the school boards a definition of what constitutes administrative costs which is much more comprehensive. It deals with administration at the board level, central office, and those costs called administration which are effectively services to schools and also administration within schools. That will give us a better handle, if you like, on the administrative side. When we're moving to a full provincial funding scheme, then it becomes much more important to have control, if you like, over the administrative expenditures.

We also did a survey only recently of about 12 school jurisdictions using the new definition and found that the administrative costs are quite a bit greater than they are as reported in the old system. So we are putting into place a system to monitor and, if you like, manage administrative costs in the system.

DR. PERCY: What was the range?

DR. BOSETTI: Madam Chairman, the range of costs was something between 11 and 17 percent administrative costs, whereas in the original reporting format it runs about 5 or 6 percent. So there's quite a difference in the new definition and the costs that are identified thereby.

8:50

DR. PERCY: Could the minister or Dr. Bosetti then provide us with a breakdown of what they view the components of administrative costs being?

MR. JONSON: Well, I think the definition has actually just been made, and that is that you have two major components to it. You have the component which involves administration, generally what we think of as central office administration.

DR. PERCY: Janitorial services, maintenance: where do they fall?

MR. JONSON: Those are usually referred to as support services. We're talking about superintendents, deputy superintendents, consultants, financial administration people, those people that, quote, administer the system, oversee the system, direct the system; your supervisor of maintenance but not your maintenance personnel. Then the second component is within the school, where obviously you have your principal and you have other positions, assistant principals, all those people that once again are involved in directing and supervising the operation of the school.

MADAM CHAIRMAN: Final supplementary.

DR. PERCY: Then in light of the fact that the provincial government is in the process of consolidating school boards and they appear to be doing so in advance of having the full data specifically on what the administrative costs are across jurisdic-

tions, if the object of the game is to reduce the share of administrative costs and get resources into the classroom, how can you be sure that you're in fact going to achieve the anticipated efficiency gains?

MR. JONSON: Well, I think the additional data will certainly be helpful and useful, and I'm not passing by that, but quite bluntly, it's very obvious to see how you can reduce administrative costs when you're combining administration. You have three jurisdictions coming together. You have one superintendent. You have one deputy superintendent. With the direction in our business plan to go to site-based management or school-based budgets and have more decisions at the school level, you very logically remove the need for quite a number of central office personnel that are there in the system. Some things are quite logical, and the preliminary data we have, as the deputy was saying, on that sample of school boards we have examined is useful because it was a cross section of school boards across the province showing that that can happen.

MR. ZATKO: Just as a supplement to that, we've implemented the new definition of administration. Forms are going out to school boards. We call them the budget report form. The new definition of administration will form our baseline data across all jurisdictions. So to answer the question you raised, we'll have an up-to-date, current baseline for administrative costs.

MADAM CHAIRMAN: Thank you.
Ty.

MR. LUND: Thank you, Madam Chairman, and good morning, Mr. Minister. I'm going into my sixth year on this committee, and I can assure you I'm not going to try to challenge your record.

Turning to public accounts, volume 2, page 2.46, vote 2, I see in 2.3.1., early childhood services preschool education, some 83 million plus dollars have been spent there. Then I notice on 2.4.1 some \$23,227,000 spent on private schools. The first question is: how many students are enrolled in the ECS program? I recognize that's only for 400 hours. And how many students are enrolled in private schools?

MR. JONSON: Go ahead, Reno.

DR. BOSETTI: Fourteen thousand in private schools and roughly 50,000 in early childhood services.

MR. LUND: I'm going to have to waste one supplement to ask you how many hours . . .

MADAM CHAIRMAN: I'll allow you to combine it with your first question.

MR. LUND: Thanks very much, Madam Chairman. The hours that are required for those 14,000 students in the private schools?

DR. BOSETTI: The private schools' schedule of operations is required to be similar to that of the public school system – under 200 days, but about 187 days is the average used – and the number of hours is very similar to that in public schools. We fund private schools on an enrolled student basis at 75 percent of the school foundation program fund rate. The high schools in private schools are funded on a credit basis; that is, if they're teaching up to 25 credits, I think it is, we then fund them fully on the 75 percent rate. So the number of hours of instruction is not critical to our calculations. Again, we hold them accountable for results

and that becomes primary, but they operate approximately the same number of days as does the regular school system.

MR. LUND: Thank you.

Partly to do with the recommendation in the Auditor General's report, I guess, it seems we're talking about efficiency and outcome. I'm wondering if you've ever done any study on this to determine if, in fact, we are getting good value for our dollars spending \$83 million to accommodate 50,000 students there and \$23 million to accommodate 14,000 when you consider that the 14,000 are needing that many more hours of instruction.

