
Finance

BUSINESS PLAN 2006-09

ACCOUNTABILITY STATEMENT

The business plan for the three years commencing April 1, 2006 was prepared under my direction in accordance with the *Government Accountability Act* and the government's accounting policies. All of the government's policy decisions as of February 23, 2006 with material economic or fiscal implications of which I am aware have been considered in preparing the business plan.

The Ministry's priorities outlined in the business plan were developed in the context of the government's business and fiscal plans. I am committed to achieving the planned results laid out in this business plan.

[Original Signed]

Shirley McClellan, *Minister of Finance*
February 28, 2006

THE MINISTRY

The Ministry of Finance includes the Department of Finance, Alberta Pensions Administration Corporation, Alberta Local Authorities Pension Plan Corporation, Alberta Securities Commission, Alberta Capital Finance Authority, ATB Financial, Alberta Insurance Council and the Credit Union Deposit Guarantee Corporation and their subsidiaries, as well as the following six regulated funds: Alberta Cancer Prevention Legacy Fund, Alberta Heritage Foundation for Medical Research Endowment Fund, Alberta Heritage Savings Trust Fund, Alberta Heritage Scholarship Fund, Alberta Heritage Science and Engineering Research Endowment Fund and the Alberta Risk Management Fund. The Ministry of Finance also includes the activities of the following companies in wind-up: N.A. Properties and Gainers Inc.

The Department of Finance has the following key areas/functions: Office of Budget and Management; Alberta Investment Management; Treasury Management; Risk Management; Tax and Revenue Administration; Pensions, Insurance and Financial Institutions; Policy and Strategic Planning and Corporate Support.

VISION

Financial leadership that strengthens Alberta.

MISSION

Provide corporate financial services and manage the province's financial affairs and policies in the interests of Albertans.

LINK TO THE GOVERNMENT OF ALBERTA STRATEGIC BUSINESS PLAN

Government of Alberta (GoA) Business Plan Goals			
<p>Goal 1: Alberta will have a diversified and prosperous economy</p> <p>Key Opportunity: Unleashing Innovation</p> <p>Goal 5: Albertans will be healthy</p> <p>Key Opportunity: Making Alberta the Best Place to Live, Work and Visit</p>	<p>Goal 8: Alberta will have a financially stable, open and accountable government</p> <p>Key Opportunity: Making Alberta the Best Place to Live, Work and Visit</p> <p>Goal 14: Alberta will have a supportive and sustainable infrastructure that promotes growth and enhances quality of life</p>	<p>Goal 9: Alberta will have strong and effective partnerships with municipal, provincial, territorial, federal and foreign governments</p> <p>Key Opportunity: Making Alberta the Best Place to Live, Work and Visit</p>	<p>Goal 10: Alberta will be a fair and safe place to work, live and raise families</p> <p>Key Opportunity: Making Alberta the Best Place to Live, Work and Visit</p>
Finance Goals			
<p>Goal 4: Sound management of financial assets and liabilities for current and future generations of Albertans</p> <p>Strategic link: Enhancing investment returns for all government and pension funds (GoA-Goal 1) (GoA-Goal 5)</p>	<p>Goal 1: A financially strong, sustainable and accountable government Strategic link: Managing Alberta's fiscal plan, Sustainability Fund, Capital Plan and coordinating the government's legislated commitment to be accountable to Albertans (GoA-Goal 14)</p> <p>Goal 2: A fair and competitive provincial tax system Strategic link: Ensuring Alberta's tax system is the best approach for Alberta's economy (GoA-Goal 8)</p> <p>Goal 4: Sound management of financial assets and liabilities for current and future generations of Albertans Strategic link: Enhancing investment returns for all government and pension funds (GoA-Goal 8)</p> <p>Goal 5: Effective leadership in risk management Strategic link: Provide sustainable funding for liability exposure and loss of public assets (GoA-Goal 8)</p> <p>Goal 9: Sustainable public sector pension plans in Alberta</p>	<p>Goal 7: Accessible financial services for Albertans and local authorities</p> <p>Strategic link: Alberta Capital Financing Authority provides financing for capital projects to a variety of local authorities including municipalities, hospitals, schools, post-secondary institutions and airport authorities throughout the province (GoA-Goal 9)</p>	<p>Goal 6: Effective Regulation of Private Sector Pension, Insurance and Financial Products and Services</p> <p>Goal 8: An Effective and Efficient Securities Regulatory System</p> <p>Strategic link: Promote the development and implementation of an inter-provincial/territorial securities regulatory system that is streamlined, simple, effective and efficient for investors and other market participants (GoA-Goal 10)</p>

