

1.2 BUDGET POSITION

BUDGET AGGREGATES

1996-97 Budget Projections

The 1996-97 Budget projects a surplus of \$145 million on a Government Finance Statistics (GFS) basis. This result includes the impact of equity restructure payments from Non Budget Sector agencies. On an "underlying" basis (i.e. excluding these transactions), the projected Budget result is a surplus of \$5 million, a \$287 million improvement on the current year's estimated underlying deficit.

The underlying \$5 million surplus consists of a surplus of \$2,243 million on the current side and a deficit of \$2,238 million on the capital side of the Budget. This is the first Budget surplus since 1988-89 and, to the extent that comparable historical data are available, only the second ever achieved.

The projected underlying Budget results for the period of the forward estimates are surpluses of \$155 million in 1997-98 and \$167 million in 1998-99. The levelling off in the 1998-99 result, following the previous year-on-year improvements, reflects increasing superannuation payments in that year (due to the increase from 6 per cent to 7 per cent in the compulsory superannuation contribution) and a decrease in revenue from the disposal of surplus assets in restructured GTEs.

Further details are shown in Table 1.5, with an analysis of the major components appearing later in this Section.

1 - 13

Interest Payments	1,646	1,576	(-) 4.3	1,653	4.9	1,555	(-) 5.9
Superannuation	1,057	1,272	20.3	1,362	7.1	1,485	9.0
Subsidies to Non Budget Sector							
Agencies -							
Redundancies	71	76	7.0
Other	951	887	(-) 6.7	782	(-) 11.8	787	0.6
Departmental Payments -							
Redundancies	22	26	18.2	10	(-) 61.5	10	...
Other	16,004	16,610	3.8	16,930	1.9	17,496	3.3
Treasurer's Advance	20	100	400.0	200	100.0	300	50.0
Total, Current Payments	19,771	20,548	3.9	20,936	1.9	21,633	3.3
less User Charges	1,192	1,301	9.1	1,318	1.3	1,357	3.0
Total, Current Outlays	18,579	19,246	3.6	19,618	1.9	20,276	3.4
Current Receipts							
Taxes, Fees and Fines	10,880	11,284	3.7	11,834	4.9	12,495	5.6
Income from Non Budget Sector							
Agencies	1,321	1,494	13.1	1,215	(-) 18.7	1,103	(-) 9.2
Commonwealth Grants	7,439	7,609	2.3	7,936	4.3	8,168	2.9
Other	863	1,102	27.7	934	(-) 15.2	838	(-) 10.3
Total, Current Receipts	20,503	21,490	4.8	21,919	2.0	22,604	3.1
Current Result	1,925	2,243		2,301		2,328	
Capital Outlays							
Gross Fixed Capital Payments -							
Olympics/Homebush Bay	56	442	689.3	605	36.9	387	(-) 36.0
Other	1,941	1,969	1.4	1,816	(-) 7.8	1,936	6.6
Capital Grants	1,284	1,158	(-) 9.8	1,138	(-) 1.7	935	(-) 17.8
Advances made	42	14	(-) 66.7	14	...	14	...
Total, Capital Payments	3,322	3,583	7.9	3,573	(-) 0.3	3,272	(-) 8.4
less Advances repaid to the Budget Sector (a)	1,896	139	(-) 92.7	71	(-) 48.9	34	(-) 52.1
less Asset Sales	164	409	149.4	171	(-) 58.2	98	(-) 42.7
Total, Capital Outlays	1,262	3,035	140.5	3,331	9.8	3,140	(-) 5.7
Capital Receipts							
Commonwealth Grants	849	931	9.7	961	3.2	975	1.5
Other	13	6	(-) 53.8	224	3,633.3	5	(-) 97.8
Total, Capital Receipts	862	937	8.7	1,185	26.5	980	(-) 17.3
Capital Result	(400)	(2,098)		(2,145)		(2,161)	
TOTAL RESULT (a) (b)	1,524	145		155		167	

(a) Includes equity restructure payments from Non Budget Sector agencies of \$1,806 million in 1995-96 and \$140 million in 1996-97 (see Section 4.3.20 for details).

(b) Excluding these payments, the underlying results are a deficit of \$282 million in 1995-96 and a surplus of \$5 million in 1996-97.

1995-96 Estimated Result

The financial result for 1995-96 is projected to be a surplus of \$1,524 million, an improvement of \$417 million on the estimate as at Budget time last year. This improvement is more than explained by the \$461 million increase in equity restructure payments received from Non Budget Sector due to the early availability in 1995-96 of payments originally budgeted to be received in 1996-97.

Excluding equity restructure payments, the result is projected to be a deficit of \$282 million, a deterioration of \$44 million on the Budget estimates. The main components explaining the deterioration were -

- **current outlays \$3 million above Budget**

interest payments	up \$54 million
superannuation payments	down \$21 million
departmental outlays	down \$25 million

- **current receipts \$7 million below Budget**

payroll tax	down \$49 million
contracts and conveyances stamp duty	up \$105 million
tobacco licence fees	up \$20 million
motor vehicle weight tax	up \$31 million
income from Non Budget Sector agencies	up \$27 million
Crown asset sales	down \$142 million

- **capital outlays \$41 million below Budget**

Olympic related works	down \$36 million
revised treatment of John Maddison Tower	up \$51 million
National Highways Program - RTA	down \$58 million

- **capital receipts \$76 million below Budget**

National Highway Program funding	down \$64 million
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The main aggregates relating to 1995-96 are shown in Table 1.6, while a more detailed explanation of the factors leading to the variations from Budget is given in Appendix B of this Budget Paper.