MR. JONSON: Madam Chairman, the topic of early childhood services and research has been somewhat prominent lately. I think an important thing here is that early childhood services was, first of all – I'll just back up for a moment. There's a long history to kindergarten in the province of Alberta. I think it goes back to the first decade of this century. Kindergarten in the usual or traditional sense started and stopped at various periods in the history of this province, and there was some evaluation or research conducted. Probably one of the most prominent ones was a study by Dr. Safran in the 1950s; he came up with certain data with respect to kindergarten. But the early childhood program that we have in the province right now was designed parallel to the type of kindergarten you have in other places. It was deliberately planned at that time as a program that would be very flexible, would have goals rather than a curriculum. It put emphasis on things such as self-esteem, a healthy life-style, and so forth. I could provide you with the goals document. Also at that same time, an effort was made by the proponents of the system to try and make it not necessarily separate in a physical sense but not the traditional type of kindergarten, but certainly there are still definitely parallels between the two.

Since the early childhood services program has come into being, there has not been a comprehensive evaluation of its performance, and given its goals, that would be rather difficult. There has been one study done with respect to the time allotment and whether more time, let's say 600 hours, makes more difference than 400 hours.

That's really a description of the situation, Madam Chairman. I know it doesn't answer directly the hon. member's question. The answer is that at this point in time we don't have a comprehensive system in place for evaluating the performance of early childhood services. That shouldn't be taken negatively or positively. It just means that we don't have the comprehensive system in place.

Secondly, with respect to the private schools, however, certainly accredited private schools almost universally take our achievement tests. They take diploma examinations where they offer a high school program. The performance of accredited private schools varies, just as do other schools in the province, and generally speaking runs at about the same levels as the public and separate school system.

9:00

DR. BOSETTI: May I add to that? I apologize for misunderstanding the question at the outset with respect to the separation of private schools and early childhood services. You were asking a question about private ECS, private early childhood services as well?

MR. LUND: I think as well. Just for clarification, Madam Chairman. Of that I'm not sure. I don't remember offhand how many dollars we are giving to the private schools, but I didn't

think it was in excess of this \$23 million. This \$23 million certainly isn't all just going for ECS in private schools. This would be the total funding for private schools, wouldn't it?

DR. BOSETTI: Yeah. Under the ECS side, early childhood is delivered in two systems in Alberta, one by public and separate school systems, but also by private operators. With private operators, we evaluate ECS operations annually to ensure they're complying with requirements, but as Mr. Jonson said, in terms of comparability of number of hours, it's extremely difficult to have any strong data to show that more or fewer hours make a difference.

MR. LUND: Madam Chairman, my final supplementary. I guess this is really what I was getting at. Just a bit of quick math: it looks to me like we're spending \$83,641,000 and some change for 20 million hours of ECS. At the same time we're spending \$23,227,000 for 42 million hours of education in the private system. I'm concerned. Are we getting value for dollar in those scenarios?

MR. JONSON: I'll commend the hon. member for a tough question. Quite frankly, Madam Chairman, it's difficult to answer because they're such different programs in our educational system. It's difficult to make a comparison, because what people expect or why we have early childhood services – as I just outlined to you, there's not entirely but largely a different set of goals involved, and you can only evaluate, I guess, in terms of what people think of the two systems. It's a difficult thing to admit, Madam Chairman, but I don't have an answer in terms of being able to quantify the achievement of one versus the other or the value of one versus the other.

MADAM CHAIRMAN: Thank you, hon. minister.
Sine.

MR. CHADI: Thank you very much, Madam Chairman, and good morning, Mr. Minister and staff. With regard to vote 3, particularly 3.1.3 – that program would be curriculum services, Mr. Minister. For some time now Albertans and particularly educators throughout the province have been saying that the costs of frequent curriculum changes have been extreme both financially and in terms of discontinuity in the educational process. I note that this year in business plans, Mr. Minister, your department admitted that indeed the system was flawed and promised elimination of duplication, repetition, et cetera in curriculum development and, again, reduction in the frequency of curriculum changes. Could you advise us as to what curriculum changes were implemented or planned in the 1992-93 fiscal year?

MR. JONSON: Madam Chairman, if I could, I'd like to respond to the opening remarks and also to the question, because I think it's important that we're looking at this whole area of curriculum change.

First of all, yes, in terms of our business plan, we are going to focus by necessity and by listening to public input on slowing down curriculum change. Secondly, in terms of the three years of the business plan, we have a commitment out there to complete our career and technology studies program, and we think it is a valuable one, particularly for the non university bound student. We have initiatives in terms of looking at the mathematics program and curriculum. As you know, that's been the focus of some concern. Where there is a problem or an issue, we have to continue to deal with it, and we're reviewing the whole area of

mathematics. A third area would be the completion of the implementation of the science 10, 20, and 30 program, which I alluded to in my opening remarks.

The general message is: we're going to complete the curriculum changes that are in process, and we're going to be looking very hard at any proposals that come forward for major curriculum change in the future. So we're slowing it down.