SIGNIFICANT OPPORTUNITIES AND CHALLENGES

The elimination of Alberta's accumulated debt has put the government on a more solid financial foundation and provided more fiscal flexibility. Maintaining a strong and sustainable financial position remains challenging nonetheless:

- Non-renewable resource revenue, which accounts for about one third of the Alberta government's total revenue, is unpredictable and volatile. Energy prices can swing dramatically due to unpredictable world events, such as political conditions in the Middle East or severe weather in North America. The potential implications of the Kyoto protocol on resource revenue are also not yet known.
- Alberta's resource revenue will be affected by the move from conventional to non-conventional oil sands, where the royalty return is not as high. As well, certain tax structures, like income trusts, reduce tax revenue to the province.
- Addressing spending pressures in health care, in particular, is very challenging for all governments in Canada. An aging population and new medical technologies and drugs are putting upward pressures on health costs. Citizens are also demanding better access and shorter wait times, which places additional pressure on health spending.
- Because of Alberta's rapid growth, there are major infrastructure funding pressures. Building infrastructure today will result in operating cost pressures in the future.
- Making decisions regarding allocation of large unexpected increases in revenue in a debt-free situation is not typical for governments. It is very difficult to deal with the high expectations that have been created.
- The challenge with respect to savings is to manage our cash and investments prudently, balancing cash requirements with the higher returns of high quality, longer-term investments.

Pension plans will be affected by an aging population. In addition, recent investment performance of pension plans have resulted in significant funding shortfalls. Recognizing pressures on pension plans will enable stakeholders to collectively work on reviewing pension plan regulations and governance, helping to ensure pension plans are sustainable.

The Ministry faces challenges in regulating and fostering Alberta's capital market. Investor protection has to be balanced with the ability of firms to raise capital. It is also necessary to guard against unnecessary duplication of regulation to ensure capital formation in Canada is not adversely affected, while preserving the ability to respond to regional needs.

The frequency and severity of recent natural disasters have resulted in greater demands for loss prevention and emergency services. This has also contributed to significant increases in the costs of property and casualty insurance, as well as shrinkage in insurance coverage. The challenge for the Government of Alberta is to manage risk prudently without inhibiting innovation.

STRATEGIC PRIORITIES 2006-09

Through the Ministry's review of environmental factors, the following are strategic priorities for Finance. These are in addition to the important ongoing core activities of the Ministry.

- 1. Fiscal Framework**
 - Review the government's fiscal framework to ensure that it positions Alberta well for the future.

Linkage: Goal 1

- 2. Tax Policy**
 - Build on the results of the current tax review to ensure tax competitiveness, economic efficiency, fairness and revenue stability. Reviewing Tax Policy is one of the eight top priorities in the 2006-09 Government of Alberta Business Plan.

Linkage: Goals 2 and 3

- 3. Investments**
 - Develop Alberta Investment Management to:
 - Better meet the needs of investment clients, including government endowment funds and public sector pension funds.
 - Improve effectiveness while promoting a culture of highly informed and risk-aware decision-making throughout the organization.
 - Seek to enhance investment returns for all government and pension funds and ensure risks present in the funds are those believed to lead to superior returns.

Linkage: Goal 4

- 4. Securities Regulation**
 - Ensure that an effective and efficient securities regulatory system is available in Alberta that meets the needs of Alberta's business and investors.
 - Lead and actively promote the development and implementation of an effective and efficient system of securities regulation in Canada.

Linkage: Goal 8

- 5. Pensions**
 - Lead the consultation with public sector boards and stakeholders to review the current governance arrangements for public pension plans.
 - Work with other jurisdictions across Canada to streamline private sector pension standards laws.

