

STANDING COMMITTEE ON PUBLIC ACCOUNTS
October 14, 1987

**Public Hearing: Advanced Education and Manpower
(continued)**

Mr. Chairman: — Good morning. Our meeting today is from 8 to 10 as we agreed last week. We don't have a session tomorrow because the House sits at 10 in the morning, so we don't have a Public Accounts Committee meeting. So our next meeting after today will be next Tuesday and next Thursday.

We left off the last day with some questions of the Department of Education and Advanced Education, 1984-1985, and I will try to get the committee to finish off that fiscal year before we go into 1985-1986. When we left off Mr. Rolfes had been asking some questions, so I'll ask him to begin.

Mr. Rolfes: — Yes, Mr. McFarlane, last day I had asked a number of questions and you were to provide me with the information this morning. Have you got some of that information for me this morning?

Mr. McFarlane: — How would you like to do this? We have it in a package. We could just give it to you if you would like.

Mr. Rolfes: — Well that's fine with me. Sure, if you have it. In the . . . I hope you have copies for each member. Do we?

Mr. McFarlane: — I believe so.

Mr. Rolfes: — Mr. McFarlane, one of the things that we talked about the last day was an individual, the former deputy minister, Mr. Wickstrom. Can you tell me when Mr. Wickstrom came on staff in 1984-85?

Mr. McFarlane: — Yes, I can. I believe it was July 1, 1984.

Before we go any further, if I may, this is Elizabeth Crosthwaite. She wasn't with us last time. She's the assistant deputy minister in charge of the training division which handles institutes, colleges, and apprenticeship. And behind me on my extreme left is Frank Deibert, who is the manager of financial services with the new Saskatchewan Institute of Applied Science and Technology.

Mr. Rolfes: — Did I hear you correctly? It was July 4?

Mr. McFarlane: — First.

Mr. Rolfes: — July 1. So eight . . . he worked then for eight months of that year. Is that correct? End of the fiscal year?

Mr. McFarlane: — Nine.

Mr. Rolfes: — Nine. Okay. And for that he was paid \$66,666.60. Can someone very quickly . . . what would that work out to on a yearly salary?

Mr. McFarlane: — If it will help, he was hired at a salary of \$6,667 per month. Sorry, I beg your pardon. It was June 1 of 1984, not July 1. I beg your pardon.

A Member: — Okay.

Mr. McFarlane: — So at a salary of 6,667 per month on June 1, 1984, and on September 1, 1985 he received a 3 per cent economic adjustment which took his salary to 6,867 per month.

Mr. Rolfes: — That's not a bad pay. Better than MLAs receive anyway — about twice that amount. No, more than that — about three times that amount.

Well, Mr. McFarlane, some of my questions, I'm not sure if we have the answers. We asked last day whether there was any polling done in your department for the year '84-85? Was that information included in . . . I haven't had a chance to look at the information here. And what were the costs?

Mr. McFarlane: — No, it wasn't. I have it here, and I can read it out for you. This is the Department of Education. Two polls were performed in the spring omnibus in 1984 and fall of 1984.

Mr. Rolfes: — Spring and fall?

Mr. McFarlane: — Spring and fall of 1984. They were toward the measurement of public attitudes toward education, to get an evaluation of how you were perceived by the public to be satisfying their expectations. The cost was \$1,500, and the opinion polls were carried out by CanWest Opinion results group in Regina. That was the spring 1984 contract.

In the fall of 1984 we carried out an opinion poll, also with CanWest, to obtain public opinion about the length of the school year and the school day, and to get some feedback on the extent of which the public knew about, and were informed about, the *Directions* report. The cost of that contract was \$7,490.

Mr. Rolfes: — 7,700 . . .

Mr. McFarlane: — 7,490.

Mr. Rolfes: — Why the difference? You say one was 1,500.

Mr. McFarlane: — Yes. The second one was a considerably more complicated poll. We were getting into more difficult material, and it took longer to design.

Mr. Rolfes: — Are those polling questions available?

Mr. McFarlane: — Yes, I believe they are.

Mr. Rolfes: — Could we have a copy of those . . . (inaudible) . . . of both the spring and fall polls?

Mr. McFarlane: — Sure. I believe . . . I was going to say, I believe the results were included in the summary report in *Directions*, but I'm not sure if that's true. But anyway I'll be quite happy to supply them to you.

Mr. Rolfes: — Okay. Again, Mr. McFarlane, could you quickly answer for me . . .

Mr. McFarlane: — I guess if I . . . No, that was 1984. We have a 1985 . . . How do you want to do this? Do you want to do 1985 as well?

Mr. Rolfes: — Yes, I was going to ask . . . I'm going to ask the same question in '85.

Mr. McFarlane: — Basically the same thing. There was a spring omnibus and a fall omnibus poll. The spring omnibus, not dissimilar to the '84, was toward general public attitudes toward education, carried out by CanWest. The cost was \$4,175.

The fall of 1985 poll was toward issues that . . . It was toward a follow-up on public opinion about how they wanted to be informed about education issues. In other words we were asking them, do you want us to write to you? Do you want us to put ads in the paper? Do you . . . Should we publish some kind of specific report? How do you want to be told about what's going on in education?

The company was the C O R Group, C O R Group, and the cost of the poll was \$1,580.

Mr. Rolfes: — Is it common for a Department of Education to do polling on a, you know, annual basis or biannually?

Mr. McFarlane: — I believe it is. We've been doing it for quite some years.

Mr. Rolfes: — Similar questions are being asked. You know, do we feel that public opinion, as far as education is concerned, changes that rapidly that we need to do it that often?

Mr. McFarlane: — Well I guess the issue here was that we were in the process of carrying through the *Directions* report. This was right at the height of that exercise. A very large amount of effort was being expended by the department and by the education community to take education issues to the public through the *Directions* exercise, and we were trying to find out whether or not we were getting to them or not.

Mr. Rolfes: — It's true that you were doing that, because I remember being in the field and there were lots of meetings being held at that time. Did you not feel that those meetings, the consultation meetings that were being held and questionnaires that were being filled out by parents and teachers and others, that that wouldn't have given you sufficient information that we needed to conduct another poll or several polls, you know, in this particular area?

Mr. McFarlane: — Well I guess the problem with that process is that the only people who respond to surveys of the kind that we were distributing with *Directions*, tend to be people who have a very direct interest. They're quite often either educators or parents who have some particular concern. We wanted to find out whether or not we were getting beyond that group who might have a particular point of view, and finding out whether or not we were educating the general public about these issues.

Mr. Rolfes: — Mr. McFarlane, I want to turn to the auditor's report on . . . well okay, I shouldn't be jumping from one to the other.

Mr. Chairman: — Let's try to stay with '84-85.

Mr. Rolfes: — Yes, well, I'm on '84-85. But in the auditor's report on page 33-34, and it goes through the report time and time again, the auditor makes reference to the fact that the administration, officials responsible for the administration, page 33 of the auditor's report.

Mr. McFarlane: — Which department are we on?

Mr. Rolfes: — Advanced Education. Oh, right, I'm sorry. Thank you. Thank you. That's fair enough. No, I should wait until I get to '86. I should wait till I get to '86 before I get to the auditor's report. I'm on '84. Thank you, Mr. Muller. I appreciate that.

Okay, on the . . . last day I asked a question on minority language group. There was one individual I was interested in whose salary was substantially increased. Did you indicate in the materials that you've given to me the new job that was assigned to Mr. Archambault, and the new responsibilities, and why his salary was increased?

Mr. McFarlane: — We neglected to give you this and I apologize, and it's going to come around. Mr. Archambault was hired on July 3, 1984, at a salary of 3,964. On September 1 — I guess this is coming to you on September 1, 1985, his salary increased to 4,083 as a result of the 3 per cent economic adjustment that was provided to all out-of-scope employees.

The change in his status that produced the salary increase pre-dated this period of time. What happened was that he was hired prior to this period that we're discussing here on a contract. His performance was judged to be satisfactory and more than satisfactory, and he was brought on board on a permanent basis. That produced an increase to the salary of . . . the base salary that we have here of 3,964 and then to 4,083 as a result of the 3 per cent economic adjustment. So really the increase in responsibilities and status pre-dated the period, I guess, that we're talking about.

Mr. Rolfes: — Well in the 1984-85 Public Accounts I believe his salary is indicated as \$35,000. Now if I remember correctly . . . is that not correct?

Mr. McFarlane: — What you're seeing there is the situation that I've described — that he only came on on a permanent basis in July, so as a result you're only seeing nine or 10 months or how ever many it is of his salary reflected in the Public Accounts there. The figure you mentioned is 3,964 times, you know, eight months or nine months or whatever. And then for the following year when you get the increase, you're seeing two things happening. First of all you're seeing the 3 per cent increase, and then you're seeing 12 months salary instead of nine, or whatever it is.

Mr. Rolfes: — But what you're saying to me is that Mr. Archambault was hired for about \$45,000 to begin with? I

haven't . . . I can't seem to locate the page again where he's . . . it should be under education.

Yes, in '80 . . . if you . . . '84-85 *Public Accounts*, his salary — and there's no indication there that that was part time — he . . . 35,676.

Mr. McFarlane: — I guess that is . . . if you want, you can correct me on this — I think that is the standard practice, that they simply report . . .

Mr. Rolfes: — What the actual payment was.