The other thing I wanted to comment on is that the educational community came up with certain expectations about curriculum change, quite frankly. There was a view that we should review curriculum about every seven to eight years to keep it current in terms of content and, I guess, methodology – whether that is always necessary is quite questionable. Secondly, another thing that seemed to come into the educational system, I suppose when it was perceived that money was readily available, was the multiple authorization of textbooks and materials. When you built a curriculum, you had a choice of three or four or five different sources, and that added to the cost of the system. So as I've said, we would be pulling away from both those ongoing policies, if you want to call them that, in curriculum, slowing it down and doing it only where definitely needed.

MR. CHADI: Thank you, Madam Chairman. I appreciate the comments of the minister, but I do want further explanation in writing – perhaps not today but maybe at a later date – with respect to my initial question, which I will read into the record once again, and that is: what curriculum changes, if there were any, were implemented or planned for 1992-93? I note that changes are now being made once again in light of the new direction Alberta Education is taking, perhaps changes for the better and I trust that's the case. Again, if you could respond to it at a later date, my first question would be: what changes were made in that fiscal year?

MADAM CHAIRMAN: I understand that at a later date we would get it in writing, Mr. Minister.

MR. JONSON: Yes. We have a grid that shows the different subject areas and the time lines for development, implementation, and so on of various curricula.

9:10

MR. CHADI: Thank you.

It is, of course, my understanding that these changes had taken place during the fiscal year 1992-93, Madam Chairman. Again, when we talk about different expenditures with regard to duplication and continuous changing – not within the seven- to eight-year period of time you're referring to, Mr. Minister, but more frequent changes than that – how many dollars were expended or wasted, if I can use that word, due to unnecessary curriculum changes during the period of 1992-93? If we knew how many dollars we actually expended – and of course the changes are taking place now – it would give an indication of how much we actually wasted. Do you have an indication as to that?

MR. JONSON: The figures are there under 3.1.3, so you know what the estimates were: \$6.078 million and \$6.128 million expended. In terms of the question about waste, Madam Chairman, I don't think you can leap to the assumption – I'm not saying the hon. member is – that money was, quote, wasted. Let us take what I said earlier, and that is that as we do in all parts of government and, for that matter, in our personal lives, we have to take a harder look and make decisions between what is absolutely necessary and what is important and what would be nice. That is

basically what we have to be doing throughout government, and curriculum development is no exception. We have to look at only the really essential major impact types of changes that will have a positive effect and not be able to do those things that might have been deemed advisable or necessary in terms of changes and updates and so forth as we go through our business plan.

MR. CHADI: Thank you.

I don't dispute for a second, Mr. Minister, that we have to continue to look at what we can afford to put out and also what is required to put out. I think first and foremost that has to be taken into consideration, as to what is required, and then we go on to see if we can afford to pay for it.

In terms of curricular duplication, what specifically was there this year and how much did it cost the Alberta taxpayers? When I talk about this year in terms of duplication, I'm talking about 1992-93. That is my question. What did it cost for the duplication specifically?

DR. BOSETTI: On your question of curriculum duplication, we do have school jurisdictions with significant curriculum development and design and implementation capabilities, and there's a lot of locally developed curriculum. But we don't account for that in our expenditures. We provide grants to school boards and they, of course, expend money on administration and curriculum and teaching and transportation and the rest. So we know there is duplication, but I couldn't ascertain the cost of it in the school jurisdiction.

Within our department there's no duplication, because the government is responsible for establishing the goals and curriculum. What happens is that there's a fair amount of repetition in that whole scheme where school jurisdictions have significant curriculum capabilities. We, for example, have 35 staff currently in curriculum. I can name at least one large jurisdiction that has 34 staff in that same function. So that's where we feel there's a fair amount of duplication.

MR. CHADI: Can I just have something clarified, please?

MADAM CHAIRMAN: Well, be quick. What's happening is that we're eating up a lot of time. Each member is having preambles and that.

MR. CHADI: I'm sorry. I would have thought, though, Dr. Bosetti, that ultimately we backstop those schools boards. We're the ones that are paying the bill, and ultimately financial information ought to have been provided to justify expenditures within each board. Therefore, that sort of duplication should have been caught. I hope that will change in the future.

MADAM CHAIRMAN: Thank you, Sine.

MR. FRIEDEL: In volume 2, page 3.12, relating to the education revolving fund, I notice that under expenses, the salaries and wages and contract services have decreased somewhat but employee benefits, immediately underneath it, has increased from \$285,264 in 1992 to \$491,000. That's about a 72 percent increase. Would you care to comment on the relationship, I guess: why the salary component would go down and at the same time benefits would go up that noticeably?

MR. JONSON: First of all, I'd like to protect myself, Madam Chairman, by saying that I'm still trying to understand the mysteries of the revolving fund as it operates, as I do some of the

other revolving funds in government. But one of the significant things that happened in 1992-93 was that Alberta Education moved out of operating the bookstores at NAIT and SAIT, the Alberta College of Art, and Lakeland College. With the divestiture of these book stores, we had to provide for severance packages with respect to a number of employees as well as a severance package in the reduction of, I think it was, five or six employees of the learning resources development centre. That is why you have that large increase in the benefits package, because that's where the severance packages were charged.

MADAM CHAIRMAN: Supplementary, Gary.