Linkage: Goals 6 and 9

CORE BUSINESSES, GOALS, STRATEGIES & PERFORMANCE MEASURES

Core Business One: Fiscal Planning and Financial Management

GOAL ONE

1

A financially strong, sustainable and accountable government

What it means Strategic fiscal planning and prudent economic forecasting are required to meet today's priorities and sustain essential programs and services over the longer term. The Fiscal Framework supports sound fiscal planning, to help deal with revenue volatility and maintain balanced budgets. It includes a three-year government fiscal plan; a Sustainability Fund to cushion ongoing operating and capital spending plans from volatile revenue and fund the costs of emergencies and disasters; a three-year Capital Plan, funded from current-year revenue, the Capital Account and alternative financing arrangements.

Finance will continue to coordinate the government's legislated commitment to be accountable to Albertans through publishing the Government of Alberta three-year consolidated fiscal and business plans, quarterly fiscal updates and annual performance reports, including audited financial statements, as required by the *Government Accountability Act*.

Strategies As part of ongoing advice provided to Treasury Board on all fiscal planning matters, the following strategies will be of particular significance over the next three years:

- 1.1 Ensure budget and capital planning processes are fully integrated to support decision-making.
- 1.2 Support the review and ongoing development of Alberta's fiscal framework.
- 1.3 Manage the financing of capital requirements, including assessing the Government of Alberta's costs and risks of both traditional and alternative financing methods.
- 1.4 Continue to work on expanding the government reporting entity for reporting purposes, which could include health authorities, schools and post-secondary institutions.

Performance Measures	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
1.a Alberta's Credit rating	AAA	AAA	AAA	AAA
1.b Percentage of Albertans who feel that the Government of Alberta provides adequate financial information to the public (based on those surveyed who expressed an opinion) ¹	55%	70%	70%	70%

Note:

1 Reflects revised wording for the survey question that was developed and implemented in 2005-06. Last actual results are based on previous wording.

2

A fair and competitive provincial tax system

What it means Alberta's tax policy of low overall rates on a broad tax base promotes strong economic growth. Taxes provide revenue that government needs to fund programs and services. The tax system must be fair and promote self-reliance. Alberta taxes must also be competitive with those in other provinces and countries in order to attract the investment, jobs and skilled workers necessary to keep our economy performing well. Alberta has a low single-rate personal income tax, the lowest tax on gasoline of all provinces and no general payroll tax. Alberta is the only province without a general capital tax or retail sales tax. A review of the Alberta tax system was undertaken in 2005-06 to evaluate whether the low-rate, broad base policy continues to be the best approach for Alberta's economy.

Strategies

- 2.1 Introduce changes to the tax system as required by government direction following the tax review.
- 2.2 Continue to monitor Alberta's tax competitiveness, economic efficiency, fairness and revenue stability.

Performance Measures	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
2.a Provincial tax load for a family of four	Lowest in Canada	Lowest in Canada	Lowest in Canada	Lowest in Canada
2.b Provincial tax load on businesses ¹	Second Lowest in Canada	Lowest in Canada	Lowest in Canada	Lowest in Canada

Note:

¹ Data for this measure is provided by the federal government and may change as work progresses on the new equalization framework.

3

Revenue programs are administered fairly, efficiently and effectively

What it means The design and administration of Alberta's tax and revenue programs contributes to the strategic priority of ensuring a fair and competitive tax environment in Alberta and maintaining Alberta's tax advantage. Collecting revenue fairly means that all taxpayers and claimants are treated equally under the law and with respect; efficiently means obtaining measurable value for money spent; effectively means that losses due to tax evasion are kept to a minimum. To meet this goal, the Ministry designs tax and revenue programs, collects revenue owing to the province, administers tax and revenue laws, makes payments of refunds and rebates, and provides information to stakeholders, taxpayers and claimants. In addition, it provides expertise and advice to other ministries on initiatives with revenue implications.

Strategies

- 3.1 Rewrite fuel tax legislation to modernize the program and its administration.
- 3.2 Work with stakeholders to improve service and promote self compliance through the use of information technology upgrades.
- 3.3 Identify and address program areas where there is high risk of non-compliance.

