



2 Living within our means

Families know that when finances get tight, it gets tougher to pay the bills. The last thing they want to do is rack up new debt on the credit card for luxury items that they really can't afford. They have to carefully manage their budgets and only pay for what they need, so that they can continue to make ends meet today and in the future.



It's no different for government. After all, there is no such thing as "government money." There is only *your* tax dollars. As hard as it is sometimes to curb spending, we have to live within our means, so that we can continue to pay for important public services without having to raise taxes or leave a burden of debt to our children.

*[excluding spending related to the new provincial administration of the Labour Market Development program that was previously administered by the federal government.]

Responsibly managing your tax dollars

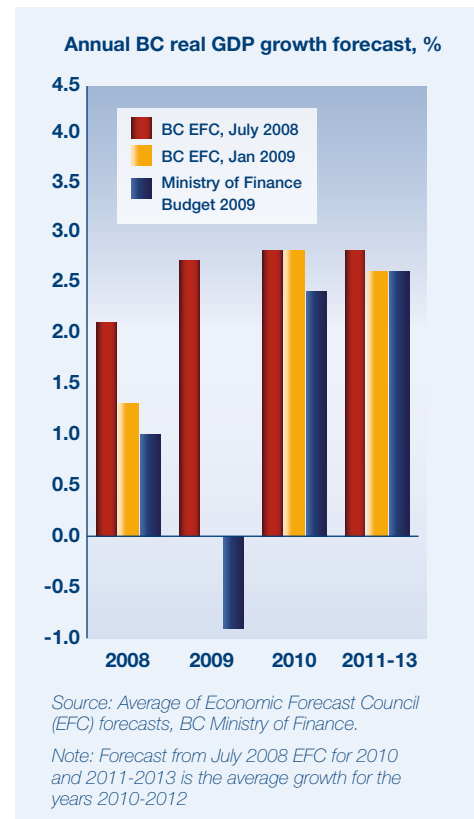


British Columbians have worked too hard to get their government's fiscal house in order to see that squandered by reckless spending and runaway deficits. We've laid out a detailed budget www.bcbudget.gov.bc.ca/2009/ to carefully control spending. While investing more on core services, it reduces spending on less critical priorities.

Our budget calls for overall average annual spending growth of 2.2 per cent over the next three years*. With our economy predicted to contract by about 0.9 per cent this year, and little or no inflation, that's still a sizeable increase. We think it pushes the limit of affordability for taxpayers and small businesses throughout the province.

This is a volatile time for global markets that has been far more

severe than any of the experts projected. We have to be conservative in our forecasts, in case revenues fall more quickly, or for a longer period, than anticipated. It's a complex job putting together a three-year budget that balances \$41 billion worth of revenue and expenditures, backed up by a detailed business plan for every ministry. But our record shows that we have the competent team and credible plan to get it right. That's why BC has the best credit rating in the country.





Our plan saves taxpayers \$1.9 billion

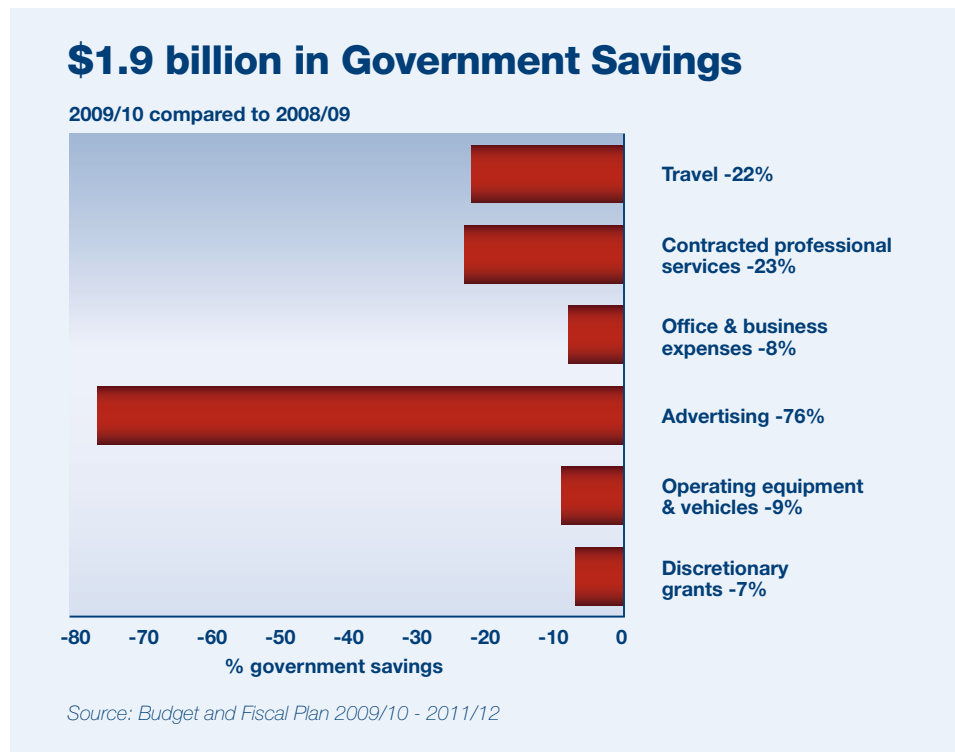
The global economic downturn and falling commodity prices have caused significant drops in provincial revenues that have made it tougher for government to live within its means. To address that challenge, we have looked at every facet of government to determine where savings could be found without compromising core services.