Table 1.6: 1995-96 Estimated Budget Result

	Budget	Revised	Variation	
	\$m	\$m	\$m	
Current Outlays				
Interest Payments	1,592	1,646		54
Superannuation	1,078	1,057	(-)	21
Subsidies to Non Budget Sector Agencies -				
Redundancies	77	71	(-)	6
Other	950	951		1
Departmental Payments -				
Redundancies	75	22	(-)	53
Other	15,900	16,004		104
Treasurer's Advance	75	20	(-)	55
Total, Current Payments	19,748	19,771		23
less user charges	1,171	1,192		21
Total, Current Outlays	18,576	18,579		3
Current Receipts				
Taxes, Fees and Fines	10,745	10,880		135
Income from Non Budget Sector Agencies (a)	1,436	1,321	(-)	115
Commonwealth Grants	7,401	7,439		38
Other	928	863	(-)	65
Total, Current Receipts	20,510	20,503	(-)	7
Current Result	1,934	1,925	(-)	9
Capital Outlays				
Gross Fixed Capital Payments	2,127	1,997	(-)	130
Capital Grants	1,224	1,284		60
Advances made	47	42	(-)	5
Total, Capital Payments	3,398	3,322	(-)	76
less Advances repaid to the Budget Sector (a)	1,461	1,896		435
less Asset Sales	174	164	(-)	10
Total, Capital Outlays	1,764	1,262	(-)	502
Capital Receipts				
Commonwealth Grants	921	849	(-)	72
Other	18	13	(-)	5
Total, Capital Receipts	938	862	(-)	76
Capital Result	(826)	(400)		426
TOTAL RESULT (b)	1,107	1,524		417

(a) Consistent with GFS principles, the Budget figures have been adjusted to reflect the reclassification of equity restructure payments from 'Income from Non Budget Sector Agencies' to 'Advances repaid to the Budget Sector'.

(b) Includes equity restructure payments from Non Budget Sector agencies.

Trends in Budget Results

Prior to 1991-92, the Budget was presented solely on a Consolidated Fund basis. This basis was not supported by statistical standards and did not involve a complete and accurate presentation of the financial position of the Budget Sector.

The Budget was first presented on a Government Finance Statistics (GFS) basis in 1991-92. The Government Finance Statistics are the statistical standards for the presentation of public sector outlays, receipts and financing transactions on a cash basis.

In order to provide a longer history of Budget results, it has been necessary to reconstruct Budget data for prior years on a GFS basis. Of course, this may give aggregates and components different to those which were published in the Budget Papers for those years. Aggregates for the period 1988-89 to 1994-95 also vary from those previously published due to data refinements.

Trends in the Budget position over recent years and projected over the forward estimates period are shown in Table 1.7 (and in Figure 1.1).

Table 1.7: Budget Sector Results, 1988-89 to 1998-99 (a)

Year	Current			Capital			Total Result	
	Outlays	Receipts	Result	Outlays	Receipts	Result	Underlying	GFS
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1988-89	12,746	13,613	867	1,515	851	(664)	202	254
1989-90	13,866	14,341	475	2,418	1,159	(1,259)	(784)	(784)
1990-91	14,792	14,990	198	2,386	1,213	(1,173)	(975)	(975)
1991-92	15,729	15,690	(39)	2,267	1,038	(1,229)	(1,268)	(1,268)
1992-93	16,060	16,423	363	2,605	1,241	(1,364)	(1,001)	676
1993-94	16,745	17,961	1,216	2,919	1,195	(1,724)	(508)	(412)
1994-95	17,680	18,954	1,274	2,570	977	(1,593)	(319)	208
1995-96	18,579	20,503	1,925	3,068	862	(2,206)	(282)	1,524
1996-97	19,246	21,490	2,243	3,175	937	(2,238)	5	145
1997-98	19,618	21,919	2,301	3,331	1,185	(2,145)	155	155
1998-99	20,276	22,604	2,328	3,140	980	(2,161)	167	167

(a) In order to present the underlying position, the table excludes the proceeds from the sales of major business assets such as the GIO and the State Bank and equity restructure payments to the Budget. Under GFS principles, these transactions would be shown as an offset to capital outlays. The final column indicates the results including these transactions.

Table 1.7 and Figure 1.1 show quite clearly a pattern of a Budget result deteriorating substantially up to 1991-92 (most noticeably in 1989-90), with a turnaround since 1991-92 leading to the underlying \$5 million surplus in this Budget and a projected surplus of \$167 million by 1998-99.

The history over many years in New South Wales (as in most other States) has been one of continuing underlying Budget deficits of varying magnitudes. Comparable data for the Budget Sector are not available prior to 1988-89 because of the wider range of transactions now included in the Budget and because of other accounting changes.

However, analysis of data compiled by the Australian Bureau of Statistics for the General Government Sector (a wider, but broadly similar coverage to the Budget Sector) would tend to confirm that the State has been running a Budget deficit over a long period.

MAIN COMPONENTS OF BUDGET RESULTS

Historic Trends

Budget aggregates change over time as a result of factors such as inflation, wages and population growth, policy initiatives and productive efficiency. One approach for measuring the year to year growth in Budget aggregates is to compare the increase in components of the outlays and revenues with the growth in the State economy. While such an approach has a number of deficiencies (particularly during pronounced economic cycles), it provides an approximate measure of the impact of government on the economy generally.

Table 1.8 shows the variations in Budget aggregates compared with what might be expected if growth had been in line with GSP. Over the period 1988-89 to 1991-92 the underlying Budget deficit expanded by around \$1.5 billion. Subsequent to 1991-92, the deficit fell by \$900 million during the next 3 years and is expected to fall a further \$300 million in the period 1994-95 to 1996-97.

Table 1.8: Growth in Budget Aggregates Compared with GSP (a) (b)

	1988-89 to 1991-92 \$m	1991-92 to 1994-95 \$m	1994-95 to 1996-97 \$m

Current Outlays -	1,203	(-) 397	(-) 391
Interest	(-) 16	(-) 482	(-) 395
Redundancies	343	(-) 177	(-) 79
Superannuation	247	34	164
Other	630	228	(-) 82
Capital Outlays -	541	24	372
Net Advances	(-) 196	250	59
Casino Licence	...	(-) 376	376
Other	736	150	(-) 63
Total Outlays	1,744	(-) 373	(-) 19
Receipts -	244	538	275
Tax	103	330	25
Grants	(-) 172	(-) 94	(-) 306
Other	314	303	556
Deficit	1,499	(-) 912	(-) 294

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- (a) Defined as the increase in the relevant aggregate less growth in line with GSP.
- (b) Adjustments have been made to a number of aggregates to facilitate time series comparisons. All aggregates have been adjusted for the impact of equity sales.

