

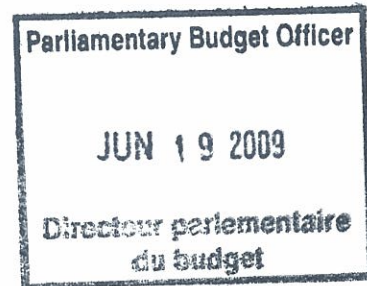


Affaires indiennes  
et du Nord Canada  
Sous-ministre

Indian and Northern  
Affairs Canada  
Deputy Minister

Ottawa, Ontario  
K1A 0H4

JUN 19 2009



Mr. Kevin Page  
Parliamentary Budget Officer  
Library of Parliament  
50 O'Connor Street, 9<sup>th</sup> Floor  
OTTAWA ON K1A 0A9

Dear Mr. Page:

I am writing in response to the report entitled *The Funding Requirement for First Nations Schools in Canada*. I am concerned that the Report contains factual inaccuracies that need to be corrected to allow Parliament and the broader public to engage in an informed debate.

### **Data Discrepancies**

Indian and Northern Affairs Canada, like many other public sector organizations, recognizes that more work needs to be done to improve data management. The key challenge for Indian and Northern Affairs Canada is to capture existing regional data into a national system that is comprehensive and accessible by staff in both regions and headquarters and by First Nations themselves. To achieve this, the Department is continuing to implement its Integrated Capital Management System database, and has invested approximately \$4.5 million this fiscal year to support training and to continue to improve the system.

Recognizing that the Integrated Capital Management System database is still in the implementation phase, Parliamentary Budget Office staff were encouraged to conduct regional interviews to verify the data. It is my understanding that these interviews did not take place. As a result, the data used in the analysis and the resulting conclusions are problematic. While there are currently 462 schools on reserve, the report refers to 803 schools. In fact, the 803 figure includes housing for teachers and other types of school assets, such as portables, stand alone gymnasiums, small workshops and other minor school structures. This affects the average size of schools which you have valued at 1,227 square meters, but is actually approximately 2,200 square meters.

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The Integrated Capital Management System is also able to capture the results of our technical inspections, which are conducted every three years on schools through our Asset Condition Reporting System. Again, Parliamentary Budget Office officials were advised that our regional data is in the process of being transferred to the Integrated Capital Management System. As a result, the report under reports both the rate of inspection of the schools and the current condition of the buildings. The report states that "more than 60% of the schools in Saskatchewan are reported as *not inspected*." In fact, 100 percent of school assets in Saskatchewan have been inspected through the Asset Condition Reporting System. The Saskatchewan regional office also conducts additional inspections between scheduled Asset Condition Reporting System inspections to monitor compliance on all schools and ensure that the technical recommendations of the Asset Condition Reporting System are acted upon. This information is in the process of being transferred to the Integrated Capital Management System.

The report notes that just less than half of the schools across Canada are listed as being in good condition. However, the report fails to mention that a further 10 percent of schools are in "*new*" condition. Also, given the three year cycle of the Asset Condition Reporting System, many of the three percent of total schools identified as being in "*poor*" condition have since been identified as priorities for new construction. For example, in February 2009, Minister Strahl announced the construction of a new school in Burnt Church, New Brunswick, under *Canada's Economic Action Plan*. In May 2009, an opening ceremony was held for the Ermineskin elementary school in Alberta. Both of these schools had been listed as being in "*poor*" condition.

The unduly negative condition ratings are also due to the fact that the report confuses school related infrastructure (803) with schools (462). For example, many of the "*poor*" ratings in Alberta refer to individual portables. In one case in British Columbia, the "*poor*" rating refers to a workshop which comprises less than five percent of the total school area, while the main building has a "*good*" rating. Although some temporary or minor school buildings are in need of repair, the proportion of main school buildings in poor condition is in fact quite low, and will drop as schools continue to be replaced.

### **School Construction Trends**

With respect to school construction trends, the Parliamentary Budget Office reports that "*while the rate of new school construction averaged close to 35 new schools per year during the 1990 to 2000 period. (...) Since the year 2006, only 8 new schools have been built.*" In fact, between 1990 and 2000 the rate of new school construction averaged approximately 17 per year. Since 2006, the Government has completed 53 school projects including the construction of 16 new schools, the completion of 34 renovation projects, and three other major projects. These renovation and new construction projects have accounted for over \$240 million in expenditure commitments since 2006.

Currently, Indian and Northern Affairs Canada is supporting an additional 64 school projects in various stages of completion across the country, including 10 new schools and three major school renovation projects funded under *Canada's Economic Action Plan*.

### **Financial Management**

Your report notes that "*there has been some confusion regarding a funding cap that was imposed on funding for Indian and Northern Affairs Canada.*" While the Government's 1996-1997 Budget Plan only referred to the two percent cap on funding for basic services over a two year period, Indian and Northern Affairs Canada has in fact received an ongoing two percent annual increase on a bundle of basic services (see page 1-12 of the 2009-2010 Main Estimates for the most recent example). Although Indian and Northern Affairs Canada has received significant targeted investments in successive federal budgets, the two percent cap on funding for basic services continues to pose challenges to the Department and First Nations.

Your report recommends that "*appropriations sought by Parliament for funding First Nations schools should be clearly reflected by Treasury Board Secretariat as a separate line item in the Estimates.*" Although this approach may appear to increase the clarity in identifying what Indian and Northern Affairs Canada spends, it would significantly reduce the Department's flexibility to reallocate within a fiscal year to address new pressures and opportunities.

It should also be noted that even though funding for First Nation schools is not appropriated as a separate line item in the Estimates, the information is available from the Department's budgeting and reporting system, and has been provided to Parliamentarians on several occasions upon request. We are going to look to increasing the transparency, perhaps through changes to the Departmental Performance Report.

### **Planning Processes and Accountability**

The report states that Indian and Northern Affairs Canada has no capital budgeting methodology to estimate the funding requirements for school infrastructure in future years. This is misleading, as Indian and Northern Affairs Canada has developed processes to: identify infrastructure needs on reserve; to cost those needs; and a priority ranking process to determine which projects to fund and in what sequence. These elements are critical to the Department's ability to prioritize funding for school construction.

First Nations seeking funding for schools in their communities submit a comprehensive multi-year plan. This plan includes major renovation of existing schools and the construction of new schools. Proposed projects are then assessed against the National Priority Ranking Framework, which prioritizes investments according to health and safety. Studies by independent professionals are then conducted to identify the range of options to meet the community's needs, as well as to determine the costs.

If approved by the region as ready for further consideration, these projects are included in the Long-Term Capital Plan. The Plan is reviewed by headquarters staff and, beginning in 2009-2010, will be submitted to the Department's Operations Committee which is chaired by the Associate Deputy Minister. Details of each project over \$10 million are also approved by the Operations Committee. These oversight measures are designed to ensure good planning practices and a recent audit also found that regional controls for the management of major infrastructure projects are adequate overall.

In closing, I would encourage you to amend the report to correct the factual inaccuracies contained therein. Departmental staff who worked with your team would be pleased to discuss these issues as soon as possible. I am personally available to meet with you should you wish to discuss the report further.

Yours sincerely,



Michael Wernick

c.c.: The Honourable Noël A. Kinsella, Senator  
The Honourable Peter Milliken, MP  
Mr. William R. Young