Mr. McFarlane: — What the payment was, and in this case it was on a nine month basis.

Mr. Kraus: — Yes, that's correct. It should be that they received no payment of salary that they've contracted for or been hired for.

Mr. Rolfes: — So his starting salary then really was about 45,000 to begin with?

A Member: — Correct.

Mr. Rolfes: — Not bad, not bad. Okay. I really don't know what Mr. Archambault really does. I did not get the information on the . . .

Mr. McFarlane: — He's the director of French minority education with the Official Minority Language Office.

Mr. Rolfes: — Okay. Is he . . . Is his office located here in Regina?

Mr. McFarlane: — He has an office in Gravelbourg, which he is in most of the time, but . . .

Mr. Rolfes: — I couldn't . . . Sorry.

Mr. McFarlane: — He is located in Gravelbourg and spends most of his time there, but he comes into Regina on a fairly frequent basis. But his base is Gravelbourg.

Mr. Rolfes: — Does he provide . . . I assume he's a consultant. Am I correct?

Mr. Pillar: — He provides consulting services, Mr. Rolfes. He also advises on French minority education matters; is involved in some curriculum development, in particular division three and four French language arts program for designated programs; provides consultative services to teachers, principals, directors of education, and parents in the south-west area of the province.

Mr. Rolfes: — How many such French consultants do we have, and who are they? If he's doing the south-west, obviously there must be others who are doing the south-east, north-west, etc.

Mr. Pillar: — Yes, we have two or three, and I'm not aware right off the bat where and who those individuals are. We could certainly get that information for you though.

Mr. Rolfes: — Well I would like to know who they are

and what areas they serve and what their salaries are.

Mr. Chairman: — Do you have with you here, or in the hallway, any of your senior officials who would oversee this branch of the department?

Mr. Pillar: — That's the problem, Mr. Chairman, we don't have anybody from OMLO (Official Minority Language Office) here right at the present time.

Mr. Chairman: — Are you saying to the committee you don't know who the other people are who do this function in the minority languages in other parts of the province?

Mr. Pillar: — Oh certainly we can provide some names, but to answer Mr. Rolfes' question precisely — what locations they are involved in — I would have to verify that information.

Mr. Chairman: — Are they working out of the city of Regina?

Mr. Pillar: — Some out of Regina, some out of Saskatoon.

Mr. Rolfes: — Could you tell me, you say you know who the individuals are. Can you just give me the names of the individuals?

Mr. Pillar: — We have an individual by the name of Victor Tetreault in Regina working in the French language area, Stan Frey working in the Regina area. In Saskatoon, I believe Bob Revet is in Saskatoon . . .

Mr. Rolfes: — Bob?

Mr. Pillar: — Bob Revet.

Mr. Rolfes: — How do you spell his last name?

Mr. Pillar: — R-e-v-e-t. And Robert Cousin — Robert Cousin, I believe it is more appropriately pronounced. He's also in Saskatoon. In terms of exactly how those individuals are allocated provincially, I'm not entirely certain though, Mr. Rolfes, and I'd want to verify that information for you.

Mr. Rolfes: — Right. Could you . . . As I indicated before, I'd like to know the areas that they are responsible for and also the salary that accompanies each individual.

Mr. McFarlane: — We can probably infer their salaries from the last audit. Let us give it to you later.

Mr. Rolfes: — They probably would be in *Public Accounts*. Okay, now that I have the names, Okay. That's good enough then.

I asked last day about contractual services, Was that all outlined in the information that you have supplied to me?

Mr. McFarlane: — Yes it is.

Mr. Rolfes: — Okay. And most of those . . . I think you had indicated to me last day that most of those were due to the reorganization in the curriculum. Was that correct?

Mr. McFarlane: — Well not so much the reorganization of it. It's simply the way the curriculum . . .

Mr. Rolfes: — Your revising of the curriculum or . . . I didn't mean reorganization, the revising of the curriculum.

Mr. McFarlane: — Correct.

Mr. Rolfes: — And the individuals involved have all been listed, and organizations?

Mr. McFarlane: — I believe so. Yes.

Mr. Rolfes: — Okay. In the Advanced Education and Manpower branch you had estimated to spend \$12,995,000. You actually spent 16 million under the year under review. Can you tell me why this occurred.

Mr. McFarlane: — Which area are we in now?

Mr. Rolfes: — In the Advanced Education and Manpower training branch.

Mr. McFarlane: — '84-5, or . . . ?

Mr. Rolfes: — it should be. I hope that's in '84-85. I believe it is '84-85 — in the training branch.

Mr. McFarlane: — The explanation here is that this is the area of the previous department of advanced education in which federal-provincial training agreements are funded. The arrangement in this area is the same as the arrangement that I described at our last meeting with respect to the Official Minority Language Office, which is when we're able to catch more federal money than was anticipated by CEIC (Canada Employment Immigration Commission) at the beginning of the year. We have the authority to overspend on the understanding that it's 100 per cent cost recoverable, and that's what happened here.

Mr. Rolfes: — Okay. Did that mean that other provinces didn't pick up their share and therefore Saskatchewan was able to get a greater portion of the federal funding?

Mr. McFarlane: — It has often meant that. And Saskatchewan had one of the better, and has one of the better arrangements with the federal government, and we've gone out of our way to arrange our own priorities in order to capture that money. Sometimes it's simply been that they had some money at the end of the year that they didn't think that they were going to have.

Mr. Rolfes: — Okay. Under grants to youth services, could you tell me who 90376 Holding Limited is? Under grants to youth services 90376 — it's simply a numbered company.

Mr. McFarlane: — Can you say which page you're on the accounts?

Mr. Rolfes: — All I know is that when I went through this it was under youth services.

Mr. McFarlane: — We'd have to find that out for you; I have no idea.

Mr. Rolfes: — Okay. And again, under the Saskatchewan Skills Development Program, there were 4 million in contractual services done there. Can you tell me basically — I don't want it in any detail — under the Saskatchewan Skills Development Program, there were \$4 million in contractual services done. Can you tell me in general terms what those contracts were for?

Mr. McFarlane: — These are the payments that we make to community colleges and in some cases to private training firms.

Mr. Rolfes: — Sure. That's good enough. I want to turn now to the auditor's report in 1984-85. If you turn to page 12, the auditor makes a reference to the University of Regina:

For the year ended April 30, 1984, the University of Regina incurred a net loss on operations of \$3.2 million. The \$3.2 million loss resulted in the University having an accumulated deficit of \$2.3 million as at April 30, 1984.

There was no approval by the Minister of Advanced Education and Manpower authorizing the university to incur a deficit.

All right. Now would you tell me how was that dealt with? Since the universities are not allowed to incur a deficit per se without approval, how was that particular problem dealt with?

Mr. McFarlane: — There has been some uncertainty over a period of time about what the extent of the operating responsibilities of the universities are in this area. The reason for that is that the legislation which defines the responsibilities of the board of governors is, I believe, ambiguous in the following sense. The legislation is worded as follows in regard to the financial management of the university. The board of governors "shall not incur any liability or make any expenditure that will have the effect of impairing the financial status of the university."

Mr. Rolfes: — You have to go a little further.

Mr. McFarlane: — Well, that's the operative section.

Mr. Rolfes: — But it says, "unless an estimate thereof has been first submitted to and approved by the minister." Now those are the important words.

Mr. McFarlane: — The question is: what, in effect, counts as impairing the financial status of the university? I don't want to get into . . . I don't want to mislead the committee by heading you in the wrong direction. I agree that the university should balance its budget, and the government has recently taken measures to that effect, but at the period that we are talking about here, some two or three years ago, there was, in the thinking of the government, some uncertainty.

I wrote to Mr. Lutz when I took over the Department of Advanced Education and asked for clarification

specifically on this issue. That's to say, I asked for clarification about the Provincial Auditor's interpretation of this part of the legislation.

I think I probably worded my letter unfortunately because his response to me was:

Dear Mr. McFarlane: in reply to your letter dated February 3, 1987, I should like to point out that my responsibility is solely to conduct an audit of the university, and as such, I am not prepared to take sides on this issue.

So I think he thought I was asking him to take sides rather than to clarify the situation. So I wrote a second letter back saying:

I'm sorry if I appeared to be asking you to take sides; what I was really asking was, would you tell me how this section of the Act should be interpreted.

And Mr. Lutz kindly wrote back and said:

I am unable to offer an opinion as to whether or not a deficit would be deemed to be an impairment of the financial status of the university.

In viewing the balance sheet of the university at April 30, 1986, it is noted that in addition to the general operating deficit of 4.6 million, their fund balances in other accounts totalling 9.3 million leaving a net fund balance surplus of 4.7 million as well as an equity balance . . .

Therefore, it is conceivable that the university could argue that the financial status of the university has not been impaired but rather that there has been an accumulation of net assets totalling \$57.7 million, and presumably these assets are available to discharge any deficit in the general operating fund.

So you see there was some uncertainty here about exactly what impairing the financial status of the university meant, and the university had argued to the government that they had not, in running a deficit, impaired their status, and as such there was no need to advise or have the consent of the Minister of Finance to pursue the course they were pursuing.

I guess we came to the conclusion last year, and I'm jumping ahead of the . . .

Mr. Rolfes: — I guess my biggest concern is . . . I'm not one to judge whether they impaired their financial status. My concern is that they did not seek . . . submit to and seek approval of the minister. And therefore, you know, they simply did not abide by the law that existed. I can't judge as to whether or not they've impaired their financial status, but if they had submitted to the minister and sought his approval and received it, then we have a recourse. Now there's no recourse.