The main conclusions which can be drawn from the above analysis are as follows

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- During the period 1988-89 to 1991-92, the impact of the severe recession produced a rise in the relationship between outlays and GSP. The relative growth in current outlays was exacerbated by the need to fund redundancies and the movement to more fully fund superannuation liabilities. Capital outlays, in relative terms, also increased rapidly over the 3 years to 1991-92 with the deficit being only held down by special repayments of debt by the non-Budget sector.

A policy response to the recession and its negative impact on the Budget was an increase in tax rates. This produced an increase in revenues, despite the high base achieved in 1988-89 with the boom in property market transactions. These tax rate increases more than offset the underlying decline in the tax base. They included the introduction of the 3x3 fuel franchise fee, an increase in tobacco franchise fees from 30 to 50 per cent, the doubling of FID and an increase in payroll tax to 7 per cent. The impact on revenue of these tax changes is shown in Table 1.3.

However, the main source of revenue growth in the 3 years to 1991-92 was dividend payments from the Non Budget Sector.

- After the deficit peaked in 1991-92 at \$1,268 million, the growth in current outlays was constrained during the following 3 years, reflecting both policy actions and the impact of a slowly recovering economy. The process of winding back the growth was assisted greatly by a reduction in interest rates, with interest payments falling relative to GSP by nearly \$500 million. While current outlays fell relative to GSP, capital outlays continued to increase strongly, although revenue from the licensing of the casino in 1994-95 minimised the impact on the deficit. (Under GFS principles the proceeds from the casino fee were treated as an offset to capital outlays.)

On the revenue side, tax revenue continued to increase substantially as the economy recovered from the recession. The growth in taxes over this period was assisted by a further increase in tobacco franchise licence fees to 75 per cent, an increase in liquor licence fees from 10 to

13 per cent and a doubling of debits tax. Revenue from the Non Budget Sector also continued to increase strongly.

- Between 1994-95 and 1996-97 there is expected to be a further reduction in, and then elimination of, the deficit. In the main, the projected improved financial result will be achieved through control over outlays combined with real growth in revenues. Outlays growth will be constrained by further declines in interest expenses and the winding back of redundancy payments although superannuation expenditure is expected to continue to increase in line with the policy to eliminate the unfunded liability. Revenues other than taxes and Commonwealth grants are expected to increase strongly.

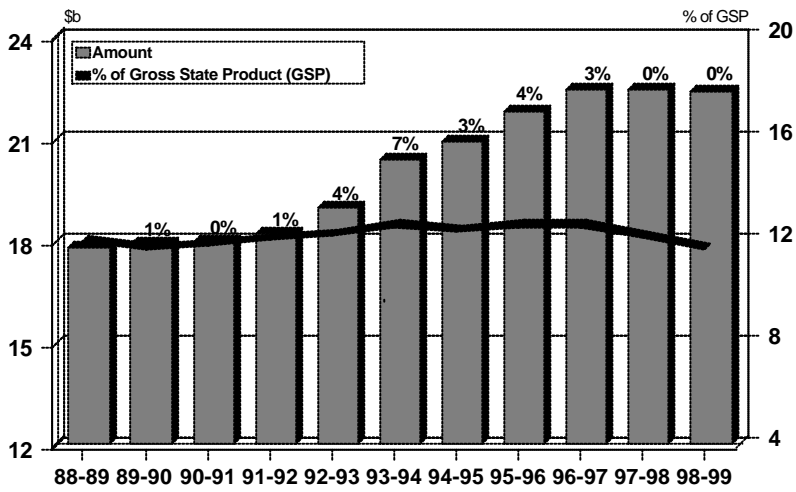
Receipts

Non-policy variations in Budget Sector receipts have by far the most significant impact on the State's overall Budget result, substantially greater than discretionary changes in expenditures.

State receipts, with the exception of payroll tax, are in fact relatively inelastic with respect to the general level of economic activity, in contrast to the position with Commonwealth revenue, which moves in line with the level of economic activity.

Figure 1.2
Budget Receipts

Real Terms, 1996-97 base; percentage change on previous year and percent of Gross State Product



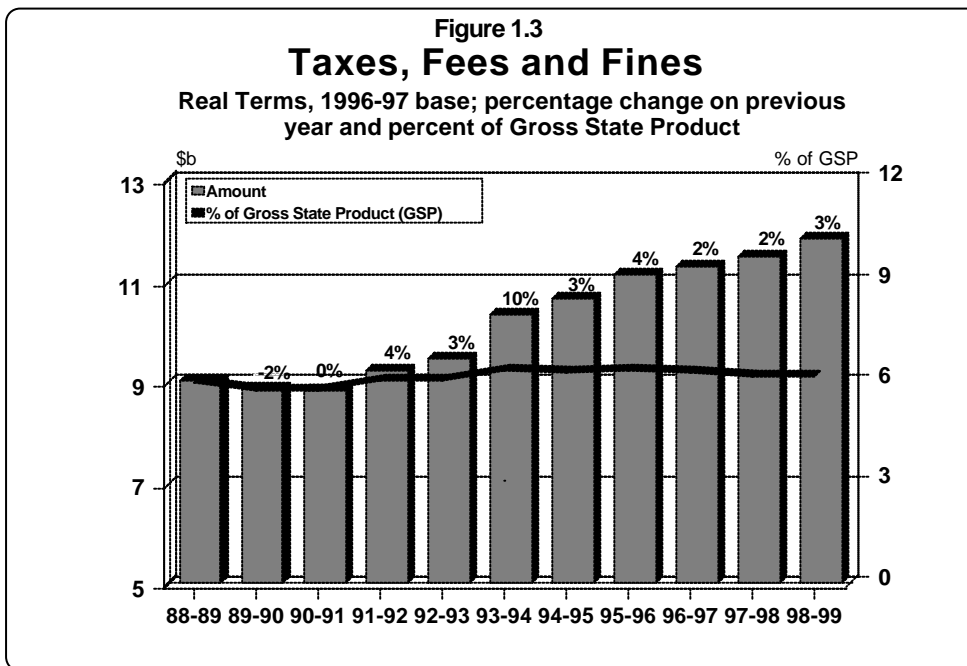
In the period 1988-89 to 1995-96, Budget receipts increased by 3.0 per cent per annum in real terms and, by 1995-96, reached 12.8 per cent of Gross State Product. However this largely reflects the impact of tax increases in the years 1988-89 to 1993-94 inclusive. Abstracting from policy changes, the real increase was only 2.1 per cent per annum.