MR. FRIEDEL: Okay. Further down on the same chart, vehicles increased – well, literally doubled; 90 percent, I guess – from \$10,900 to \$20,400.

MR. JONSON: Madam Chairman, Public Works, Supply and Services might argue with us here, but basically what happened, as I understand it: a vehicle was provided to the manager of the learning resources development centre. They provided an older vehicle. I won't mention the make, but it turned out to be quite a high-cost item, and the vehicle expenses charged to that line increased substantially, about 90 percent, to around \$20,000.

MADAM CHAIRMAN: Gary, final supplementary.

MR. FRIEDEL: Okay. Just a bit of curiosity, I guess. At the very bottom, miscellaneous, there's a credit for miscellaneous expenses.

MR. JONSON: Well, when we were moving out of our operations that were referred to, there were book racks and . . . I'll ask somebody to elaborate on it, but I understand certain fixtures and so on were purchased. Does somebody want to elaborate on that?

MR. ANTONIUK: Yeah. At the time of divestiture, a lot of items were sold to institutions. The previous year we had, I believe, a surplus in that expenditure code, and this is the loss on the sale of the fixed assets and supplies and fixtures.

MADAM CHAIRMAN: Excuse me, sir. I didn't quite catch your name.

MR. ANTONIUK: David Antoniuk.

MADAM CHAIRMAN: Thank you. Sorry.
Is that satisfactory, Gary? Thank you.
Leo.

MR. VASSEUR: Thank you, Madam Chairman. On page 2.46 of the public accounts, if we go to item 3.2.4 and beyond, in regards to the regional offices, all these offices, with the exception of the Grande Prairie office, were well above their projected expenditures. My first question is in regards to the two major urban areas. Edmonton and Calgary respectively overspent \$139,000 and \$200,000. Could we have an explanation as to why they were considerably over budget?

9:20

MR. JONSON: I'll ask Dr. Bosetti. That's his administration area.

DR. BOSETTI: Most of the overexpenditure was attributable to the early voluntary severance package. It was called EVSP. We

hadn't budgeted for it in that particular framework, so there was an additional expenditure on account of that particular line, early voluntary retirement.

MR. JONSON: In reducing staff, as you recall, that package was offered, and it was not budgeted for in the initial budget planning. It's reflected there as an increased cost.

MADAM CHAIRMAN: Supplementary?

MR. VASSEUR: Yes. In the other two regional offices that also had considerable amounts of money overspent, \$232,000 in Red Deer and \$126,000 in Lethbridge, is this for the same reason? Why are the amounts so high compared to the cities? There's \$232,000 overspent in Red Deer when there was only a couple of hundred thousand in Edmonton or Calgary. Did the Red Deer office have that many employees that took advantage of the severance package?

MR. JONSON: That's right. It's not that Red Deer has more employees than Edmonton and Calgary, but in terms of when the early voluntary retirement package was offered – you know, we're talking about individual people here, where they happened to be in their careers, what their future plans were, and so forth. Quite frankly, they didn't opt for it evenly. I know some of the people in Red Deer and could describe them to you and give their ages, but I don't think that's really important to the committee. The thing is that when you make the offer of an early retirement package, you can't make it work out evenly so it's an equal percentage for each regional office. Red Deer was one area where there were a number who took advantage of it.

MADAM CHAIRMAN: Final supplementary.

MR. VASSEUR: I understand, Mr. Minister, that in your plans these regional offices are going to be done away with in the next few years. Is there an expectation, then, that the \$7 million to \$8 million expenditure is going to be a total savings, or where is that service going to be provided? Is it going to be centralized in Edmonton only? Where is it going? I understand from what I read in your business plan that these offices are going to be eliminated.

MR. JONSON: Yes, and our offices would continue in Edmonton and Calgary. The vast majority of the \$7 million you referred to – and I can ask Dr. Bosetti to comment further – we will save. However, there are certain functions currently performed by personnel of regional offices which we have to continue to perform. It's a short list, but I'd just like to mention one example. Under the School Act legislation, there are a number of appeals: the special education appeals, the Attendance Board work, the request for ministerial reviews. That is something we continue to have to do and we have to have personnel to do it, and that is currently done by our regional offices. So there will be a certain number of personnel and a certain amount of that budget that has to be retained to do three or four functions which remain.

DR. BOSETTI: Madam Chairman, may I add to that?

MADAM CHAIRMAN: Certainly, Dr. Bosetti.

DR. BOSETTI: In response to the earlier part of your question: in the whole early voluntary retirement area, there were 47

employees in the department who retired, and they were distributed wherever they happened to choose to volunteer to retire. So the costs there were 47 employees.