Now the minister can say, well I didn't give approval; you know, they didn't seek approval. And so we are left with

the — I think the people; I don't want to say we — I mean the people are left with the problem that, who do you saddle the final responsibility with? which rightfully, by law, rests with the minister and the government, and not . . . And so it's up to the minister to see to it that the financial status of the university is not impaired.

I appreciate the concerns that you have expressed and the action that you took, but that really wasn't my question. My question really was: why didn't the university feel . . . Do they feel now that if they incur a debt, they must first submit a proposal and seek approval? Or do they still think that they can run a deficit without even getting the approval from the minister?

Mr. McFarlane: — At the time in question, that's to say back in 1984, it was the view of the president of the university, I believe supported by the board of governors, that they did not need to seek the minister's approval to carry out a deficit so long as that did not impair their financial status.

And the issue precisely was whether or not having a deficit impaired their financial status. They didn't believe that it did, and consequently they didn't believe that that section that you quoted was operative. There was a discussion between the department and the university, I believe between the then deputy minister of Advanced Education and the president, to that effect.

So the department was advised by the university of its views, and its views were that they were not impairing their financial status and that there was no need to have the advice of the . . . or consent of the minister.

As you see from the correspondence with the Provincial Auditor, there clearly is some uncertainty on this issue.

Mr. Rolfes: — Does it still exist, that uncertainty, or has that been resolved?

Mr. McFarlane: — The uncertainty rests in the interpretation of impairing the financial status. As the auditor says in his letter, the university has assets. They total between 50 and \$60 million. Those assets are, in theory, applicable to the deficit and would more than offset it. In his view . . .

Mr. Rolfes: — Mr. McFarlane, if I may just interrupt for a bit, I think we're getting off track here. I'm not arguing . . . I mean, I don't know whether they impaired their financial status.

The auditor points out, and that's the question I was asking, there was no approval by the Minister of Advanced Education and Manpower authorizing the university to incur a deficit. That's really the only point that I want to discuss here, because if the university feels that they can go on their own, without seeking approval from the government or from the minister, then who is going to be held responsible?

Mr. McFarlane: — I think, Mr. Rolfes, that the situation here is not one of the university going off on their own without seeking advice.

They had advice of their own, I believe — I imagine from their own accounting department — that a reasonable interpretation of the legislation from an accounting point of view was that they were not impairing their financial status. And the Act clearly says that they only require the minister's consent if they intend to act in such a manner.

Their view and their advice was that they were doing no such thing, and that was where the ambiguity rested. Notwithstanding all of that, the department has since advised the university that we do take the view that running a deficit on a continuing basis would be an impairment of their financial status, and they have been instructed to cease the practice.

Mr. Chairman: — We're talking here about '84-85?

A Member: — Yes.

Mr. Chairman: — Are you saying that this incurring of the debt was done with or without knowledge of the minister and the department?

Mr. McFarlane: — It was done with the knowledge of both the department and the minister. The argument that was made was that it was a one- or two-year situation, that the university fully expected to find its way out of the situation — the same argument that the province has used for deficit financing itself — and that this was a temporary situation.

Mr. Chairman: — Interesting. It's the one or two year leading up to a certain provincial election. I think maybe that's of interest. That's why I'm pursuing these questions.

Mr. McFarlane: — I see.

Mr. Chairman: — So it was done with the full knowledge of the minister and the department. Are you saying that in the view of the department and the minister at that time there was no confusion? Obviously there wasn't, because there was no directions from the department or the minister to the university in the contrary to what the university was intending to do.

Mr. McFarlane: — As I understand it, the nature of the discussion that went back and forward between the department and the university was that the university giving the assurance that this was a temporary situation, the department expressing concern if this were going to become a permanent practice, but accepting the argument that on a temporary basis, given the existence of operating, or rather of net surpluses elsewhere, it was sustainable on a temporary basis. And when it became clear, as it has in the last year or two, that this was becoming a permanent situation, a structural deficit, that is when the government acted.

Mr. Chairman: — What I'm hearing you say, Mr. McFarlane, that of recent date the department has changed the interpretation and is saying to the university, no, this is not the way we interpret the legislation any more. So it's got to be more than just an argument of a temporary basis. Something has changed.

Mr. McFarlane: — What has changed is that it is

becoming clear, as the deficit stretches on, that it isn't temporary. A temporary deficit, in our view, was something that might last a year or two. This has not been now a year or two. It's now been three and four and five years with no . . . and the lines are diverging, rather than coming together.

Mr. Chairman: — So the issue then is that the department and the minister have decided that they have to put a stop to this because it may become a continuing thing, rather than a stop to it because in their view the interpretation of the Act is incorrect.

Mr. McFarlane: — Correct.

Mr. Chairman: — So it's got nothing to do with the interpretation of the Act?

Mr. McFarlane: — Well our interpretation of the Act is — and I felt that this was what the auditor was trying to tell me in the letter that he sent me — that so long as this does not become a situation where these operating deficits get out of control, then things are sustainable.

The situation we are now in is that it becomes clear that these deficits are going to continue, and so our interpretation is that at that point we're obliged to tell the university that they are beginning to impair their financial status.

Mr. Chairman: — So in your opinion there is still confusion about the Act itself as it applies in this kind of a situation, and therefore leads to some different interpretation, depending on who's doing the interpreting.

Mr. McFarlane: — I think that would be fair. If you would allow me to qualify that. I think it was intended . . . I think the Act was written in this way — and I don't know that, I wasn't around when it was written — but I think the Act was written in that way because it meant to leave intelligent people some room for judgement. It did not deem it appropriate to tie people's hands very specifically; it meant to leave room for judgement. That judgement has now been applied.

Mr. Chairman: — So in your view there's been no need in the judgement of the department to propose any amendments to clarify this, what you called earlier, confusion that exists.

Mr. McFarlane: — That's correct. If the university at this point were to disagree with the government, and they have not, then I think we might be willing to . . . we might consider it necessary to amend the Act to make it more specific. But so long as this can be carried out on the basis of the concurrence of judgement between ourselves and the university, I'm prepared to handle it that way.

Mr. Chairman: — In '84-85 when this began, you mentioned earlier there had been discussion between the department, the minister, and the university. Am I to assume from that, that having had this discussion, the minister and the department indicated to the university, yes, go ahead, in other words giving approval for incurring the debt?

Mr. McFarlane: — Yes, we said that it would be, in our view, appropriate for the university to permit a deficit so long as it was clearly understood that this was a short-term situation and the university at the time believed that it was a short-term situation and, I guess, subsequently it became clear that it wasn't.

Mr. Chairman: — Of course the only ones who can determine whether it'll be short term are the people who are the initiators of the funding, which is the government.

When you spoke to the department, Mr. McFarlane, or not you, I don't think you were there then — but when the department spoke to the university at that time, what did they say to the university would be short term? Surely they must have given the department some direction and some parameters within to work. Did they give a certain period of time in which they said it's short term?

Mr. McFarlane: — As I understand it, and this is from discussions between myself and the president of the university some time back, the understanding on both sides was that we were talking one to two years.

Mr. Chairman: — One to two years. Okay. So there was approval given to incurring of the debt, and since then the department and the government have said to the university, no longer is there approval. So they let them go, and at a certain point in time recently said, no more. In a nutshell that's what's happened.

Mr. McFarlane: — Correct.

Mr. Chairman: — Thank you.

Mr. Rolfes: — Mr. McFarlane, very quickly. I want to finish off '84-85 and get into '85-86. There was some problems with the revolving funds at Kelsey and Wascana Institute, and I believe the deputy minister appearing before a committee, standing committee of the legislature, indicated that they would take action to seek treasury board acknowledgement of some of these movements of funds. Can you tell me, has that been taken care of, or do we still have management control problems with the revolving funds at those two institutions?

Mr. McFarlane: — As I understand it, we have satisfied the concerns that the Provincial Auditor raised. In other words, we've taken the measures that were required. For the committee's own information, I believe the part of the difficulty that created this situation was that there was some residual uncertainty about the role of revolving funds within the operation of the institutes. It was an uncomfortable arrangement to have a revolving fund operating within the parameters of an annual budgetary allocation; that, as I've said, we've taken the measures that the auditor asked us to take to straighten that out. But we believe that the more significant measure is to remove the operation of the institute from within the parameters of government funding, and that that is a better way to handle the problem, and it will be handled that way.

Mr. Rolfes: — All right, I won't pursue that. I assume that that's taken care of and that we won't hear if . . . hear about that in the auditor's report in the future.

Mr. McFarlane: — I certainly hope not.

Mr. Chairman: — Just one more question on this matter of the debt, with the deficit at the university. The auditor reports on page 12, in '84-85, that there was no approval by the Minister of Advanced Education and Manpower authorizing the university to incur a deficit. In my earlier questions you agreed that there had been such approval because of consultations that took place. Now maybe there's confusion here because this was done verbally, rather than as it should be in dealing with these kinds of things, done formally through correspondence and documentation of. Can you tell me, can you explain why there's a discrepancy between what the auditor is saying and what the department is saying?

Mr. McFarlane: — I think you've probably got it right. I suspect that the auditor was looking for some written correspondence. I don't believe that any existed on the subject. I believe that the discussion took place between the deputy minister, the then deputy minister, and the president of the university, and that was the nature, that was the form of the discussion.