Performance Measure	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
3.a Ratio of amounts added to net revenue to costs of administration ¹	9.6:1	12:1	11:1	10:1

A new measure for 2005-08 was developed to measure the percentage of revenue obtained through self-compliance. The target for each year of the 3-year period is 92%. An unaudited actual of 94.7% was calculated as at March 31, 2005.

Note:

¹ Declining target is a result of increased compliance.

Core Business Two: Investment, Treasury and Risk Management

GOAL FOUR **4** Sound management of financial assets and liabilities for current and future generations of Albertans

What it means Finance is responsible for the investment of the Alberta Heritage Savings Trust Fund, endowment funds and other government funds. Finance is also responsible for investing on behalf of the public sector pension plans. Pension boards are responsible for setting public sector pension plan investment policies for their funds and monitoring performance within defined objectives and constraints. Finance is responsible for setting the endowment funds investment policy.

Investment policies, such as how much to invest in equities versus bonds, are the major determinants of investment fund returns over time. Once the investment policies are determined, Finance can enhance returns by making active investment decisions relative to the appropriate financial market benchmarks (e.g., The Standard and Poors TSX Index for Canadian equities).

Finance also has the responsibility for the province's cash management including short term borrowing and investing, management of banking arrangements, and short-term and long-term financing for the government and provincial corporations.

Strategies

- 4.1 Enhance the organizational structure, governance and resources to better meet evolving client needs.
- 4.2 Enhance investment returns for all government and pension funds through the following strategies:
 - Utilize a risk management framework to ensure risks present in the funds are those believed to lead to superior returns.
 - Enhance capabilities in managing non-traditional asset classes.
 - Use tactical asset allocation capability and other innovative value added strategies.
 - Offer clients a range of products and services to meet current and future investment needs.
- 4.3 Provide leadership in cash and debt management through the following strategies:
 - Continue to stay current with new technology and best practices.
 - Minimize cost for provincial government and provincial corporations through efficient borrowing programs.
 - Ensure daily cash flows are managed in a manner that produces optimal results through effective cash forecasting.

Performance Measures	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
4.a The market value rate of return of the selected asset mix (policy benchmark) of the Alberta Heritage Savings Trust Fund will be compared against the Consumer Price Index (CPI) plus 4.5% to determine whether the long-term investment policy is achieving the returns expected based on long-term capital market assumptions ¹	0.18% below the target of CPI plus 4.5%	CPI plus 4.5 %	CPI plus 4.5%	CPI plus 4.5 %
4.b Five-year weighted average market value rate of return for endowment funds compared against the weighted average policy asset mix rate of return (benchmark) for those funds to determine the impact of active fund management on performance ¹	All funds exceeded the target benchmark of 50 basis points ²	Benchmark plus 50 basis points	Benchmark plus 60 basis points	Benchmark plus 70 basis points
4.c Return on Consolidated Cash Investment Trust Fund compared to Scotia Capital 91 day Treasury Bill Index	Benchmark plus 9 basis points	Benchmark plus 5 basis points	Benchmark plus 5 basis points	Benchmark plus 5 basis points
4.d All-in cost of debt issued compared to an issue of Alberta debt of comparable term in the Canadian public debt market ³	Costs were lower by \$1.3 million	Cost lower than the comparable debt issued in the Canadian public debt market		

A new performance measure for 2006-09 has been developed to measure the five-year weighted average market value rate of return for public sector pension fund clients compared against the weighted average policy asset mix rate of return (benchmark) for those funds to determine the impact of active fund management on performance. The targets are: Benchmark plus 50 basis points (2006-07); Benchmark plus 60 basis points (2007-08) and Benchmark plus 70 basis points (2008-09).

Notes:

- ¹ One-year market value rate of return of each endowment fund is compared against the one-year policy asset mix rate of return for that endowment fund in the fiscal year 2004-05. In the future, the performance measure and target will be changed based on how many years the new measure is in use until it builds up over time to five years. After five years the performance measure stays fixed and will be calculated as an annualized five-year weighted average market value rate of return for each endowment fund compared against the annualized five-year weighted average policy asset mix rate of return.
- ² A basis point is 1/100 of a per cent.
- ³ Measure was last reported in 2004-07 business plan.