With respect to the latter one that Mr. Jonson has alluded to, the role of regional offices has been – in addition to the ones he mentioned, there are a couple of other quite important ones. One is the evaluation of private schools. Regional offices do private school evaluations and certification of teachers. There's one additional function regional offices provide that is almost invisible, and it's a mediation kind of function. The mediation function in regional offices is quite important, and it doesn't show because they try to get at problems before they occur. We do a significant amount of mediation. How we're going to handle that I'm not sure, but we're going to have to be able to handle that mediation role to avoid problems escalating when they can be solved through reasonable action on our part. But many of the regional office functions Mr. Jonson alluded to have to be retained, so it isn't a full reduction of the total expenditure.

MADAM CHAIRMAN: Thank you, Dr. Bosetti.
David.

MR. COUTTS: Thank you, Madam Chairman. Good morning, Mr. Minister. I'm also referring to volume 2 of the 1992-93 public accounts, page 2.45, statement 2.6.2, vote 3, development and delivery of education programs. I trust you have all of that. My question is: I notice that \$43,000 was transferred into the purchase of capital assets, and first of all, I'd like to know why that transfer was necessary and what those funds were made available for.

MR. JONSON: Well, basically those funds went to the purchase of microcomputers, I think, and the programming that goes with them. In the past, work that was done with those machines was provided and supported through Public Works, Supply and Services. They discontinued that connection with us, so we needed to purchase the microcomputer system. We feel that by getting into that and doing that work directly, we'll actually be saving, as a result of making the purchase and handling the task in-house, about \$100,000. I'm just trying to remember the process involved there, but it deals with the whole matter of records and data in terms of the evaluation of students and production of transcripts and all that.

MADAM CHAIRMAN: Supplementary, David.

MR. COUTTS: Thank you. In staying with vote 3, I'd like to look at salaries, wages, and employee benefits. I note that there's a surplus for not only those items but supplies and services. Why is this surplus so high? That looks like almost \$890 million.

MR. JONSON: I think it's \$890,000, Madam Chairman, not that that isn't a significant amount of money.

MR. COUTTS: Oh, I looked at it very quickly. I'm sorry.

MR. JONSON: But it's still an important question.

First of all, because of the hiring freeze that was put into effect during this budget year, there were a number of positions which had been budgeted for that were left open. In addition to that, there was a reduction in the amount of money being budgeted for the nonmanagement salary settlement, and we also did a certain amount of contracting and secondment of people from school boards to do some of the work here. These contracts were charged

through the supplies and services line, and this was to provide for some of the work we need to get done because of the hiring freeze. Nevertheless, that's the other factor involved here. In other words, there was an underexpenditure because of positions being kept vacant to deal with the hiring freeze. In the interim there were some contracts let out to get the work done; nevertheless, the surplus was \$890,000.

9:30

MADAM CHAIRMAN: Final supplementary.

MR. COUTTS: Thank you. In rechecking my figures for my next question, I'll be more specific. Grants, also under vote 3, had a surplus of \$97,668. Why were these surplus grants not distributed?

MR. JONSON: There are two reasons. First of all, the vast majority of our grants are on a student-serve basis and therefore are enrollment driven. In this particular year the actual enrollment increase was slightly under what was projected; therefore, the draw on the grants was not as great, consequently the savings. The other thing is that there was, I guess you would call it, an accounting issue here, and that is that invoices that had been issued for the payment of certain tuition fees – there was a problem with the timing of the funds actually being paid there. They weren't paid when expected, and consequently you've got an accounting problem there. I know that was the issue, but for details perhaps Gary or somebody can explain that better.

MR. OLSON: It was a late billing. The payment wasn't made out to the invoicee before the end of the year, so that expense went into the following year.

MR. COUTTS: Thank you.

MR. JONSON: It was a payment we hadn't made yet, so it showed up in our surplus in that area.

MADAM CHAIRMAN: Thank you.

MS HANSON: Good morning, Mr. Minister. In examining the 1990-91 Auditor General's report, the spending of the schools on early childhood services, the Auditor General . . . Sorry; that's page 86. The Auditor General noted that it was unclear how \$21 million had been spent. Now, we know that that was not misappropriated in any way – actually the Liberal opposition checked on that – but it just hadn't been properly identified. No doubt the problem did persist in '92-93; it appears as if it did. I wonder if you could verify and expand on the Auditor General's clarification of the matter.

MR. JONSON: Madam Chairman, to the member, with all respect to the Auditor General, the Auditor General's office may not have been completely aware that the grants for early childhood services – the largest amount goes to school boards because they are the operators of early childhood services, but there is also a significant component out there that was alluded to earlier today, and that is our grants to private and community-based early childhood services operators. That was where the money you referred to went.

MS HANSON: Private and community-based operators. Okay. Thank you.

My next question may be similar to the one the Member for Rocky Mountain House asked. I was going to ask you what mechanisms were used or had been put in place for monitoring and evaluating the quality and funding of early childhood, but I believe that's . . .

MR. JONSON: Madam Chairman, I could ask Reno to comment on the monitoring system that is in place. There is a system in terms of reporting on compliance with various things. I'll ask him to elaborate on that.

MADAM CHAIRMAN: Dr. Bosetti.