Our Platform calls for \$1.9 billion in government savings and a return to balanced budgets in the next three years while keeping your taxes low. They include:

- ↓ **76 per cent reduction in government advertising**
- ↓ **22 per cent cut in government travel costs**
- ↓ **23 per cent less for contracted professional services**
- ↓ **20 per cent fewer senior executives in government**
- ↓ **Reductions in discretionary grants and office expenses**
- ↓ **Modest budget reductions for 11 of 20 ministries**
- ➔ **Holding the line on public sector wage increases**

“Fuelled by the 2010 Vancouver Olympic Games and positive growth in the battered forestry and manufacturing industries, the province will get back on its feet next year. Real GDP will turn around from a 0.1 per cent drop this year to a nation-leading 4.3 per cent gain in 2010.”

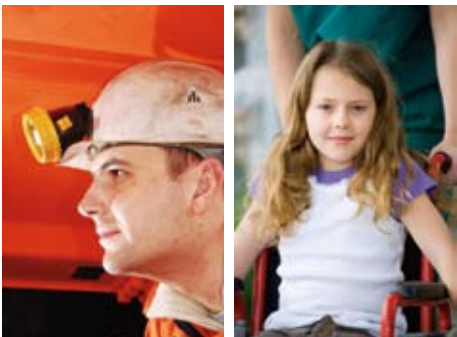
The Conference Board of Canada



A BC Liberal Government will continue to find new savings and new value for every tax dollar through public-private partnerships, investments in “green buildings” that reduce life-cycle operating costs, and more efficient delivery of government services. It will also work with municipalities to help lower their costs and alleviate growing pressures on property taxpayers, without provincial “offloading.”

Our plan targets spending where it's needed: health, education and helping workers

As we seek to minimize avoidable cost increases, we also need to make the most of every tax dollar available for government services. Even with the savings above, the overall cost of government will go up by \$2.8 billion over the next three years.



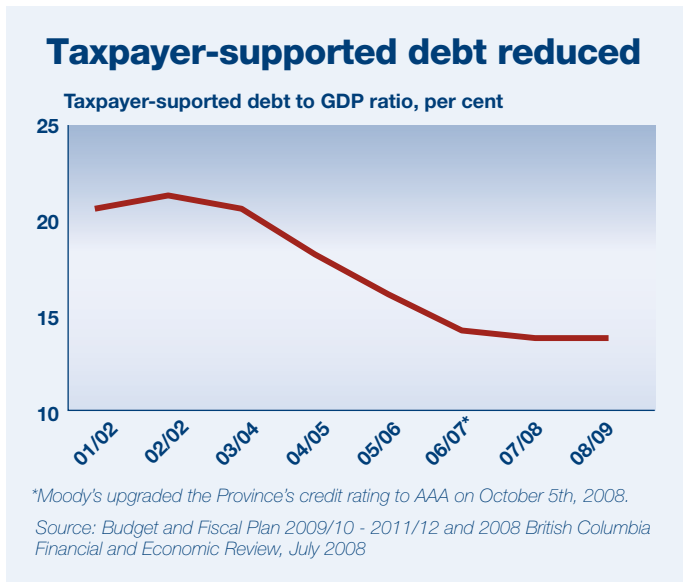
- **Over 90 per cent of all new government spending in the next three years will go to increases for healthcare**
- **An additional \$4.8 billion for healthcare over three years**
- **Record high funding for K-12 education and post-secondary education**
- **Over \$800 million in additional annual funding for education by 2011/12**
- **Over \$300 million in extra funding over three years for vital social services**
- **More funding for child care subsidies, services for children and families with special needs, and supports for adults with developmental disabilities**
- **More funding for policing and victims services**
- **New investments in social housing and new housing for seniors**
- **Major new funding commitments to support forest workers, miners and others who have been especially hard-hit by the global economic crisis**