GOAL FIVE Effective leadership in risk management

What it means The Ministry serves all participants identified under the *Financial Administration Act* and provides leadership by supporting all government ministries and agencies in identifying, measuring, controlling and financing the risks of accidental loss. Effective risk management systems provide awareness, improve public safety and reduce costs to government in the long-term.

The Alberta Risk Management Fund operates under the authority of the *Financial Administration Act*. The Fund facilitates the provision of risk management services to participants by assuming general and automobile liability and the risk of property and other losses.

Strategies

- 5.1 Promote risk awareness throughout government.
- 5.2 Collaborate with other ministries to identify risk and develop additional risk control programs.
- 5.3 Provide sustainable funding for liability exposure and loss of public assets.

Performance Measure	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
5.a Value of the net assets of the Alberta Risk Management Fund ¹	Net liability for year ending March 31, 2005 was \$5.8 million	Net liability \$2 million	Net liability \$1 million	Net value up to \$1 million

Note:

¹ Actuarial liability is targeted to be eliminated during this business plan cycle. The result is expected to be an approximate net value up to \$1 million by 2008-09.

Core Business Three: Financial Sector and Pensions

GOAL SIX

6

Effective regulation of private sector pension, insurance and financial products and services

What it means Albertans need to know that the financial services and products they receive are secure. The Ministry minimizes risks relating to these products by regulating private sector pension plans, the insurance industry, credit unions, and the loan and trust corporations in Alberta.

Finance administers the *Employment Pension Plans Act*. The Act safeguards benefits promised to members of registered pension plans by setting minimum standards for funding, investment and qualifications for benefits.

The Ministry will continue to monitor the effectiveness of Alberta's new automobile insurance system, as well as the availability and cost of other general property and liability insurance for businesses, non-profit organizations and individuals. The Automobile Insurance Rate Board will set premiums for basic coverage, monitor premiums for optional coverage and review and approve rating programs for new insurers entering the Alberta market.

The rules and regulations that govern credit unions, insurers and loan and trust corporations are developed and maintained to facilitate a deposit holders, policyholders, and trust beneficiaries receipt of the financial services they contracted for, while maintaining a competitive environment for companies to operate.

Strategies

- 6.1 Implement new business processes and procedures to monitor private sector pension plans and ensure they meet minimum requirements prescribed by the *Employment Pension Plans Act*.
- 6.2 Assess the availability and cost of general property and liability insurance products.
- 6.3 Work with stakeholders to review and revise the statutory provisions for insurance contracts in the *Insurance Act*.
- 6.4 Assess the effectiveness and efficiency of the legislative framework governing Alberta loan and trust corporations.
- 6.5 Continue to work with stakeholders and other jurisdictions across Canada to harmonize and streamline private sector pension, insurance and financial legislation and regulatory processes.

Performance Measure	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
6.a Percentage of private sector pension plans that meet minimum funding ¹ requirements	99%	99%	99%	99%

Note:

¹ Current service cost and any required deficit payments within the timelines set by legislation.

GOAL SEVEN

7

Accessible financial services for Albertans and local authorities

What it means Alberta's dynamic economy and entrepreneurial spirit requires readily accessible and technologically advanced financial services and products. In addition to private sector financial institutions, the Alberta Treasury Branches (ATB Financial) and the Alberta Capital Finance Authority make financial services and products available to Albertans and local authorities.

ATB Financial is a full-service financial institution, with the largest branch network in the province. It provides financial services to individuals, businesses and the agriculture sectors across Alberta.

Alberta Capital Finance Authority provides financing for capital projects to a variety of local authorities, including municipalities, hospitals, schools, post-secondary institutions and airport authorities throughout the province.

Strategies

- 7.1 ATB Financial will continue to operate on sound financial institution and business principles with the objective of earning a fair return.
- 7.2 Alberta Capital Finance Authority will continue to provide local authorities in the province with flexible funding for capital projects at the lowest possible cost while maintaining the viability of the Authority.

