

FACT SHEET

T H E B U D G E T S U R P L U S

General

- The 'headline' measure of the budget surplus in Western Australia is the net operating balance for the general government sector.
- The net operating balance measures – for a particular financial year – the excess of revenue (from State taxes, mining royalties, Commonwealth grants, etc) over day-to-day or 'operating' spending (i.e. spending on public sector salaries, grants to the community, interest payments, etc).
 - The surplus does not include capital spending (i.e. spending on infrastructure like new schools, hospitals and roads).
- The surplus is **not** idle cash. It is a funding source for capital spending – the State's savings account.
 - The Government is investing its savings – the surplus – back into the State through the provision of essential infrastructure. Infrastructure like the \$1.6 billion New MetroRail project and the \$1.1 billion Fiona Stanley Hospital, both of which will be built free of any debt.
- The higher the surplus, the less the State needs to borrow to fund its Capital Works Program. Around 43% of the 2007-08 Capital Works Program is funded by the surplus (across the total public sector).
- The surpluses forecast across the forward estimates period (2007-08 to 2010-11) total over \$5 billion. In the absence of these surpluses:
 - the Government would have to borrow an additional \$5 billion (taking the level of net debt to over \$13 billion) in order to fund its Capital Works Program;
 - to service this additional debt, interest payments would rise by around \$300 million per year – that's \$300 million per year in 'dead' money that would no longer be available for service delivery in areas like health, education and law and order; and
 - the net debt to revenue ratio would rise to around 58% – well above the Government's 47% target, and placing the State's triple-A credit rating at risk.

May 2007 Monthly Report

- The May 2007 *Monthly Report of General Government Finances* (released 12 July 2007) shows that:
 - an operating deficit of \$68 million was recorded for the month of May 2007. This follows an operating surplus of \$365 million in April, highlighting the volatility of monthly results (due to timing and various one-off factors);
 - notwithstanding the deficit result in May, the cumulative operating surplus for the first 11 months of 2006-07 was \$2,025 million, up \$187 million on the operating surplus recorded for the same period in 2005-06;
 - capital spending was up a significant \$384 million (or 39%) for the first 11 months of 2006-07 relative to the same period in 2005-06, reflecting the State's record Capital Works Program; and

- payroll tax, stamp duties and land tax, which together account for nearly 30% of total operating revenue and around 85% of total taxation revenue, are tracking at levels that are broadly consistent with the expected outcome for 2006-07 as published in the 2007-08 Budget – see charts below.