Economic growth flows from prudent fiscal management

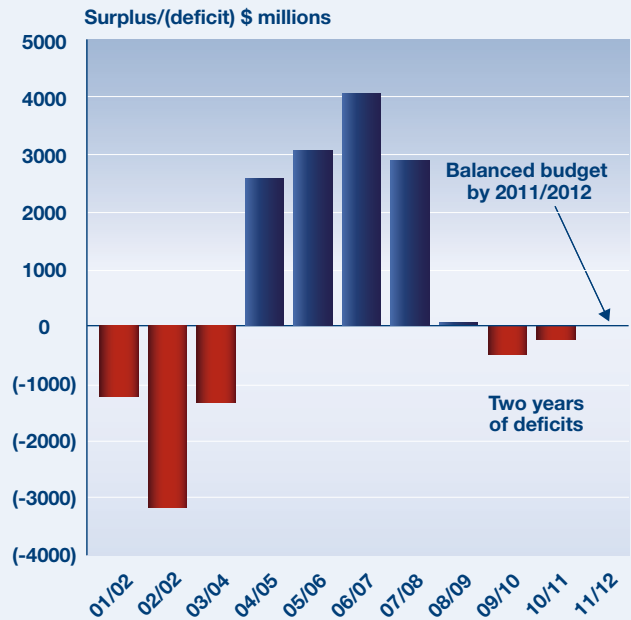
“The anticipated deficits, relative to consolidated revenues, are small when compared to those recorded in the late 1990s and early years of the current decade... We also believe that British Columbia, with its recent track record of outperforming budget targets, has the discipline necessary to ensure that deficits arising from the economic downturn remain cyclical and do not become structural.”

Moody's Investor Services



Through prudent fiscal management, and growing revenues fueled by our strong economy, we have dramatically reduced the burden of “taxpayer-supported debt” – or debt that can only be repaid by taxpayers.

Operating debt cut in half



We have cut ‘operating debt’ nearly in half. That debt was accumulated over eight successive operating deficits in the 1990s and from the structural deficit that the NDP left behind. It’s dead-weight debt from chronic overspending that weakened our economy and our ability to deliver top quality services. We owe it to our children to reject that approach. We must responsibly manage taxpayers’ money to protect the services and supports we have today for future generations.

Our Platform calls for 100 per cent of all future surpluses to be used first to eliminate the operating debt. It also ensures that taxpayer-supported debt does not rise to levels that would jeopardize our province’s hard-won Triple-A credit rating.

British Columbia and Alberta are the only provinces that currently enjoy that top credit rating. That has meant lower interest rates, lower borrowing costs and new savings that have been used to fund services for people, instead of paying interest to banks and lenders.

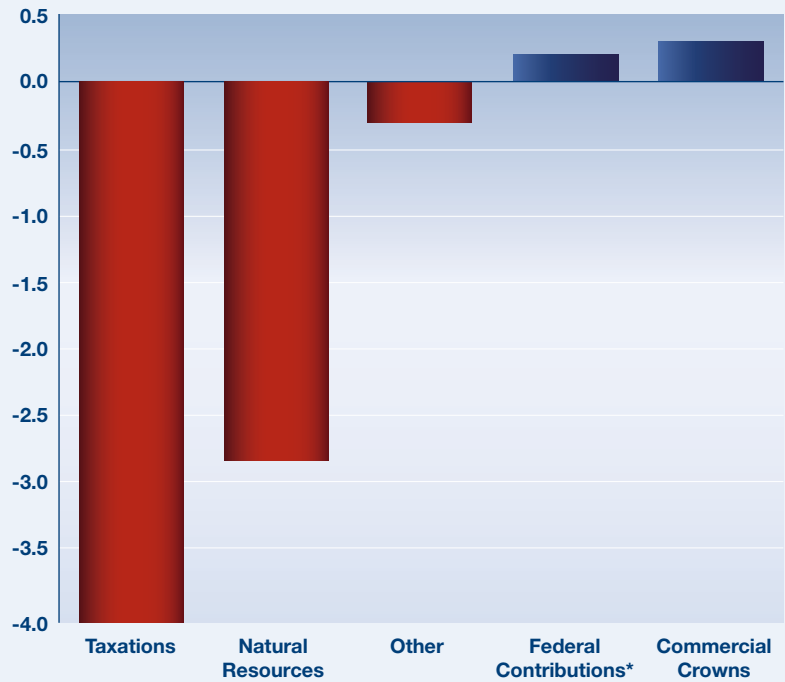


Government should balance its budget

Despite all of these efforts, the global recession has made a deficit in each of the next two years unavoidable. The economic downturn has caused a \$6.6 billion reduction in revenue over last year's fiscal plan. It's simply not possible to find savings large enough to offset that revenue loss without unacceptable cuts to essential public services. We will therefore incur a deficit of \$495 million this year and \$245 million next year. However, we have also passed a law that requires the budget to be balanced by 2011 and every year thereafter. No ministry will be legally allowed to exceed its budget in any year, and every penny of future surpluses must first go towards eliminating the operating debt.

\$6.6 billion decline in revenues

Three year change in projected revenue since the first Quarterly Report (\$ billions)



*Excludes \$870M in funding for the Labour Market Development Agreement transfer

Source: Budget and Fiscal Plan 2009/10 - 2011/12

“The fact is, under the NDP, we became a have-not province for the first time in our history. Does anyone really want to go back to those dismal days? We’ve had seven years of growth under the BC Liberals and that’s put us in very good shape to weather this storm. It’s all about leadership and competence and Gordon Campbell and his team have demonstrated both.”

Chuck van der Lee, President & CEO Rogers Retail