Performance Measures	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
7.a ATB Financial return on average assets (before tax)	1.27% ¹	1.07%	1.14%	1.21%
7.b Cost to Alberta local authorities of borrowing from ACFA compared to other municipality/aggregating agencies for a comparable loan	Lowest for 3 of 4 cases compared	Lowest for all comparable cases	Lowest for all comparable cases	Lowest for all comparable cases

Note:

¹ The high Rate of Return (ROA) in 2004/2005 was due to a loan loss recovery of \$14.6 million in that year. Beyond 2004-05 ATB expects to move towards more normal ROA due to more normal loan loss provisioning levels.

GOAL EIGHT An effective and efficient securities regulatory system

What it means An effective, efficient and streamlined securities regulatory system is vitally important to investor protection, and vibrant and competitive national and local capital markets. It inspires investor confidence and supports competitiveness, innovation and growth in the economy.

Strategies

- 8.1 Lead and actively promote the development and implementation of an inter-provincial/territorial securities regulatory system that is streamlined, simple, effective and efficient for issuers, investors and other market participants.
- 8.2 Lead the development of highly harmonized securities legislation, simplified where appropriate, that builds on existing law and could be adopted across Canada.

Performance Measures	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
8.a Inter-provincial/territorial securities regulatory system	Provincial/ Territorial Memorandum of Understanding (MOU) ¹ signed	Legal framework for Passport System established	Passport System extended to other areas of securities law	Passport System extended to other areas of securities law
8.b Highly harmonized securities law (includes highly harmonized rules, regulation and legislation)	Provincial/ Territorial Memorandum of Understanding (MOU) ² signed	Law drafted	Law adopted	Law implemented

Notes:

¹ Development and implementation of a Passport System portion of the MOU.

² Highly harmonized securities law portion of the MOU.

What it means Finance provides policy support to government with respect to funding and governance for several public sector pension plans. The Minister of Finance is responsible for Alberta's Public Sector Pension Plans including the Local Authorities Pension Plan, the Special Forces Pension Plan, the Public Service Pension Plan and the Management Employees Pension Plan. The Minister of Education is responsible for the Teachers' Pension Plan.

Alberta Pensions Administration Corporation provides administrative services for public sector pension boards, employers, members and pensioners of seven different pension plans and two supplementary retirement plans. Alberta Local Authorities Pension Plan Corporation provides strategic guidance and support to the Local Authorities Pension Board.

The cost of public sector pensions has increased over the past several years. The increase in contribution rates is primarily a result of lower than anticipated investment returns in the early 2000s when world capital equity markets did not perform well. Finance also provides advice in relation to Alberta's role as one of the joint stewards of the Canada Pension Plan.

Finance continues to work with the federal government and the other provinces to maintain the sustainability of the Canada Pension Plan and explores alternatives to allow Albertans to secure their retirement income. Alberta takes part in a triennial review of the Canada Pension Plan.

Strategies

- 9.1 Lead the consultation with public sector boards and stakeholders to review ways to strengthen governance of public sector pension plans.
- 9.2 Participate in the triennial review of the Canada Pension Plan.

Performance Measure	Last Actual (2004-05)	Target 2006-07	Target 2007-08	Target 2008-09
9.a Improved pension plan governance	Partially met ¹	Governance Review complete	Recommendations from review implemented	Governance framework fully implemented

Note:

¹ A Memorandum of Understanding (MOU) was signed in September 2004 as an initiative toward improving governance. The MOU outlined the roles and responsibilities of Alberta Pensions Administration Corporation and Finance.

EXPENSE BY CORE BUSINESS

(thousands of dollars)

	Comparable			2006-07 Estimate	2007-08 Target	2008-09 Target
	2004-05 Actual	2005-06 Budget	2005-06 Forecast			
Fiscal Planning and Financial Management	62,699	62,000	57,011	63,348	63,657	63,656
Investment, Treasury and Risk Management	479,984	493,498	459,780	522,867	535,283	538,609
Financial Sector and Pensions	356,104	345,323	341,979	340,946	327,486	314,259
MINISTRY EXPENSE	898,787	900,821	858,770	927,161	926,426	916,524

MINISTRY STATEMENT OF OPERATIONS

(thousands of dollars)