For 1996-97, Budget Sector receipts are projected to again increase by 3.0 per cent in real terms. Expressed as a percentage of Gross State Product, Budget Sector receipts are projected to fall from 12.8 per cent in 1995-96 to 11.9 per cent in 1998-99.

The main features of the projected receipts position for 1996-97 are as follows -

- **a moderate increase in revenue from taxes, fees and fines**

There are no new taxes or tax increases in this Budget.



Overall, receipts from taxes, fees and fines are projected to increase by 3.7 per cent in 1996-97 (1.7 per cent in real terms).

The main contributors to this increase are -

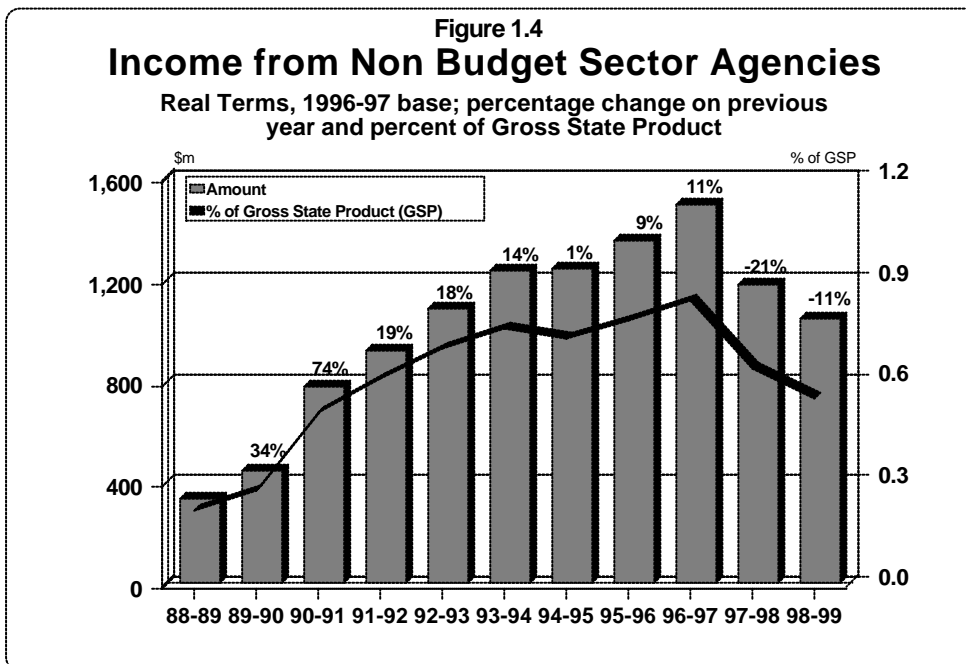
- an 11.3 per cent increase in contracts and conveyances stamp duty, reflecting an improvement in confidence in the property market during 1995-96 following the stabilisation of interest rates; and
- an expected increase of 4.7 per cent in payroll tax collections, reflecting growth in employment and wages.

Partly offsetting the above factors is the projected 45.7 per cent decrease in drivers' licence fees, reflecting the pattern of receipts associated with the renewal pattern of five year licences.

- **an increase in income from Non Budget Sector agencies**

Income from Non Budget Sector agencies is projected to increase by 10.9 per cent in real terms in 1996-97. This reflects -

- dividends declining by 8.4 per cent and tax equivalent payments growing by 33.8 per cent; and
- the inclusion of proceeds from the sale of surplus assets in 1996-97, largely associated with agency restructuring.



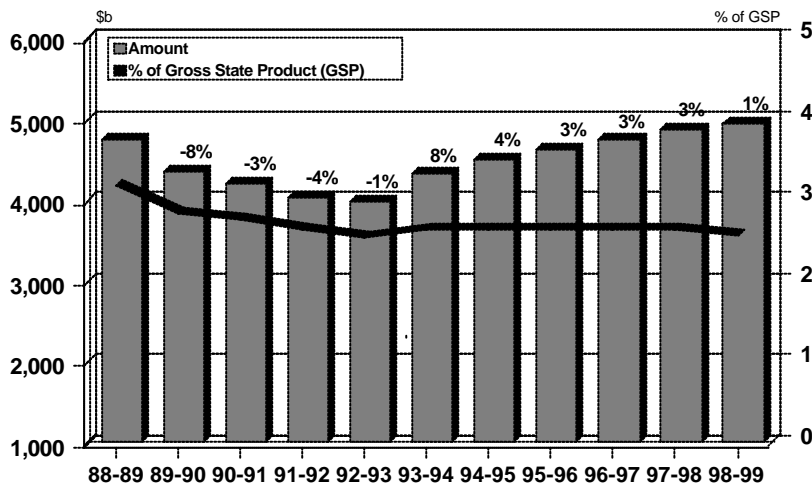
Beyond 1996-97, underlying income (i.e. excluding revenue from the sale of surplus proceeds) from Non Budget Sector agencies is projected to decline in real terms and as a percentage of Gross State Product. After reaching a peak of \$1,494 million (or 0.85 per cent of Gross State Product) in 1995-96, it is

expected to decline to \$1,045 million (or 0.56 per cent of Gross State Product) by 1998-99. This decline largely reflects the impact of declining profits in the electricity area due to reduced electricity prices.

- **increase in Commonwealth grants**

In assessing Commonwealth grants, a distinction needs to be made between general purpose or untied payments and specific purpose or tied payments as they exhibit disparate trends and have quite different implications for State finances.