Mr. Chairman: — Mr. McFarlane, as the deputy minister now, would you allow such a major decision to be made without documentation and the formal confirmation by letter?

Mr. McFarlane: — That's a difficult question because I wasn't around at the time.

Mr. Chairman: — No, I'm not asking you about the time. I said, did . . . you know, you are responsible for a major department. Would you make such a decision, or allow such a decision to be made, without formal confirmation in documentation in the form of a letter?

Mr. McFarlane: — If I believed it was a decision that turned out to be as important as this one, no I wouldn't.

Mr. Chairman: — Yes, and I would expect you to say nothing else.

Mr. McFarlane: — At the same time, at the time that this decision was taken it was not perceived to be a major decision — it wasn't perceived to be a major break from precedent or from the direction we've been headed. There had been, I guess, an assurance provided that this was a temporary situation, and . . .

Mr. Chairman: — Maybe it's my farm upbringing, but a deficit of \$2.3 million is not loose change.

Mr. McFarlane: — That is a . . .

Mr. Chairman: — It seems to me that that's a very major decision, and I say that if there is ever an example of atrociously bad management, I mean, absolutely atrociously bad management, it would be when there is a major decision made with approval given by the minister and the department, and yet the auditor has to report that there was no approval because there's no documentation. I'm not accusing you folks; you weren't there. But I'm just simply stating that that is no way to run

a battleship.

Mr. McFarlane: — I think we, I think we need to, since you've put it in these terms, I think we better backtrack here for a couple of seconds. First of all the deficit of \$2.3 million is an accumulative figure; that wasn't the amount that was being agreed to or disagreed to at the time. What was being agreed to at the time was an annual figure.

Mr. Chairman: — Blank cheque.

Mr. McFarlane: — Well, as you would put it.

Mr. Chairman: — Yes I would.

Mr. McFarlane: — But what was being agreed to at the time was a figure of under a million dollars against an operating budget of 50 or \$60 million. Secondly, again I refer back to the correspondence between myself and the Provincial Auditor. Even within the highest levels of financial advice that the government can receive, there was apparently some uncertainty about whether or not there was a problem here, whether or not this approach was improper.

And so your point in retrospect, I think, is fair, but at that point in time there was no reason for anyone to believe that this looked like something that shouldn't be happening.

Mr. Chairman: — And yet because of that uncertainty it's even more reason why there should have been some follow-up and documentation to make sure that everything was clear.

I ask you another question. I was going to ask you one, but this is leading to one or two others. Did the university, be it the president or the board, get a legal opinion on whether it was within the interpretation of the legislation or not?

Mr. McFarlane: — I can't tell you if they got a legal opinion. It was my understanding — and this is sort of conversational rather than formal — with the president of the university that he had had what I would term accounting advice rather than legal advice. In other words, the advice was to the interpretation of the accounts of the university and how they should be managed from a financial perspective. And it was in that context that he and the board had concluded that they were operating in a sound financial manner.

Mr. Chairman: — So as far as you know, they did not seek legal advice or have it — as far as you know?

Mr. McFarlane: — I could not know one way or the other.

Mr. Chairman: — Did the department seek the advice for an interpretation from the Department of Justice?

Mr. McFarlane: — I don't know. As I recall, or as I understand it at the present point, I don't believe so.

Mr. Chairman: — So you're saying there was a dispute between the department and the university, or at least a confusion. And as far as you know, the university never

tried to get a legal opinion. And you can't fully say that for sure because you have no way maybe of knowing. But you certainly know that the department, even in spite of this confusion, did not seek a legal interpretation from the Department of Justice. Isn't that strange?

Mr. McFarlane: — I certainly don't think it would have done us any good if we had asked the Department of Justice, since this is not essentially a legal problem, this is a financial problem. In other words, the problem goes to how one interprets financial phraseology.

If I had asked the Department of Justice, I would expect to have gotten the same answer I got from the auditor. And I did ask the auditor, and I think I need to remind the committee that the advice that we got was certainly ambiguous in the sense that it did not give specific certainty as to how we should proceed on this.

I do not think this is a matter of disagreement or confusion. It is a matter of judgement as to when a financial situation becomes an impairment. And that's a matter of judgement, not a matter of disagreement or confusion.

Mr. Chairman: — The end result seems like it was very bad judgement.

Mr. McFarlane: — I don't see where the damage has been done, Mr. Chairman. The university has done nothing more nor less than the government has done for many years. That's to say it ran an operating deficit in bad years and it's going to run a surplus in good years.

Mr. Chairman: — On the contrary, there is a great difference. The government has access to revenues which the university does not. The government can apply taxation and raise the revenues to pay for deficits. The university is, by and large, dependent on funding from the government. I think that is a very distinct and major difference.

Mr. McFarlane: — I think they have the option, as the government does, to raise revenues.

Mr. Rolfes: — Yes, Mr. Chairman, I don't want to pursue this any longer, but I can remember when I was minister of Advanced Education, the universities and the commission made it very clear that they . . . Now I would want to have to check this out, but I thought they made it very clear to me that they were not allowed to run a deficit under the present laws pertaining to the university or the university Act.

I would want to check that out, but it's my understanding that they were not allowed to run a deficit or incur a deficit under the university Act. But that may have changed since that time, but I would like to check that out. As I indicated before, I am not the one to judge whether or not the university has financially impaired its status, impaired its financial status. I don't know that.

I think, generally speaking, it's not a good policy for universities who are so dependent upon their funds from government, to run a deficit. But I'm sure that that's probably agreed to by everybody here.

Mr. McFarlane, I want to . . . did you have any further statement to make on the revolving funds at Kelsey and Wascana? Those are . . .

Mr. McFarlane: — No I didn't.

Mr. Rolfes: — That they are taken care of?

Mr. McFarlane: — We're satisfied that we've done what we had to do.

Mr. Rolfes: — Okay, good enough. I want to turn to student aid fund and virements as such. Appropriations of 12.9 million was made to the student aid fund in 1984-85, but only 9.6-and-some million was spent and the there was 3 million-and-some leftover. Was that . . . and it was then vired, and according to the Provincial Auditor, he says, all moneys appropriated by the legislature for the purposes of this Act shall be paid into, and form part of that fund. Moneys that were unexpended were then vired.

Can you tell me, first of all, the reason why they vired it when it seemed to be fairly clear that moneys appropriated by the legislature were to be expended for that purpose only, and why the money was vired, where it was vired to, and why the department felt it was appropriate to do so?

And by the way, while you're looking at them, the Provincial Auditor did express some concern about the virement process. And I was wondering again, while you're answering that, the other question as to whether or not that has been corrected, or whether that debate is still going on.

Mr. McFarlane: — If I can answer the last question first. Bill 15 which is An Act to amend The Student Assistance and Student Aid Fund Act makes the changes that we believe are required to satisfy the auditors.

Mr. Rolfes: — Is that 1985-86?

Mr. McFarlane: — '86-87. That's the Act that's in the House right now.

Mr. Rolfes: — Oh, okay.

Mr. McFarlane: — So we believe that we've made the changes that were required to satisfy it. There is a residual uncertainty as to the appropriateness of viring funds generally, and funds from areas of this kind. I suppose the feeling of the department at the time was that if . . . It has traditionally been very difficult in advance, at the beginning of the year, to estimate the amount of money that the student aid fund would require. There have been wide swings over many years. Some years it required far more, some years far less than was guessed at. It's very difficult to guess.

If the money is provided and isn't taken up, the department believed at the time that it was an appropriate source to vire from. The auditor has expressed his concern and we've made an amendment to the Act to date.

Mr. Chairman: — Mr. Kraus, can you help?

Mr. Kraus: — I would say that this is part of an ongoing problem or a problem that exists with a few subvotes where the legislation says that the moneys appropriated by the legislature, or all moneys appropriated by the legislature for the purposes of this Act shall be paid. In some cases it may be paid, but in all cases we have . . . the government has chosen to interpret it as may be paid, and consequently, even in cases where it said shall be paid, moneys have been vired from subvotes from time to time over the years.

I believe the Public Accounts Committee, the last Public Accounts Committee addressed this concern in a general sense. And I believe a letter was going to be written by the committee, the last committee, to Executive Council or someone like that, and recommend that where the legislation was using the word "shall," that if it was meant to say "may," then amendments be made in due course. And I don't recall whether anything happened as a result of that.

Mr. Chairman: — I'm going to ask Gwenn to check that out so that the committee can be informed.

Mr. Rolfes: — I guess, I have it . . . that was my concern, but if it's been corrected, okay, fine, I wasn't aware of it.

The other thing that kind of bothers me with the . . . I think that at one time there was good reason why it was "shall" in this particular area, because that money that was appropriated by the legislature, the legislators felt that that money should be spent and expended for students' assistance and for no other purpose. If the government feels that they want to be tougher in any particular year, you know, they can easily under-expend by whatever per cent they want and have that money available for other purpose. And it doesn't mean that the financial requirements of the students have been met. And that, I guess, is a concern that some of us certainly have if that Act is changed. Because if the government feels that they want to expend it in some other areas rather than for student assistance, then all they have to do is tighten up on the criteria and it's very . . . you know, doesn't have to be done in written form, they can easily do it.