	Comparable			2006-07 Estimate	2007-08 Target	2008-09 Target
	2004-05 Actual	2005-06 Budget	2005-06 Forecast			
REVENUE						
Internal Government Transfers	155,107	100,040	185,226	116,686	118,917	38,226
Personal and Corporate Income Taxes	7,012,664	7,476,950	7,173,834	8,226,025	8,553,717	9,055,028
Other Taxes	1,612,327	1,615,536	1,605,195	1,628,171	1,668,392	1,708,455
Transfers from Government of Canada	4,178	4,178	4,178	4,178	4,178	4,178
Investment Income	1,786,526	1,352,904	2,070,730	1,764,997	1,748,176	1,688,668
Premiums, Fees and Licences	38,956	37,522	35,048	39,253	44,986	48,087
Net Income from Commercial Operations	193,380	167,126	200,464	222,603	248,140	284,588
Other Revenue	49,345	53,012	53,421	65,693	71,132	73,985
MINISTRY REVENUE	10,852,483	10,807,268	11,328,096	12,067,606	12,457,638	12,901,215
EXPENSE						
Program						
Fiscal Planning and Financial Management	58,144	55,178	50,556	56,563	56,787	56,786
Investment, Treasury and Risk Management	183,197	207,664	205,049	283,249	305,381	323,816
Financial Sector and Pensions	355,368	344,491	341,180	340,120	326,647	313,420
Ministry Support Services	8,177	9,241	8,874	9,182	9,317	9,317
Valuation Adjustments and Other Provisions	(597)	1,000	864	1,000	1,000	1,000
Total Program Expense*	604,289	617,574	606,523	690,114	699,132	704,339
Debt Servicing Costs						
Department Voted	53,011	45,247	45,247	38,047	31,294	25,185
Department Statutory	241,487	238,000	207,000	199,000	196,000	187,000
Ministry Debt Servicing Costs	294,498	283,247	252,247	237,047	227,294	212,185
MINISTRY EXPENSE	898,787	900,821	858,770	927,161	926,426	916,524
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
NET OPERATING RESULT	9,953,696	9,906,447	10,469,326	11,140,445	11,531,212	11,984,691

* Subject to the *Fiscal Responsibility Act*. Total program expense includes the province's cash payments towards the unfunded pension liability (which will be eliminated under a separate legislated plan).

Total program expense does not include the annual change in the unfunded pension obligations, which is a non-cash expense that does not affect borrowing requirements. The annual increases (decreases) in the Ministry of Finance's unfunded pension obligations are estimated to be:

	6,541	(13,000)	53,000	(11,000)	(13,000)	(18,000)
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CONSOLIDATED NET OPERATING RESULT

(thousands of dollars)

	Comparable			2006-07 Estimate	2007-08 Target	2008-09 Target
	2004-05 Actual	2005-06 Budget	2005-06 Forecast			
Ministry Revenue	10,852,483	10,807,268	11,328,096	12,067,606	12,457,638	12,901,215
<i>Inter-ministry consolidation adjustments</i>	(243,732)	(196,791)	(273,639)	(238,378)	(201,596)	(124,184)
Consolidated Revenue	10,608,751	10,610,477	11,054,457	11,829,228	12,256,042	12,777,031
Ministry Program Expense	604,289	617,574	606,523	690,114	699,132	704,339
<i>Inter-ministry consolidation adjustments</i>	(30,277)	(31,710)	(42,529)	(93,679)	(96,116)	(97,141)
Consolidated Program Expense	574,012	585,864	563,994	596,435	603,016	607,198
Ministry Debt Servicing Costs	294,498	283,247	252,247	237,047	227,294	212,185
<i>Inter-ministry consolidation adjustments</i>	(65,434)	(73,916)	(65,389)	(69,510)	(72,453)	(75,428)
Consolidated Debt Servicing Costs	229,064	209,331	186,858	167,537	154,841	136,757
Consolidated Expense	803,076	795,195	750,852	763,972	757,857	743,955
Gain (Loss) on Disposal of Capital Assets	-	-	-	-	-	-
CONSOLIDATED NET OPERATING RESULT	9,805,675	9,815,282	10,303,605	11,065,256	11,498,185	12,033,076