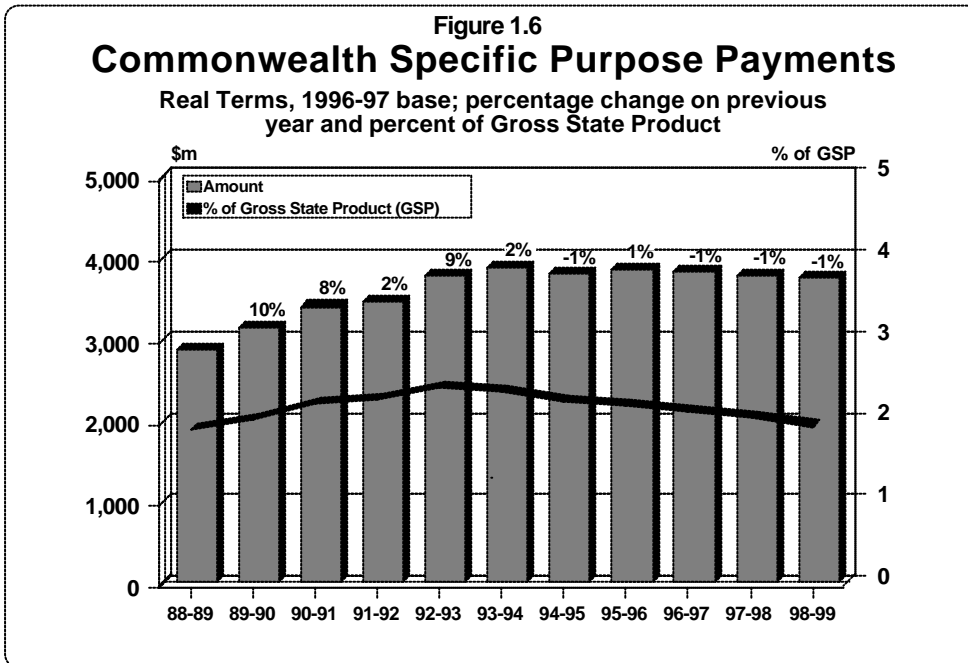
Figure 1.5
Commonwealth General Purpose Payments
 Real Terms, 1996-97 base; percentage change on previous year and percent of Gross State Product



General purpose payments, consisting of financial assistance grants, special revenue assistance and untied roads funding (and in years prior to 1994-95, general purpose capital payments) declined sharply in real terms between 1987-88 and 1992-93 by about \$760 million (or a reduction from 3.2 per cent to 2.6 per cent of Gross State Product). By 1996-97 general purpose payments should recover to their 1988-89 level in real terms, although as a percentage of GSP, Commonwealth general purpose payments will have declined by 0.5 per cent relative to 1988-89.

General purpose payments are expected to increase in real terms by 2.6 per cent in 1996-97, by 2.9 percent in 1997-98 and by 1.3 per cent in 1998-99.

Beyond 1996-97, general purpose payments will continue to decline as a proportion of Gross State Product, falling from 2.7 per cent in 1997-98 to 2.6 per cent in 1998-99. This reflects, among other things, the assumption that financial assistance grants will be maintained in real per capita terms and that the Commonwealth Government will make the first payment under the National Competition Policy Agreement in 1997-98.



At the same time that general purpose payments declined, specific purpose payments (current and capital) increased from 38 per cent of total Commonwealth payments in 1988-89 to 49 per cent in 1992-93. In the four years to 1996-97 this percentage is projected to decline to 45 per cent.

The increase in tied grants during the period prior to 1992-93 did not compensate for the cut in untied grants. Tied grants impose hidden costs through matching requirements, reporting and other administrative arrangements, resulting in duplication and overlap, as well as a loss of funding flexibility.

While a reduction in the share of specific purpose payments on an unchanged policy basis is expected beyond 1996-97, this will hardly be sufficient to compensate for adverse trends in the Commonwealth funding mix during the decade prior to 1992-93.

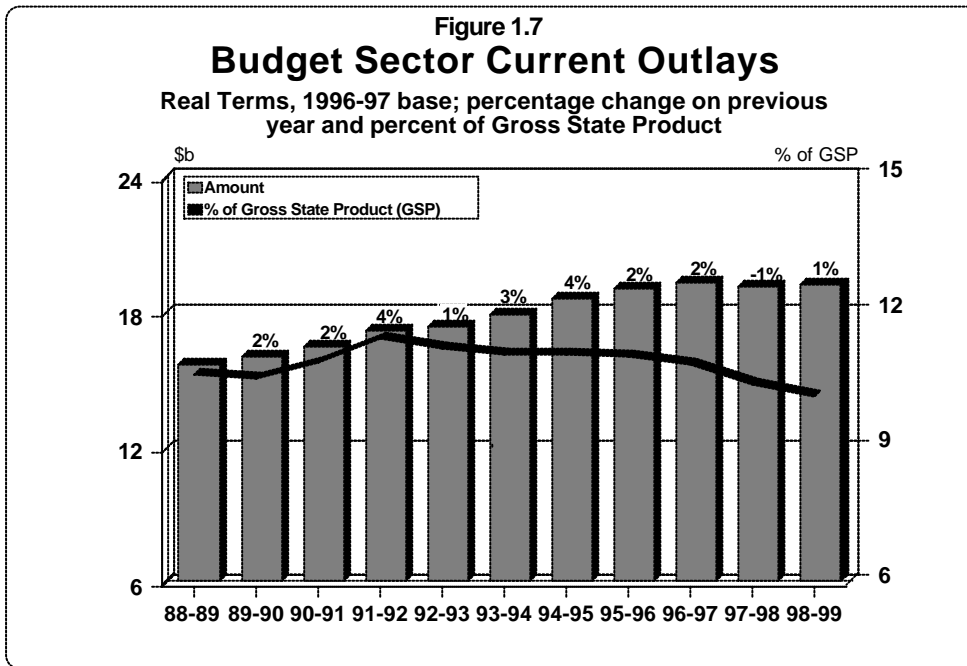
Current Outlays

Current outlays are projected to increase by 3.6 per cent in 1996-97, a real increase of 1.6 per cent.

Table 1.9: Summary of Current Outlays

		1995-96 Revised	1996-97 Estimate	1997-98 Estimate	1998-99 Estimate
Current outlays	\$m	18,579	19,246	19,618	20,276
Change over previous year	%	5.1	3.6	1.9	3.4
Real change over previous year	%	2.2	1.6	(-) 1.1	0.9
As a proportion of GSP	%	11.1	11.0	10.5	10.2

Over the three year period to 1998-99, current outlays are projected to increase by 1.4 per cent in real terms and decline as a proportion of Gross State Product from 11.1 per cent in 1995-96 to 10.2 per cent in 1998-99.