DR. BOSETTI: Thank you. To date the monitoring done with early childhood services is regular visits from regional office personnel to ensure that health and safety standards are being met and the hours of instruction that are being provided are appropriately used. We've done some minimal work in ensuring that we're moving from a learning to play kind of environment to a learning to learn kind of environment, but we've not done significant research on whether or not we've achieved that end. We believe we have. We believe we're providing extensive capability for the children to enter grade 1, if you want to put it that way.

The other one that we looked at fairly carefully is the meeting of the needs of special-needs students. Those are the ones who are provided with special grants – program unit grants, if you like – in order to meet their handicaps.

MS HANSON: In the '92-93 public accounts is there money identified in a way that is not clear about the early childhood spending, or is that sort of clarified now so you can tell?

DR. BOSETTI: I think we're fairly clear. Another part that was included, for example, in the \$15.7 million shortfall was transportation, which is included there. Our accounts don't show it clearly, but the transportation costs were there as well. We're trying to ensure that we have appropriate documentation, if you like, of where the expenditures go. We get reports from school boards, and if you look at only those, they deal with only the ones they operate. Private schools is another package of reports which are done through reviews by regional offices. We need to put those together.

MS HANSON: Madam Chairman, just to clarify. So it's to do with the fact that the different school boards manage the funds for early childhood and do it in different ways.

DR. BOSETTI: Yes.

MS HANSON: Okay. Thank you.

MADAM CHAIRMAN: Barry.

MR. McFARLAND: Thank you, Madam Chairman. My question this morning, Mr. Minister, has to do with the educational revolving fund. I understand that's a distance learning tool. What I would like is some clarification on the expenditures. We showed in the estimates that the fund had a net profit of \$1.87 million and yet realized a profit of \$820,000. Could you explain to me the significance or the rationale for this discrepancy?

MR. JONSON: I would refer that to our expert at the end of the table here. I think I understand it, Madam Chairman, but we do

have the person here who works with it more regularly, and I'll ask him to give the answer. It's an accounting issue.

MR. ANTONIUK: The \$1.8 million shown in the estimates is the authorized amount, and that was the estimated amount at the time we presented the budget. That included the depreciation for a system that we did not purchase at the beginning of the year. We purchased it at the end of the year, so the depreciation did not start until the following year. We also had losses in divestiture of \$600,000, and that was the difference.

MR. JONSON: If I could just supplement there, the loss on the divestiture is related to getting out of the operation of the book-stores I referred to earlier.

MR. ANTONIUK: I could probably comment a little more on that. When we estimated the \$1.8 million, we expected a return of 100 percent, and the institutions bargained and accepted only products they felt they could sell. So we had to write off quite a bit of our inventory, and then we sold the remaining products they would accept at a bit of a loss. This is why the remaining \$600,000 difference.

MADAM CHAIRMAN: Barry.

MR. McFARLAND: Thank you, Madam Chairman. Moving down the same page, 2.45, under purchase of capital assets, I notice that the actual purchases exceeded the revolving fund estimates by roughly 42 percent or \$235,000. Can you give me an idea what kind of assets were purchased that account for this overexpenditure?

MR. ANTONIUK: The major reason for that is again our system. We expected to have it received prior to the '92-93 year, so we budgeted in '91-92. This is why we would have had that depreciation of \$400,000. The total amount of our system is about \$2 million, and the portion of fixed assets related to that system is approximately \$350,000 and that is the purchase of micros, file servers, networks.

9:40

MR. McFARLAND: Madam Chairman, I can't help but observe that it's kind of neat how an education system got each and every one of us here today. When you talk about microcomputers and everything, I sure hope we can go back to the day when you and I and everyone else used our brainpower to add in case the power ever goes off on these computers and calculators.

MR. CHADI: A solar energy question.

MR. McFARLAND: Yeah. I don't have a solar panel.

Supplies and services in the revolving fund were also overexpend by \$1.264 million. I suppose I'm going over the same ground again, but does the same rationale apply for this overexpenditure or this difference?

MR. ANTONIUK: The difference of \$1.2 million is due to underestimating of the sale of inventory. The cash receipts for inventory were less than estimated while inventory purchases were approximately equal to what we had originally estimated.

MR. McFARLAND: Thank you.

MADAM CHAIRMAN: Thank you, Barry.
Debby.

MS CARLSON: Thank you, Madam Chairman. Good morning, gentlemen. It's nice to see you again so soon. My questions revolve around education revenue. An incredible amount of money was collected in the miscellaneous column. Could you give me a brief overview of what those dollars were and then provide to this committee something in greater detail at some future point?

MR. JONSON: Just identify the line, if you would.

MS CARLSON: Page 2.47, education revenue for the year ended March 31, 1993, miscellaneous, \$721,536.

MR. JONSON: Just give me a moment, please.

MADAM CHAIRMAN: Certainly.

MR. JONSON: Page 2.47?

MS CARLSON: Yeah; in volume 2.

MADAM CHAIRMAN: Statement 2.6.4.