Mr. McFarlane: — I'm morally sure that the virement that we're talking about here did not come about from such a reason but simply . . . in other words, there was no change in the criteria in the way through the year, there was simply an over-estimate of the requirement of funds.

Mr. Rolfes: — Mr. McFarlane, you misinterpret what I said. I don't think it has to be done in writing. The criteria don't have to be changed in written form. One can easily interpret the criteria very stringently or loosely, depending on what you want to accomplish.

Mr. McFarlane: — I believe that we've tried to address that problem by enshrining the new criteria in regulations. So they're no longer open to the kinds of problems that you're talking about.

Mr. Rolfes: — I don't want to pursue that, but I don't quite

agree with you on this. But if it is, I appreciate it, and I think we ought to move in that direction a little more.

Mr. Chairman: — Could I ask one final question, '84-85, not related to the topics we've discussed. Teachers' superannuation fund earnings. Were all of the teachers' superannuation fund earnings in '84-85 retained in the fund?

Mr. McFarlane: — I'm going to ask Lois Herback, who is the executive secretary, to deal with this, if that's okay.

Ms. Herback: — Mr. Chairman, no, they were not.

Mr. Chairman: — In '84-85, they were all retained?

Ms. Herback: — No, they were not all retained . . . (inaudible) . . .

Mr. Chairman: — They were not all retained. Can you tell me then what the earnings were?

Ms. Herback: — The total earnings for '84-85?

Mr. Chairman: — Yes.

Ms. Herback: — Well I have the figure for fund earnings greater than 7 per cent. Is that all right?

Mr. Chairman: — I want the total earnings.

Ms. Herback: — Investment income on the teachers' superannuation fund for the year ending June 30, 1985, was 62,412,000.

Mr. Chairman: — 412. Thank you. Okay, and how much was not . . . I guess that's above seven and a half per cent was what was not retained.

Ms. Herback: — Well, the amount of fund earnings greater than 7 per cent, the amount that was not allocated to the teacher contributor accounts were \$41,097,196. Now, of that, fund earnings greater than 7 per cent, 24,300,000 went toward payment of the superannuate payroll, and \$16,751,825 were retained in the fund.

Mr. Chairman: — Let me try that again. I missed something here. The fund investment earnings were 62 million-plus, right?

Ms. Herback: — Yes,

Mr. Chairman: — The amount greater from that, greater than the seven and a half per cent was 41 million.

Ms. Herback: — Right.

Mr. Chairman: — Now what happened to the 41 million? Is that what you were explaining there?

Ms. Herback: — Okay, the 41 million was split, essentially, and 24.3 million, let's say, went toward payment of the superannuate payroll.

Mr. Chairman: — Okay.

Ms. Herback: — And 16,700,000 were retained in the fund, not allocated to member accounts but were retained in the surplus account.

Mr. Chairman: — Okay, so that was retained for '84-85, 16 million on top of the seven and a half per cent.

Ms. Herback: — On top of the seven and a half per cent.

Mr. Chairman: — That's all I have for '84-85. Thank you.

Mr. Rolfes: — I'd like to turn to '85-86 now, if we may. I'd like to just have a . . . (inaudible interjection) . . . I didn't see any hands.

Mr. Neudorf: — One of the questions I have relates both to '84-85 and '85-86 so I think I'll be able to do that later on. The only question I have on '84-85 is on the auditor's report indicating that both the . . . And I'm dealing with community colleges now, page 15, where the La Ronge Region Community College and the North East Community College both are indicated by the auditor as failing to maintain proper records, adequate records so that we can make accurate financial statements.

In addition to that, there's also the statement made by the auditor that not only were not sufficient records being kept, but there was actually minutes of the board that were being submitted unsigned by any kind of an authority. So it's pretty hard, under circumstances like that, to validate statements and board minutes and so on. And I'm just wondering, has this been addressed or are these colleges now going to be accountable for their actions? That's about the only question I have, Mr. Chairman.

Mr. McFarlane: — As I understand it, the problems in question were resolved — that the measures that the auditor had asked for, which I think he was entitled to ask for, were carried out.

Systems have been implemented to ensure that proper records are kept for the receipt of cash, for billing clients, bank reconciliations, and a general ledger has now been posted and balanced monthly as had been requested by the auditor.

Subsequent to the comments by the auditor, two private firms who conducted audits in subsequent years wrote commendations to the La Ronge Region Community College and the North East Community College commending them for the strong financial procedures that they had put in place.

Mr. Neudorf: — So you feel the problem has been addressed?

Mr. McFarlane: — We feel it has been, and particularly in the case of the La Ronge Region Community College — well I guess in the case of both colleges. It's fairly unusual for small operations of these kind to get commendations of this nature from audit firms, and we're glad to see that that happened.

Mr. Chairman: — All right, we'll move on to 1985-86.

Mr. Rolfes: — Mr. McFarlane, I don't know just how we're going to deal with it. Are we going to deal with these in combination, together, or separately? I have some questions pertaining to both in the same areas — executive administration branch in both Education and Advanced Education.

I noticed in the Education, in executive administration, the blue book figure I believe was 499,000. You expended 595,000 which was a 19 per cent increase. I want to know why could you be out so much. And then I want to ask in Advanced Education, how could you even be further out than that? Your blue book figure was 572,000; you actually expended 828,000 — out 44.6 per cent. Why are we out that much?

Mr. McFarlane: — We're having some difficulty with the numbers. Could you say which year and which department?

Mr. Rolfes: — Okay, in executive administration, year '85-'86 . . .

A Member: — For?

Mr. Rolfes: — Education — *Public Accounts* review, budgeted 499,000; actual, 595,000. Okay? A 19 percent increase.

Mr. McFarlane: — We're going to have to check with some people outside to see if we have the information. What we're basically going to have to find are the virements that moved money in from other branches, and that would be how this was accomplished. We can either wait, or . . .

Mr. Rolfes: — I have other questions that I can ask in the meantime. I've gone through some of these, you know, and find some dramatic changes. Maybe it all comes down to the virement business again, and less accountability to the legislature. You know, it seems to me if we are viring to that large extent, then what's the sense of us going through those things in the House, and the government explaining that this is what we're spending them for, you know. If the departments are simply going to vire . . . if we're out by 44.6 per cent, you know.

And it goes down the list here. For example, in special education I'm concerned, not so much of the per cent, but I'm concerned about that we've decreased our expenditures in special education from, you know, what was approved, 509,000 and we've expended 461,000. Now it's a 9 per cent, 9.6 per cent decrease in special education. Since I've had some interest in that area, I'm somewhat concerned about it.

I just went through these and maybe then you can make comments. Superintendents, a 25.8 per cent increase. Now that's a huge increase of somewhere around \$400,000. Finance management, increase of 14.6 per cent; regional services, well all right, 10 per cent increase; official minorities . . . Oh, I think maybe you've explained that one, official minority languages — that went up by 125 per cent — that one just shook me, but I understand the reasoning for that. Education media,

down 10 per cent. Well that may be all right, I'm not going to object to that one. Educational development fund went down by 25.7 per cent. Now again, you know we debated this in the House and then somewhere during the year there must have been a change in direction or change in policy of government. I mean that was a 3 million . . . \$2.6 million decrease.

I think we can go to planning and evaluation in Advanced Education up by 38 per cent; finance and administration up by 12.3 per cent; university affairs up by 43.8 per cent. The others I'm not overly concerned, they're relatively small. Why those dramatic changes? I mean, I can see 5, 6, 7, 8, 9 per cent maybe, but when we get into the 40s — 40 per cent, those are huge changes.

A Member: — As a general point, before . . .

Mr. Rolfes: — I was going to . . . as a general point then I want to go into detail, okay, a little bit.

Mr. McFarlane: — Okay, just as a general point, and you've sort of got to take this as you, you know, as you view it, but it has been the practice in this province for many years that virements have been a reality.

Mr. Rolfes: — Oh sure, I know that.

Mr. McFarlane: — I don't believe that the virements in the year in question in either department were out of keeping with past practice. And the reason for this practice in Saskatchewan, which is more pronounced than in some other provinces, as you know is that there are very large . . . very greater, a much greater number of subvotes in the Estimates in Saskatchewan than there are in most other provinces. For example, I believe Alberta, in Alberta's estimates there are three times fewer subvotes displayed.

One of the reasons for having so many subvotes is that one can provide as much information as possible to the legislature in terms of the particular programs in question. The programs are itemized in much greater detail in Saskatchewan than most other provinces. One of the consequences of doing that is that you tie your hands so narrowly by pocketing moneys up into such small amounts that you create the need to be able to manage on the way through the year. That's the general theory. I'm sure you've heard that explanation provided before somewhere.

Mr. Rolfes: — Yes I've heard that before. I'll tell you, Mr. McFarlane, it shows to me that there's lack of planning in those particular branch areas. The people really don't quite know what they want to do, haven't really got things in hand, and then during the year someone comes up maybe with a bright idea, or someone from the outside puts emphasis or influence on those people, pressure on those people, and then they say, oh, it's no problem, we can simply vire.

What I'm concerned about is twofold: one is accountability to the legislature, otherwise there is no sense of us spending our time on there and asking the minister what he is going to be doing, the minister outlining to the people, through the legislature, his plans,

the department plans for the next year, if you can simply vire from one to the other. I mean then that's nonsense what we're doing in there.