The small real increase of 1.6 per cent in current outlays in 1996-97 mainly reflects the net of the following -

- the relative low increase in the broad measure of inflation, the Non Farm GDP deflator, relative to the inflation measures that impact on expenditure, namely wages growth and the CPI;
- the 6.1 per cent real decline in interest payments in 1996-97;
- a 18.1 per cent real increase in superannuation payments;
- the real decline of 7.5 per cent in subsidies to Non Budget Sector agencies, mainly reflecting the further reduction in transport authority cost structures; and
- a real increase in departmental payments of 1.8 per cent, reflecting growth in governmental priority areas of community services, law and order and education.

Within the current outlays area, there are a number of important trends and these are set out below.

- **interest payments**

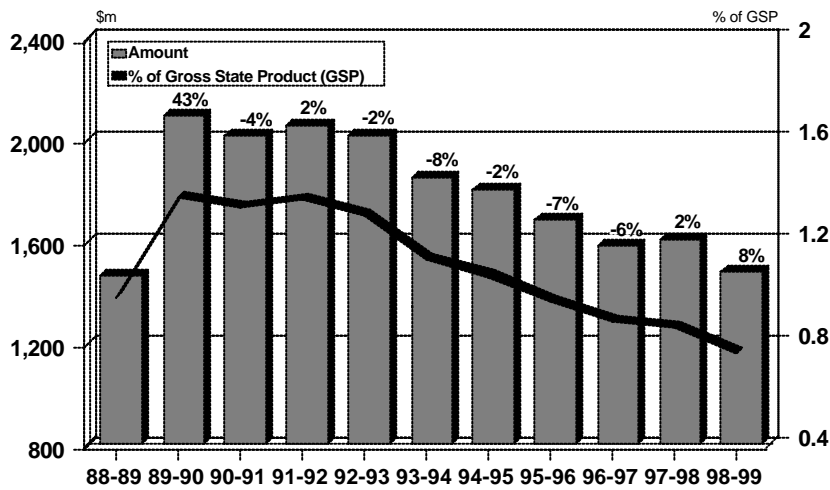
Budget Sector debt servicing costs, as a percentage of Budget receipts, have declined from 11.7 per cent in 1989-90 to 7.0 per cent in 1996-97 and are projected to fall to 6.6 per cent in 1998-99 with further falls in future years as the debt reduction strategy of the Government continues to deliver ongoing benefits.

The decline in interest payments reflects both the containment of the growth in debt levels plus the very substantial decline in interest rates that have occurred over the last three years. The decline in interest rates has a lagged effect, reducing interest payments as new debt is raised and existing debt matures.

Figure 1.8

Budget Sector Interest Payments

Real Terms, 1996-97 base; percentage change on previous year and percent of Gross State Product



- **superannuation**

Superannuation payments are projected to increase by 20.3 per cent in 1996-97, a real increase of 18.1 per cent. This large increase is the result of the planned increase in payments aimed at extinguishing the unfunded superannuation liability, and of the Government assuming responsibility for some of the unfunded liability of restructured Non Budget Sector agencies in the transport and electricity sectors.

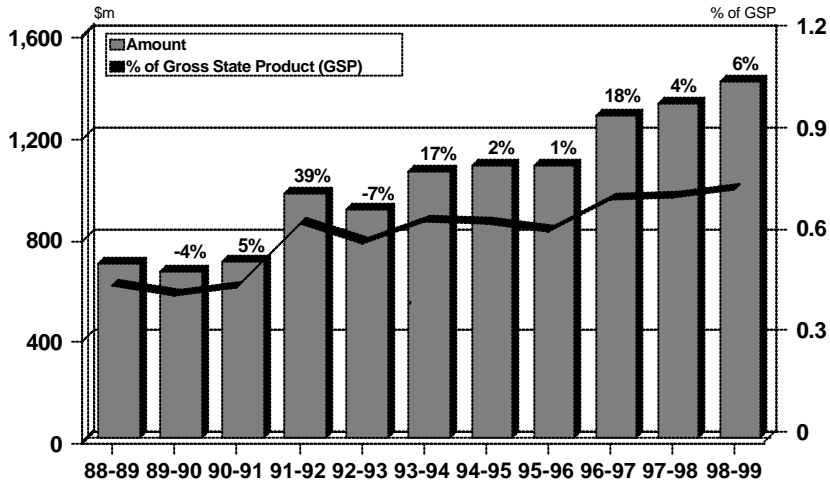
Over the period 1990-91 to 1995-96, superannuation payments have increased by an average 11.1 per cent per annum, or 9.3 per cent per annum in real term.

The reform of the State's major superannuation schemes (as detailed in Section 7.3) is addressing the unfunded superannuation liability and will, over time, reduce the cost of superannuation relative to what otherwise would have been the case.

However, in the short to medium term, the reform will involve substantially increased cash payments as the new scheme, First State Super, is financed on a fully funded basis. Additional payments will also be made into the closed schemes, as part of the strategy to first fully fund accruing liabilities by the year 2020 and then to extinguish Budget Sector unfunded liabilities relating to these schemes by the year 2044-45. Additional cash payments over the 10 year period 1996-97 to 2005-06 are projected to be about \$3.4 billion (in June 1996 dollars).