MR. JONSON: Okay. There are a number of factors involved with respect to the revenue coming in here. There were increases in the fees coming in for correspondence courses. What caused the increase? Well, there was an increase in the actual fee and also an increase in the volume of courses ordered, and that in turn generates an increase in the revenue. Maybe the outstanding thing that accounts for that increase is that in 1992-93 the production of materials under the distance learning program was transferred from the Alberta Distance Learning Centre to the education revolving fund. The transfer of the production unit to the revolving fund involved the transfer and sale of capital assets such as printing equipment, and this increase is attributable to the sale of fixed assets. That's probably the major item there. Approximately \$657,000 was involved in those sales.

MADAM CHAIRMAN: Supplementary, Debby.

MS CARLSON: Yes. I would have expected an increase in the fees and correspondence courses to be showing in that line as opposed to miscellaneous. Can you give us the same kind of breakdown for other, just in the top half of that page? That again is a very high figure.

MR. JONSON: As far as the line other is concerned, this is in the fees and permits and licences categories. You're quite correct; this shows an increase, Madam Chairman, of about 80 percent in terms of the revenue coming in there. The increase there is the result of an increase in caution fees collected by the Alberta Distance Learning Centre. The increase in fees here ranged from 50 to 90 percent depending on the type of course taken. This is really a kind of new development in terms of correspondence and, in this case, distance learning operations, and that is that caution fees were pretty modest in the past when we were talking about books and print materials, but here in distance learning we're talking about, yes, the textbooks and materials but also the equipment, the terminals and so forth. Therefore, in order to protect our investment, we have to have fairly significant caution fees.

MADAM CHAIRMAN: Final supplementary?

MS CARLSON: Yes. For what programs and services were tuition fees levied?

MR. JONSON: Well, if we're referring to this particular area, Madam Chairman, there's a fee for correspondence courses when you order them. There's a fee charged for distance learning programming and course delivery. Those are the primary ones that are involved in this section here. Also, the School for the Deaf is a provincially operated school, and the sending school boards pay tuition fees for education at the School for the Deaf. There are also a few out-of-province people attending the School for the Deaf as well, because we do serve a broad area in western Canada, so there would be payments there from other governments.

MADAM CHAIRMAN: Thank you.

Yvonne.

MRS. FRITZ: Thank you, Madam Chairman. I'm on page 2.46, and under 2, financial assistance to schools, it says that private school assistance was overexpended by almost a million dollars. I wonder if you'd comment on why more was spent than anticipated.

MR. JONSON: Basically, Madam Chairman, this was overexpended because, as I've said before, most of the grants are enrollment driven. We underestimated the increase in private school enrollment during this year, and that resulted in the additional expenditure here. I believe we projected for an enrollment increase of about 2 or 2.5 percent, and the actual increase in 1991-92 was about 4.5 percent.

MADAM CHAIRMAN: Supplementary, Yvonne.

MRS. FRITZ: Thank you. What do you anticipate the increase being in the future, like in the next three years? If it's double what you anticipated in the past, what are you anticipating now?

MR. JONSON: We have a projection. We've tried to adjust our projection on the basis of experience in this year, but I quite frankly have forgotten the number this year.

MR. BARON: It's a little bit like catch-up. What we've done: for public schools that used to be about 2.5, it's now flattened down to 1.5. For private schools it's looking at about 4.5, and we expect it to remain at that increase for the next few years.

MRS. FRITZ: It's stable, so we probably won't see this happen, then, with the overexpenditure in next year's public accounts.

MR. BARON: That's correct.

MRS. FRITZ: Thank you.

The final supplemental is . . .

MR. JONSON: Just a comment, Madam Chairman, if I could.

MADAM CHAIRMAN: Oh, sorry, hon. minister.

MR. JONSON: That's all right. If I could just comment on that statement, the point made by the member is very well taken. We are sensitive to trying to make our projections as accurate as possible, but the entry of students in a particular school or a particular program is something that is not completely predictable.

So we're probably going to have some variations in the future there too. We just have to try to be as accurate as possible.

MRS. FRITZ: Thank you. That's actually what I wanted to hear. My final supplemental is under 2.2, which relates to the school board special assistance. I wonder if you could please outline what the grants under 2.2 are designated for. That's on the same page, 2.46.

MR. JONSON: The grants there, Madam Chairman, fall into basically four categories, and I can quickly list them. We have equity grants; that is, grants which serve an equity purpose. The main one is the fiscal equity grant. There are also the incremental grants, which in a sense are contingency grants to school boards which have unexpected, unbudgeted-for emergency types of needs; also, our distance learning spending. Then you have the special education grants: the special education block grant, high incidence grant, resident students of government, and regional assessment services. There are student program grants for vocational education, for extension, and for languages. Finally, under the general education area you've got the general education block grant and the instructional resources subsidy which is a credit at the learning resources distribution centre for school boards as they order textbooks and other materials.

MADAM CHAIRMAN: Thank you, hon. minister.
Sine.