And secondly, I think it makes for better accountability of civil servants if you have to say to them, look it, you need \$1 million, or you need \$2 million, you tell us what you're going to spend that for — not in generalities; if you don't need it, you don't get it; tough luck, you wait another year until you get your plans in order. And I hope that that's the way we look at spending public funds and that we simply don't say, oh, well if I don't have it in shipshape when budget time comes around, we can vire it.

No, I don't think that's the right way to go. I think they have to be accountable for what they ask and show that it's a worthwhile expenditure. Otherwise you simply wait another year.

Mr. McFarlane: — I believe very firmly in what you're saying, and I don't want in any sense to debate your conclusions. But as a point of how things have to work in order to have good management, it strikes me that it's at least as good an idea to do things the way we do it as the alternative. The alternative is to tell managers that it doesn't matter what happens on the way through the year, you're stuck with what you've got. And if we get into that kind of situation, what you get is feather-bedding. In other words, managers realize that if the opportunity isn't there to move money around they'd better prepare for the unknown by trying to sock coals of money away in advance. I would rather have a situation in which you give people the bare minimum and if something comes along and it's a justifiable cause, then you have the freedom to move money back and forward. That strikes me as as good a way to do it as the alternative.

Mr. Rolfes: — Well let me just give the counter-argument on that. I'd give twofold argument on that. First of all, if the management can't see feather-bedding to any great extent, then maybe they shouldn't be the managers. Now that's their responsibility. That is their responsibility to see to it that moneys that are being asked for, requested, are worthwhile spent. I would hope that our associate deputies and our deputies are on top of things and when they come before treasury board are able to explain to treasury board why the funds are needed. If they're not needed, treasury board will shoot you down. I've been there before, and that's the way it should be — if you can't argue your case, you shouldn't get your money.

I don't think that . . . if they can't do it at the appropriate time of the year and be responsible to the legislature for it, to treasury board and then to the legislature, then they just luck out for that year. They have to wait another year.

I don't like this business of virement. I must honestly admit, I think it takes away the responsibility from the legislature; it takes away the responsibility from government and hands it to civil servants. And I don't like that idea. It's too much power in the hands of certain individuals. I must admit I don't like virement. If you haven't got your plans, then you just wait another year.

Mr. McFarlane: — I have some sympathy with that point

of view. I guess all I have to say here is that one has to observe the consequences of pursuing that course of action.

Mr. Rolfes: — I don't want a strait-jacket. Don't get me wrong. I don't want a strait-jacket.

Mr. McFarlane: — Well that's pretty close to what you'd have. You would basically be telling people that government is a static operation that we make our forecasts in.

And you know how the budget process works. You have to submit a budget six months before the beginning of the fiscal year. By the end of that fiscal year, that's 18 months from when you submitted it. No one can know what's going to happen 18 months ahead, and so if you tell people at the beginning of the year: if you didn't prepare for it, that's tough luck! on whom does that tough luck fall? Does it fall on the manager, or does it fall on the guy in the street who needs the program?

Mr. Rolfes: — Well obviously the deputy minister wasn't listening too carefully to the minister's talk when he was doing his estimates of looking ahead to the 21st century. And we must plan ahead. Can't just do day to day. We've got to look ahead — five-year planning and so on. I remember that, and if . . . I can quote you a few of those. No, I'm being facetious right now.

I want to go into a little more detail here. Can you tell me where the actual expenditures occurred? I mean, the additional expenditures, executive administration and education, 19 per cent. Don't give it to me in real detail, but what were the unforeseen ones that you couldn't see in executive administration?

Mr. Pillar: — Mr. Rolfes, I've made a note of the items that you had asked in your original question in terms of the Education subvote as well as Advanced Ed, or the Education vote as well as Advanced Ed. I've got some broad responses for you. If you'd like very detailed responses in terms of . . . (inaudible) . . .

Mr. Rolfes: — Well that depends on what answer you give me in the broad.

Mr. Pillar: — Okay. We can certainly provide that for you, but taking the list that you had asked for previously, think you started off with the special education branch, and there was a reduction there in terms of what was actually appropriated versus what was spent.

One of the significant factors there was the director of the special education branch was vacant from his position for that particular year, so there would have been a reduction in terms of salary allocations in that particular year. Now that's in the order of \$50,000 for that individual who was on leave for the year. I think that, in large part, explains the special education situation.

Superintendents was a large over-expenditure which you identified in the order of \$400,000. The rationale there is something that has been going on for some period in time. As you recall, in the early '70s a move was made towards locally employed directors of education from

provincially employed superintendents. We still had, in this particular year, seven provincially employed superintendents, and the dollars for their salaries were appropriated in the operating grant subvote and then vired to the superintendent subvote for payment at the end of the year.

The reason for that was to lump all of those superintendents, if you will, whether locally employed or provincially employed, in one location in the operating grant, and then vired it to a program services subvote later for payment. That's a practice that's been in place now for several years and explains why the difference. There was a corresponding reduction in the operating grant.

You mentioned financial management. One of the activities that occurred in the financial management subvote was some unexpected costs accruing with respect to systems development. In that particular year the department embarked on an automated systems development approach in the department. Funds were not adequately approved or appropriated initially, and subsequent virements took place to account for that. OMLO (Official Minority Language Office) you had mentioned and I think we've talked about that already. That's fully reimbursable federal money.

The education development fund was the last one in K to 12 education that you identified. If you recall, that was the first year of the education development fund program; \$10 million was allocated initially. Because it was the first year of the program and because school divisions were a little slow in getting off the mark, i.e., in terms of developing projects to be funded, the fund was underutilized in that first year.

However, we also made it clear to school divisions that those funds, unlike the normal practice in government, would be carried over and they would not be lost to school divisions. So yes, there was a \$2.6 million under-expenditure. That money was rolled forward, and again because of the fact that school divisions were late in getting off the mark in getting in projects for department approval.

Mr. Rolfes: — Yes. Isn't that the fund that now has been extended for 10 years, so those that didn't get it in the first year, are they still going to be . . .

Mr. Pillar: — They will.

Mr. Rolfes: — No, this is '85-86.

Mr. Pillar: — The fund, if I might, there is still . . . the initial commitment was \$150 million, and granted it was over five years initially; it's been extended to 10. But the \$150 million commitment is still intact, and school divisions will still get all of the money initially identified.

Mr. Rolfes: — All right. I want to back up to executive administration. Can you tell me, where were the expenditures incurred in executive administration of 19.2 per cent increase? If they're too detailed, can you provide them to me in writing, both in Education and Advanced Education?

A Member: — By all means. Certainly.

Mr. Rolfes: — Because I'm concerned about the 44.6 per cent increase in Advanced Education. That's a huge increase. I assume that it . . .

Mr. Chairman: — Can I just ask something? Just so that it's clear, are you asking that the information provided would be an itemization of the additional expenditures over what was budgeted?

Mr. Rolfes: — Yes, the additional expenditures over what was budgeted.

Mr. Pillar: — For executive administration in both Education and Advanced Ed?

Mr. Rolfes: — Yes.

Mr. Pillar: — The answers that I supplied Mr. Rolfes verbally, is that sufficient for the others?

Mr. Rolfes: — Yes. Yes. Planning and evaluation in Advanced Education, why did that jump so dramatically? I don't want any detail, but . . .

Mr. McFarlane: — I guess there were a couple of reasons. That was the year in which we switched to a computerized system, a management information system inside the department, and the purchases were required for computer equipment. There was also a fairly significant beefing up of our planning capacity to get the Northern Institute of Technology up and running.

Mr. Rolfes: — Did we not anticipate that?

Mr. McFarlane: — No, it wasn't so much perhaps a matter of anticipating it as rather deferring it until we had to do it.

Mr. Rolfes: — Okay. I'm satisfied with the answer as you can well note, but I think we could have anticipated that expenditure. But anyway, fine. Give me the executive administration. And, Mr. Chairman, if somebody else wants to get in at this time . . .

Mr. Neudorf: — Thank you, Mr. Chairman. The policies for virement — I'm not quite sure, Mr. McFarlane, whether you should answer this, or the comptroller, or who. How long has this procedure been in place, this idea of, you know, rolling from subvote to subvote within the department?

Mr. Kraus: — I can't tell you precisely how long. It's been a practice as long as I've been with the government. I believe that goes back to 1974. Perhaps someone else would know whether precisely what date, but it's certainly been around quite a few years.

Mr. Neudorf: — No, that serves the purpose of my question, simply because virement then has been used as a mechanism within the government for years and years prior to '82. So a lot of former ministers have also been probably using this procedure, that former ministers that may be opposed to it now had the opportunity to make those changes and obviously didn't, so . . . All right, I just

wanted to make that point in reaction to some previous statements made here.

My first other question deals with '84-85, as well as '85-86, because it is a situation where the auditor cites the community colleges — going back to community colleges once more — where they are obtaining bank overdrafts and they're doing that without the approval of the Minister of Finance. And I do believe that the Act states that prior approval from the minister must be obtained before these overdrafts can be achieved. And what steps have been taken by the department to make sure that before these overdrafts can be obtained, that the ministerial approval will be forthcoming prior to these overdrafts?

Mr. McFarlane: — I think the auditor's observations were fair, and the Minister of Finance has corrected this situation by providing an authorization to establish a line of credit. So the criticism was fair and it's been corrected.

Mr. Neudorf: — So this had happened more than just the last year. It also happened the previous year, '84-85, and then in '85-86. The same citation was made by the auditor. You mention that a line of credit has been derived?