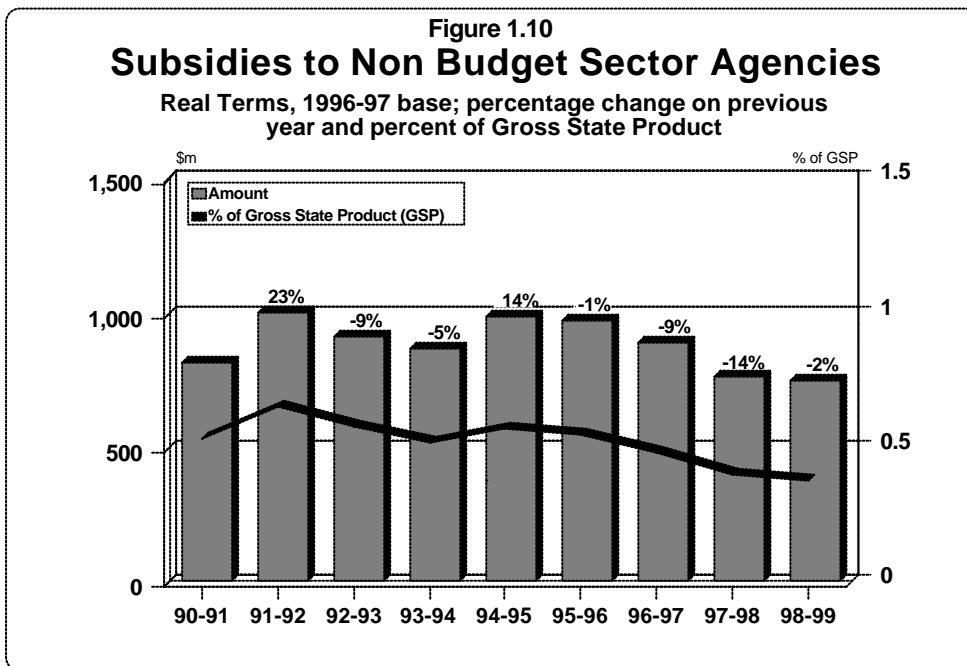
Figure 1.9 Superannuation Payments

Real Terms, 1996-97 base; percentage change on previous year and percent of Gross State Product



- **subsidies to Non Budget Sector**

Subsidies to Non Budget Sector agencies, principally to the transport authorities (but excluding redundancy subsidies) continue to decline in real terms reflecting the continuing impact of further reform and restructure in this area.



- **Departmental payments**

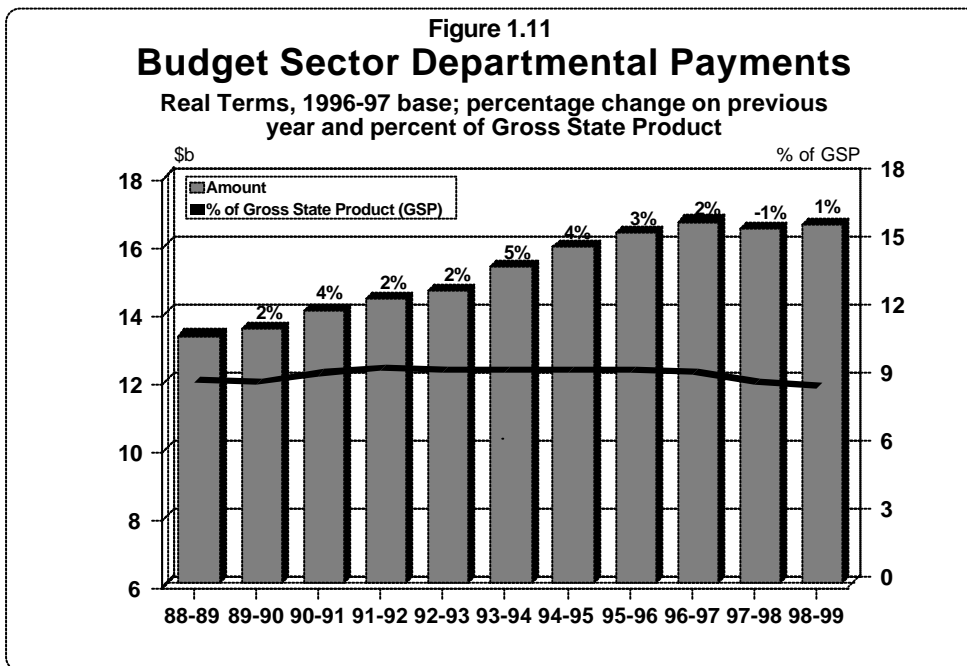
Departmental payments exclude interest and superannuation payments and subsidies to Non Budget Sector agencies.

Over the three years to 1998-99, departmental payments are projected to increase by 1.5 per cent in real terms but decline as a proportion of Gross State Product from 9.6 per cent in 1995-96 to 8.8 per cent in 1998-99.

Departmental payments are projected to increase by 1.8 per cent in real terms in 1996-97. This increase is primarily due to -

- the impact of the relatively low increase in the measure of inflation used to calculate real growth;
- real growth of 3.1 per cent in the Social and Community Services area, due largely to the cost of pensioner electricity rebates now being funded from the Budget and additional funding being provided for child protection services and services for people with a disability;
- increased payments relating to the joint Commonwealth/State assistance program for restructure of the forestry industry; and
- real growth of around 2.9 per cent in primary and secondary education, reflecting additional teachers, funding for the school technology initiative and additional funding for school cleaning.

Departmental payments are estimated to decline by 1.2 per cent in real terms in 1997-98. This mainly reflects the net impact of the full year effect of the completion of the Police Royal Commission, reduced requirements for drought assistance and the substantial completion of expenditure on the forest industry restructure package in 1996-97, partially offset by the increased payments in School Education due to the full effect of education initiatives.



Details of current payments by policy area and sector and by Minister and agency are provided in Chapter 4 and in Appendices E and F respectively to this Budget Paper.