9:50

MR. CHADI: Thank you, Madam Chairman. Mr. Minister, my questions are going to relate to the distance learning materials and the Auditor General's report on page 87 within the education revolving fund. I'm curious to know just what the value of the inventory is with regard to the distance learning materials. It would appear to me that one would want to quantify the amount of inventory we have and see if it is in the generally accepted practices of the business world when we look at the annual revenues from the sale of distance learning resources, about \$4 million according to the Auditor General. What is the correlation there in terms of revenues and inventory? What is the value of the inventory? Could you give us that?

MR. JONSON: While David is getting the information you're actually asking for, I thought a point to mention here, because it relates to the inventory and the task we have here, is that distance learning has been increasing and actually is a very significant program. I'm doing a little bit of a sales pitch here, Madam Chairman, in that I think with improvement in technology and our programming, it is certainly a program and initiative of the future. We're currently or at least in this year serving about 26,000 students, and that's increasing.

Now for your question in terms of the actual value of the inventory.

MADAM CHAIRMAN: I want to also acknowledge Mr. Wingate when the department has addressed the question.

MR. JONSON: I'm informed that the inventory would be valued at about \$11 million.

MADAM CHAIRMAN: Mr. Wingate.

MR. WINGATE: Thank you. I was going to provide the same answer, Madam Chairman. On the balance sheet, which is on

page 3.12, you can pick up that the total inventory for the education revolving fund is some \$11,072,000.

MR. CHADI: Thank you.

MR. ANTONIUK: The distance education portion, I think, is around \$3 million.

MADAM CHAIRMAN: Three million?

MR. ANTONIUK: Three million.

MR. CHADI: Right. Are we referring to inventory now?

MR. ANTONIUK: Yes. That is the distance education portion of that \$11 million shown on that balance sheet.

MR. JONSON: Madam Chairman, if I get it right, I understand the reason for confusion here. In distance learning you have the production of the materials, the packages and programs. Then they are moved to the learning resources distribution centre and, along with textbooks and other materials, distributed out of there. So the specific distance learning materials are there alongside all our other material. The specific distance learning materials represent an inventory of about \$3 million out of the total inventory of that centre of about \$11 million.

MR. CHADI: Okay. Thank you very much for that explanation.

If we're talking about \$3 million worth of inventory and about \$4 million according to the Auditor General in terms of sales, it would appear, then, that we're on a cost-recovery basis. I'm not sure we're actually on a profit-margin basis. If we were on a cost-recovery basis, there would have to be a steady production of this distance learning material throughout the year. That would do away, then, with things like outdated materials that we would have to discard. That will be my question: what value of materials, particularly in this last year, would we have discarded because of a stale date or outdate.

MR. JONSON: I'd have to ask Reno to give that estimate.

DR. BOSETTI: Very little in terms of the distance learning inventory. We're moving into what we call just-in-time printing. We're reducing our inventory and printing as needed, using new technology for print, so our unusable inventory should be very, very small. On the textbook side - and that's the \$11 million side - it would be higher. I don't know what it would be. Maybe David could tell us the amount that would be dead inventory, if you like. But again, we try to buy only what we can sell.

There's one other comment, Madam Chairman, if I may make it, with respect to the whole matter of cost recovery which you alluded to in distance learning. We recover the cost of print and production but not the full cost of development. Development costs are sort of reflected in a touch of profit that is made, but it would make the sale of those products basically unsaleable because development costs are very high. So we recover print production costs, not development costs. They're contained in our department budget, if you like.

MADAM CHAIRMAN: Final supplementary, Sine.

MR. CHADI: Yes. Thank you, Madam Chairman. Just following up on the annual revenues from the sale of distance learning

programs and materials, the Auditor General's report indicates about \$4 million. I'm trying to see where that reflects within the public accounts when I look at the education revenue for the year ended March 31, 1993; more specifically, on page 2.47. Where does that show up in the revenue? I suspect it must be there somewhere, if you could just highlight the area for our reference.

MR. OLSON: The revenue that's reported in statement 2.6.4, I think page 2.47, that you're talking about is Department of Education revenue. The other revenue that's in the revolving fund is separate and apart from the department. That's why it doesn't show up in the department revenue. The revolving fund is accounted separately from the department.

MADAM CHAIRMAN: Mr. Wingate.

MR. WINGATE: I think the answer the hon. member is looking for is on page 3.16, which is a schedule of revenue and expenditures for the education revolving fund. There the revenue for distance education and correspondence materials in '93 was actually \$3,831,000.

MR. CHADI: Thank you very much, Mr. Wingate.

MADAM CHAIRMAN: Thank you. Because of the hour I would now like to thank on behalf of the Public Accounts Committee the hon. minister Halvar Jonson for answering the questions in such an open manner; also, once again to Mr. Wingate's staff for being in attendance.

I should bring to your attention that the next meeting, March 30, is Family and Social Services. The Hon. Mike Cardinal will be here before Public Accounts. If there's no other business, we'll stand adjourned. Thank you, and thank you to all the staff, hon. minister.

MR. JONSON: Thank you.

[The committee adjourned at 9:53 a.m.]