Mr. McFarlane: — Yes.

Mr. Neudorf: — What kind of line of credit are we talking about? I mean, how far can they go?

Mr. McFarlane: — It's a line of credit of \$250,000.

Mr. Neudorf: — Okay. And that's perceived by these community colleges as being adequate for . . .

Mr. McFarlane: — That was felt by both them and the department to be an acceptable solution.

Mr. Neudorf: — Going on to '85-86, the auditor has also indicated — and I'm dealing with the Kelsey Institute now — the auditor indicated that the minister had not approved a pricing policy for the revolving funds. Has this been corrected for the institute, Kelsey in particular? I believe you'll find that on page 38 of your auditor's report where it basically states that a minister may charge a fee. There's no evidence that a ministerial approval for fees charged was at all placed, and I'm just wondering whether you've looked into that or whether that has been rectified.

Mr. McFarlane: — Yes, we did look into it, and it has been rectified. A pricing policy has been established by the minister.

Mr. Neudorf: — And these are for the recovery rates?

Mr. McFarlane: — Correct.

Mr. Neudorf: — Okay. I only have one other further question and that deals also with page 67 of the auditor's report. And I'm getting into Education now, I suppose.

Page 67 dealing with the school capital grants, I have a concern here. I notice that overpayments of school

capital grants were made to Regina School Division for 25,000 and Saskatchewan Valley School Division, which happens to be in my constituency. These are overpayments. Then in 11.09 there's an underpayment of pretty well \$52,000 for the Moose Jaw School Division.

To me it seems that an overpayment is almost worse than an underpayment, because an underpayment means that you'll get the money and everybody's happy. But an overpayment, in particular to the Saskatchewan Valley School Division, this means that they've been overpaid, and then once you've given to somebody and then say, whoops! sorry about that, there's an error and we're going to have to take that back; that can create some problems. What have you done on that issue?

Mr. Pillar: — Yes. The auditor's report was quite accurate in terms of identifying those two particular over-expenditures vis-a-vis capital. Subsequent to looking into the specifics of the details documented in the report, the department has instituted a dual checking system, if you will. Prior to identification of this problem by the Provincial Auditor, we had one facilities planner or capital planner, if you will, who was working on the project, doing the calculations with respect to what the capital grant would be, what the down payment for the school division would be, and how much would be financed through debentures, the way we finance capital projects.

Subsequent to identification of this problem, we've put in place a system where two independent planners, facilities folks, are reviewing the calculations to ensure that this kind of difficulty won't occur again.

Mr. Neudorf: — Was this a mechanical error or an error of interpretation or what?

Mr. Pillar: — It was a mechanical error. It was a mathematical mistake.

Now in terms of overpayments and underpayments, we are on a regular basis providing both operating and capital funds to school divisions, all 114 of them, so that overpayments or underpayments are recouped or provided to the school division additionally, if that's the situation, quite easily. We don't have a problem of not having an ongoing relationship, financial, with these school divisions, and hence, once an overpayment has been made, it's lost forever — that's not the case. It can be recouped on subsequent capital or operating grant payments.

Mr. Neudorf: — So what you're saying is that the Saskatchewan Valley School Division, then, in '66-67 would be minus forty-one ninety-six to make up for what they were overpaid in previous years.

Mr. Pillar: — Correct.

Mr. Neudorf: — And that can create some problems for that school division in that year, then.

Mr. Pillar: — In that year.

Mr. Van Mulligen: — Mr. Chairman, I'd like to turn to

both departments, Advanced Education and Manpower and then to the Department of Education. The questions I have pertain to the 1985-86 expenditures in each instance for advertising. And in particular I'd like to ask Mr. McFarlane and his staff concerning a promotion of the Northern Institute of Technology. And in the information that you so helpfully provided, it indicates that in 1985-86 in the Department of Advanced Education and Manpower there was an expenditure of \$202,065 for promotion of the Northern Institute of Technology. And I'd like to ask you, first of all, generally what were the objectives of that campaign?

Mr. McFarlane: — There were a number. The primary purpose was to make people aware of the fact that a new institute was opening its doors. We had given . . . the government had given a commitment, which I believe was given in good faith and has been followed through upon, to see to it that the majority, and more than a majority, a strong majority of students enrolling at the institute would be from northern Saskatchewan and would be, if possible, of northern or native extraction.

The clear signals that we were getting as the institute was in the start-up phase was that people, in northern communities particularly, either did not know of the existence of the institute or didn't know what to make of it. We were concerned that the institute not open its doors and find itself flooded with applications of people from southern Saskatchewan who are much better informed, generally, about the availability of education opportunities and government programs, and we felt we had to make a special effort to see to it that one of the important target groups that we wanted to get at here knew we were there, and took advantage of this opportunity. And that was the major objective that we had in mind.

Mr. Van Mulligen: — So the primary audience in this case would then be a regional one as opposed to a province-wide.

Mr. McFarlane: — Well I guess it was . . . Yes, I guess that's correct.

Mr. Van Mulligen: — If that's the case, how am I to interpret any amount of advertising for this institute of technology in southern Saskatchewan?

Mr. McFarlane: — I'm sorry, I can't hear you, sir.

Mr. Van Mulligen: — How am I to interpret . . . If you say that the general intent was to commence a regional campaign, how am I to understand what seemed to me to be at the time a generally high level of advertising in southern Saskatchewan for this Northern Institute of Technology?

Mr. McFarlane: — There was province-wide advertising. As you know we headed toward a system, and now have that system in place, in which there are specializations in each of the four campuses. It was important for us to get the message across the province so that people knew what the northern institute was there for. It was going to be, and it is providing some programs that are not available anywhere else in the province — resource

technology, for example. So it was important for us to be able to tell people everywhere in the province that there were some services only available in Prince Albert, and I guess that was the reason for the province-wide advertising. But I do reiterate that we also had a very specific target group that we had in mind that we were trying to reach, and it has proved over the years to be a very elusive group to reach.

Mr. Van Mulligen: — Well I want to understand what it is that you're saying. Are you saying then that the promotion of this institute in southern Saskatchewan was more geared to providing information about specific programs that were available as opposed to a general institutional type of promotion?

Mr. McFarlane: — Well I guess it's fair to say that we did do some general institutional advertising so that people knew that a new program was there and was available. We did, however, want to emphasize the specific kinds of programs that were available that weren't available elsewhere. So I guess it was a bit of both.

Mr. Van Mulligen: — Would this not then defeat, as you say, your primary objective to ensure that the majority of students would come from the North to engage in what seems in retrospect to be, and confirmed by the figures, a generally high level of advertising province wide?

Mr. McFarlane: — I don't think so. And I think the results have proved that. We have been successful beyond our expectations in attracting both Northerners and natives to the institute.

Mr. Van Mulligen: — I just wonder if there were alternative approaches to promoting the institute in northern Saskatchewan. As I look at the description of the promotion that was undertaken, it says radio, TV, print, bus shelters, and billboards, and I really question how many bus shelters and billboards there are in northern Saskatchewan that you could take advantage of.

Were there alternative approaches, that is to say, working with existing organizations, working with communities in the North, and to gear the majority of the promotional budget towards perhaps helping existing groups to explain the institute to northern people?

Mr. McFarlane: — There was a significant effort made through the community college system in the North. That doesn't show up here because it wasn't a financial matter. We simply met with the boards of each of the colleges. There was the principal or the principal-elect, if you like, of the institute set up a principal's advisory council with representation from each of the colleges and areas in the North to get the message out. So we certainly did many forms of promotion that aren't reflected here. We haven't budgeted those because those were not media placements.

Mr. Van Mulligen: — Do you have a precedence for this level of expenditure for the promotion of one institute? Do you have a precedence for the level of expenditure for the promotion of a particular institute or one institute?

Mr. McFarlane: — I really don't. The last time that a

technical institute was opened would be back in the early '70s, and I honestly could not tell you what was done at that time,

Mr. Van Mulligen: — Plus, I suspect that like everything else advertising costs have gone up in the years.

Was this amount, this \$202,000, or anything like that, budgeted for at the beginning of the year? That is to say, did your department set out to budget money for this?

Mr. McFarlane: — Yes, I believe the money that we spent here was budgeted. In other words, we didn't have to raise, or the government did not have to raise a special warrant to provide it.

Mr. Van Mulligen: — But did your departmental officials budget at the beginning of the year, the six months prior to the beginning of the fiscal year? They must have known that this institute of technology would be coming on, and that there would be a need to promote, as you've indicated, its services, both province wide for its specific programs and in the North generally. Was this specific amount budgeted for?

Mr. McFarlane: — I believe the way that it was handled . . . and if this is important to you, I should really take time and find it out precisely. I believe the way that it was handled was that the department had promotional moneys and those moneys were used in this regard. But if you want me to be specific about it, I'd like to check it out.

Mr. Van Mulligen: — Yes, I'd like to get some specific information if I could.

I'd like to turn to the Department of Education and the education development fund. Again, in the information that you've provided, it's indicated that some \$205,963.14 was spent on a back-to-school promotional campaign. That was broken down with some \$79,000-plus to Dome Advertising, and I assume that's for their production costs; and then another \$126,000-plus to Dome Media Buying Services, and I assume that's for replacement cost. And I would just like to ask you about the objectives for that campaign.