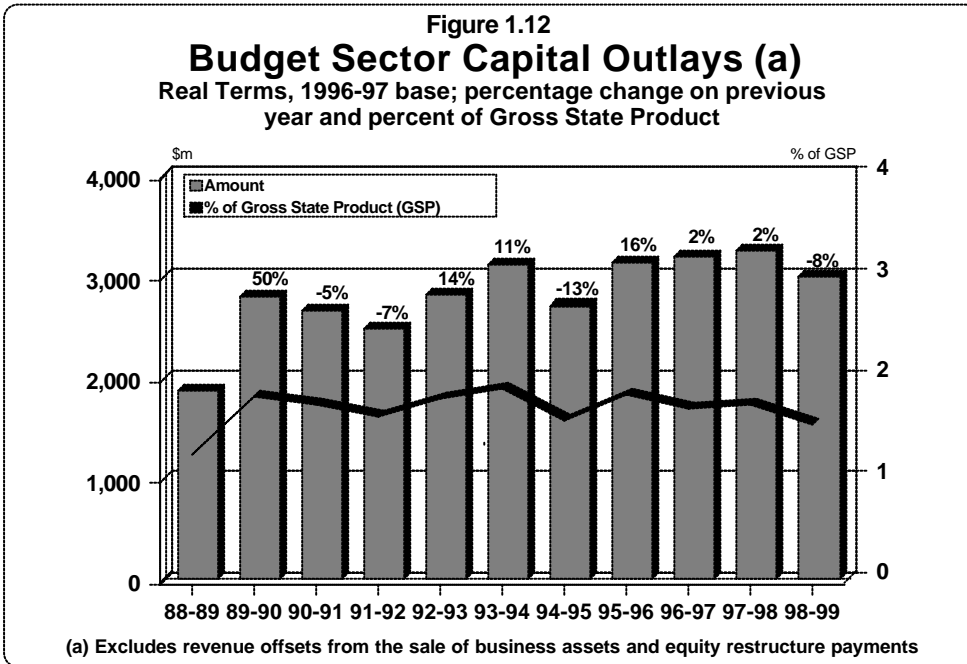
Capital Outlays

Over the period 1989-90 to 1996-97, Budget Sector capital outlays will have increased by 25.5 per cent or nearly \$246 million in real terms. Major factors contributing to the real growth over this period include the acceleration in the State's roads program (the 3 cents petroleum levy and the full hypothecation of motoring taxation), increased funding for hospital infrastructure, including the relocation of hospital facilities to the west and south-west of Sydney, the major infrastructure renewal program of the State Rail Authority, and (in 1996-97) the substantial expenditure on Olympics and Homebush Bay projects.

Expressed as a percentage of Gross State Product, Budget Sector capital outlays have remained relatively constant at around 1.8 per cent over the period 1990-91 to 1996-97 but are projected to decline to 1.6 per cent in 1998-99, as the peak years of Budget funded expenditure on the Olympic/Homebush Bay projects are passed.

Budget Sector capital outlays are projected to increase by 3.5 per cent in 1996-97, a real increase of 1.5 per cent. Excluding Olympic related expenditure, outlays will decrease by 11 per cent in real terms in 1996-97.

The Budget Sector capital outlays include the full assessed commitment for the Olympics and Homebush Bay development. The Olympics related capital payments will increase from \$56 million in 1995-96 to \$442 million in 1996-97 and \$605 million in 1997-98.



OVERVIEW OF BUDGET SECTOR FINANCIAL PERFORMANCE

The Government is firmly committed to reducing and ultimately eliminating the State's Budget Sector debt in order to ensure that future generations are not left with a legacy which will reduce their ability to enjoy the same level of public services as are currently enjoyed by this generation. The only lasting way that this goal can be achieved is to produce an ongoing Budget surplus.

Indicators of the Budget Sector financial performance are summarised in Table 1.10.

Table 1.10: Key Budget Sector Performance Indicators

Financial Indicator	1989-90	1990-91	1991-92	1992-93	1993-94	1994-95	1995-96	1996-97	1997-98	1998-99
Debt and Interest Burden										
Net debt: % of Budget receipts	n.a.	n.a.	77.4	78.6	77.8	75.0	61.9	59.0	57.2	56.1
% of GSP	n.a.	n.a.	9.5	9.9	10.1	9.5	7.9	7.5	7.1	6.7
Debt servicing costs: % of Budget receipts	11.7	11.2	11.3	10.6	9.0	8.6	7.7	7.0	7.2	6.6
% of GSP	1.4	1.4	1.4	1.3	1.2	1.1	1.0	0.9	0.9	0.8
Unfunded Superannuation Liability										
% of Budget receipts	59.1	65.2	72.3	70.3	63.9	63.7	62.6	62.4	59.0	56.3
% of GSP	7.1	8.0	8.9	8.9	8.3	8.1	8.0	8.0	7.3	6.7
Budget Result (underlying)										
% of Budget receipts	(-) 4.4	(-) 5.4	(-) 7.0	(-) 5.3	(-) 2.5	(-) 1.5	(-) 1.3	...	0.7	0.7
% of GSP	(-) 0.5	(-) 0.7	(-) 0.9	(-) 0.7	(-) 0.3	(-) 0.2	(-) 0.2	...	0.1	0.1
Tax Burden										
NSW Tax Severity Index (base = 100)	n.a.	105.5	104.0	103.1	101.6	103.9	n.a.	n.a.	n.a.	n.a.
Trends in Payments and Receipts										
Current outlays: real change (%)	2.3	2.4	4.4	0.9	3.3	4.0	2.2	1.6	(-) 1.1	0.9
% of GSP	10.6	11.0	11.5	11.3	11.2	11.2	11.1	11.0	10.5	10.2
Capital outlays: real change (%)	50.0	(-) 5.3	(-) 6.7	13.4	11.0	(-) 13.5	16.1	1.5	1.8	(-) 8.0
% of GSP	1.9	1.8	1.7	1.8	1.9	1.6	1.8	1.8	1.8	1.6
Total Outlays: real change (%)	7.3	1.3	2.8	2.5	4.3	1.5	4.0	1.6	(-) 0.7	(-) 0.4
% of GSP	12.5	12.8	13.2	13.1	13.1	12.8	12.9	12.8	12.3	11.8
Receipts: % real change (%)	0.7	0.4	1.3	4.4	7.4	2.5	4.2	3.0	(-) 0.1	(-) 0.3
% of GSP	11.9	12.0	12.2	12.4	12.8	12.6	12.8	12.8	12.4	11.9
Budget Sector Employment (as at 30 June)										
Number (000)	225.4	228.4	221.7	224.8	222.9	228.2	227.6 ^(a)	n.a.	n.a.	n.a.
% change	0.1	1.6	(-) 2.9	1.4	(-) 0.8	2.4	(-) 0.3	n.a.	n.a.	n.a.
% of labour force	8.0	8.1	7.7	7.8	7.6	7.6	7.5 ^(a)	n.a.	n.a.	n.a.

(a) As at 31 March 1996.