Mr. Pillar: — Yes, Mr. Van Mulligen, that was a campaign that the Department of Education, at the time K to 12 priority, ran in an attempt in response to concerns about drop-out rates — to encourage kids to stay in school.

And if you recall, we capitalized to a certain extent on the popularity of one Reuben Mayes at the time, and he was the lead character or individual that we used to kick off the campaign and used him in billboards, radio commercials in terms of his voice, and television commercials as well.

Mr. Van Mulligen: — I certainly would hold the opinion that Reuben Mayes was an excellent vehicle to promote this particular campaign even if the name Reuben Mayes doesn't have any greater meaning than does the name of Felipe Alou for my colleague here.

But I want to get back to your point where the objective of the campaign was to deal with the question of drop-out

rates. I assume that in undertaking a level of expenditure of this magnitude that you would be concerned to evaluate the success of this particular undertaking, that is to say, that you would have, prior to the commencement of the campaign, some indication of the trend lines or whatever data was available about drop-out rates, that you would have some idea of what those drop-out rates had been in Saskatchewan over a number of years, therefore you develop some trends. You would be able to compare that say, to other jurisdictions, and I would assume then that you have done some evaluations subsequent to the campaign to judge whether or not this very significant expenditure has had its desired effect. Am I correct in that?

Mr. Pillar: — Well certainly we're interested in evaluating a number of measures that we've taken as a department to attempt to ensure that kids are staying in school longer. The Reuben Mayes campaign — stay in school campaign — is only one initiative of several that the department is engaged in on an ongoing basis. But yes, in that respect we are interested in following up and we do have statistics that are maintained on a yearly basis. Every September, statistics are collected from the entire province—every school in the province in terms of enrolment numbers. In part we base our grant calculations on those numbers, but as well we analyse those numbers for retention rates as well.

The September report for this year is indicating slight enrolment increases. Now as you can appreciate it's also difficult, without very detailed analysis, to attribute cause for enrolment increases or decreases. Some of it can be greater retention; others can be in-migration or out-migration from the province or from system to system. So it's extremely difficult and requires fairly careful analysis to determine cause. But yes, we are on an ongoing basis looking at that, based on that statistical data available each September.

Mr. Van Mulligen: — I appreciate what you're saying. And as is sometimes the case with advertising, you can advertise a product or advertise a service, or advertise educational services and opportunities, I suppose, in this fashion and think you see results, but they may not be due to the campaign, they may be due to some entirely different factor.

But again you talked about a careful analysis and I wonder if the department has documented the success, failure, or otherwise of this particular venture. That is to say, were you able to document out of all the information that you gather, that yes, it seemed to have a desirable effect in terms of encouraging kids to stay in school longer; it seemed to have a desirable effect in terms of drawing kids back into the school system who had been leaving, according to your information.

If there was an increase in Saskatchewan in school enrolment — and you indicate there was a slight increase — is this increase matched in other provinces or is it unique to Saskatchewan, and therefore is it something that we might say was due to this program or other efforts on the part of your department. Has there been that kind of careful analysis? Has that been documented? And I would ask further, is that information available for the

public?

Mr. Pillar: — In terms of your first question, we do have, and we have had analysis done looking at retention rates, as I've mentioned, using raw data that we maintain and update on a yearly basis.

Whether the retention rates — that, by the way, are improving over time — are directly attributable to the Reuben Mayes campaign, I could not say with any precision. As I indicated, the department has undertaken a number of initiatives, one of which is the ad campaign, the public awareness campaign. And I can't say that the Reuben Mayes campaign was responsible for X increase in school retention.

I would suggest, however, that a number of initiatives that have been undertaken, including the Reuben Mayes campaign, have been responsible for the greater retention rates that we seem to be experiencing over the last five years.

Mr. Van Mulligen: — I would just say, Mr. Chairman, that it seems to me that if the government, or for that matter anyone, undertakes to spend in excess of \$200,000, and that may not seem like a great deal to this government, if you undertake to expend that kind of money to achieve a desired result, that it's incumbent upon those who plan to spend that money to set the wheels in motion to carefully evaluate whether that expenditure is having its desired result.

You're saying that, well, we see some increased retention and we can attribute it to all the good work of the department. And you can say those things, but I don't know whether it's general economic conditions that's encouraging people to stay in school now because there's a limited, or lack of employment opportunities for young people — and that's a given; whether those increased retention rates are unique to Saskatchewan and therefore can be attributable to the work of the department, and including campaigns like this, or whether that's something that's occurring across the country; whether it's occurring say in other provinces such as Alberta where we seem to have, generally, the same economic malaise affecting that province. I don't know the answers to that and it seems to me that it's important for you that if you plan to expend that amount of money, to be very careful as to whether or not that money is getting the desired result.

Just have a couple of quick questions. Again, was this money, this \$205,000 budgeted for in the six months leading up to the fiscal year, that is to say, had you identified this as a significant problem, that it warranted the expenditure of \$200,000, more or less?

Mr. Pillar: — Yes, it was budgeted for and it was budgeted for as part of the education development fund.

Mr. Van Mulligen: — Okay. And where did this idea originate? Was this general program conceived and did it originate with departmental officials or did it originate elsewhere?

Mr. Pillar: — My recollection on this, Mr. Van Mulligen,

is that it was conceived around the same time the education development fund was. When we were contemplating in the department proceeding with a notion somewhat like the education development fund, the department undertook a series of meetings throughout the province to get feedback from school divisions on . . . If we were going to do something like the education development fund, an attempt to promote excellence in education and program improvement, what should we be doing to get school division input?

At the same time we also heard from the field, when we undertook those consultation meetings, that the provincial profile vis-a-vis education was not what school division officials and trustees in the field thought that it could be, and hence the notion of running a provincial awareness campaign, if you will, vis-a-vis education.

Mr. Van Mulligen: — Can you briefly tell us — I think this will be my last question — can you briefly tell us what kinds of support activities the department undertook in conjunction with the school boards and so on? That is to say, was there follow-up on the ground in this particular program? Was there follow-up say with groups in Saskatchewan that might have contacts with kids who are dropping out of school, as a means of drawing them into the campaign to provide some support on the ground?

Mr. Pillar: — One of the . . . a couple of ways I can respond to your question. One of the criteria or program initiatives that were approved in significant numbers through the education development fund were counselling school guidance initiatives. Through the program improvement section of the education development fund we provided for and promoted school divisions to increase their efforts at the school level with respect to counselling and guidance services, highlighting and focusing on potential drop-outs. Those projects that were initiated by school divisions were funded through the education development fund by the province. So that clearly was a support activity.

In addition to that, and as a follow-up to the Reuben Mayes awareness campaign, the department did produce three brochures on issues related to drop-outs. One brochure focused at kids, the potential drop-out themselves; one brochure focused at teachers, who have a fair amount of impact on those kids; and the third brochure focused towards parents. We produced those three brochures as a package and sent them out to the field. And our response from school divisions, officials, and principals in school systems, is that those materials have been received very favourably, and that again I would note, as a specific follow-up activity or support activity.

Mr. Van Mulligen: — Mr. Chairman, I just want to make a couple of comments. And one, I don't think that anyone would deny that there is a problem with drop-out rates. I don't think that anyone would question the objective of a campaign such as this.

But having said that, I think that it becomes important for those of us that are in charge of the public purse to have as much information as possible about whether or not the

program was successful. That is to say, was this level of expenditure warranted? Did it do its job? And if there is any information that can be provided to this Committee, or otherwise, I think it would be greatly appreciated. It would confirm for the public that this is a legitimate use of government funds; that it's also an effective use of government funds. There is a feeling, Mr. Chairman, there is a feeling that these types of expenditures in the year preceding election campaigns, are prompted not so much by a sincere desire to . . .

Mr. Neudorf: — Mr. Chairman, on a point of order.

Mr. Chairman: — Yes.

Mr. Neudorf: — I believe our time has expired, as we had agreed to. And we're getting into debate here, and we have other meetings to attend.

Mr. Chairman: — I'm going to let the member finish. I hope he will not take too long.

Mr. Van Mulligen: — I've got another 30 seconds, Mr. Chairman. Sometimes there's a sense that these expenditures are not prompted by a sincere desire to achieve certain results, but are prompted by a desire on the part of politicians to find positive things about government and promote them to whatever extent they can in the hopes that some of those positive things might have people think positively about their government.

Mr. Chairman: — Thank you, Mr. Van Mulligen. I don't want to call the department back unless there are some people who have some questions. I have one but I'll simply be quite happy to ask for the department to provide me the information. And what I want is for the '85-86 fiscal year, the total investment in the teachers' superannuation fund. The total amount greater than seven and one-half percent which was not retained in the fund, and the split. Like you gave me for '84-85. Okay? If you have it, just leave it . . . Well, send it to our Clerk and she'll distribute it. The whole committee should know that. Okay? Is that okay?

All right, I am suggesting that we go by the order of the schedule, and therefore for next week, so we can let them know ahead of time, we'll call Finance which includes all of the stuff that's with Finance, and that's Revenue and Financial Services, Municipal Employees Superannuation Commission, etc., and that we ask Justice to be on stand-by because they're the next ones, so that they are notified ahead of time. Is that okay with the committee?

Thank you very much for the time and the preparation. We appreciated the information you provided and will appreciate the further information that you are yet to provide. Have a good day.

The committee adjourned at 10:03 a.m.