

THE 2026-27 TASMANIAN STATE BUDGET – AN ASSESSMENT

BRIEFING FOR MLCs

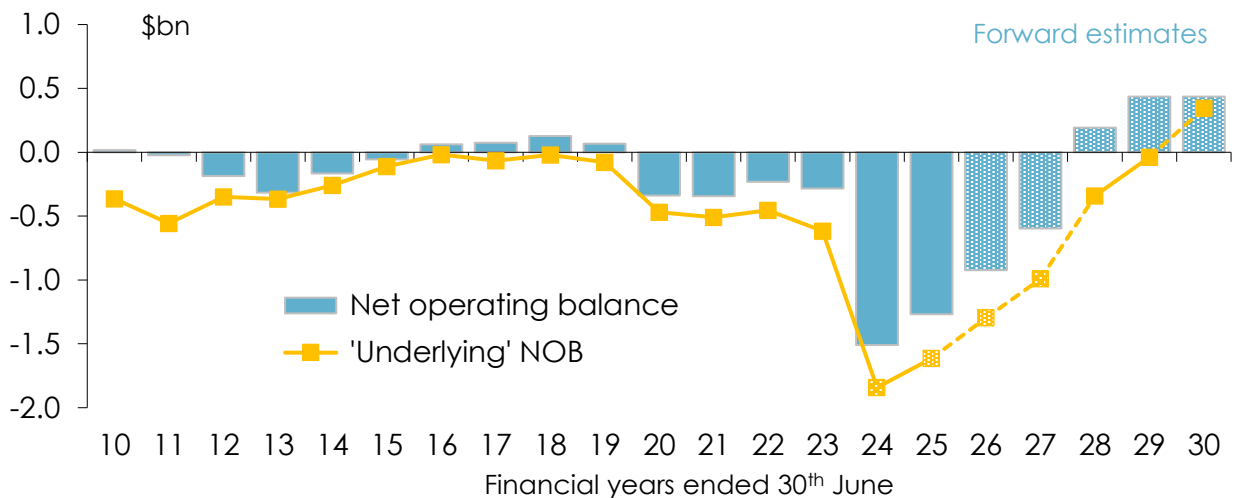
26TH MAY 2026

SAUL ESLAKE

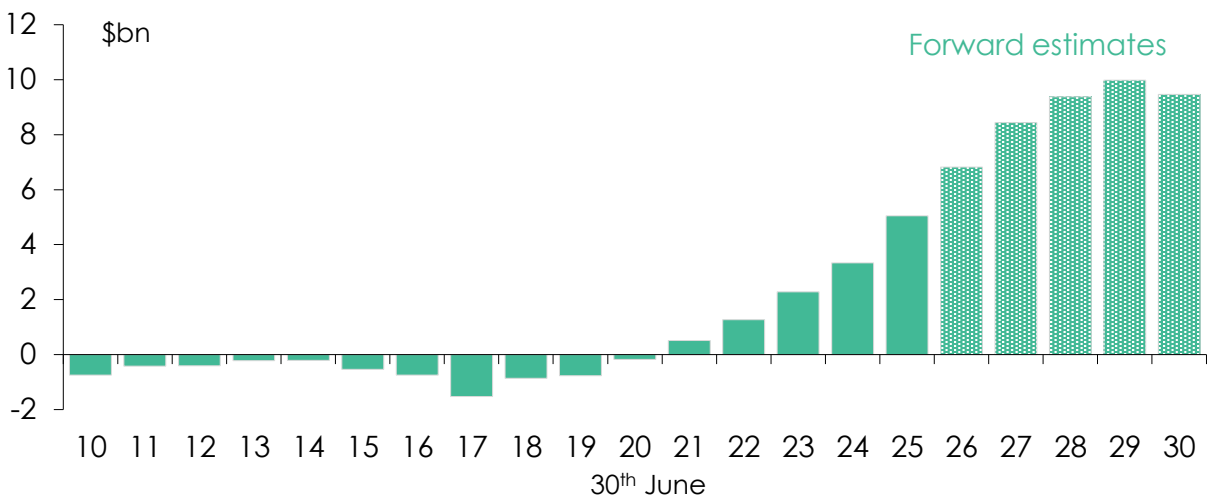
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The 2026-27 Budget projects improvements in all of the major indicators of Tasmania's 'general government' financial position

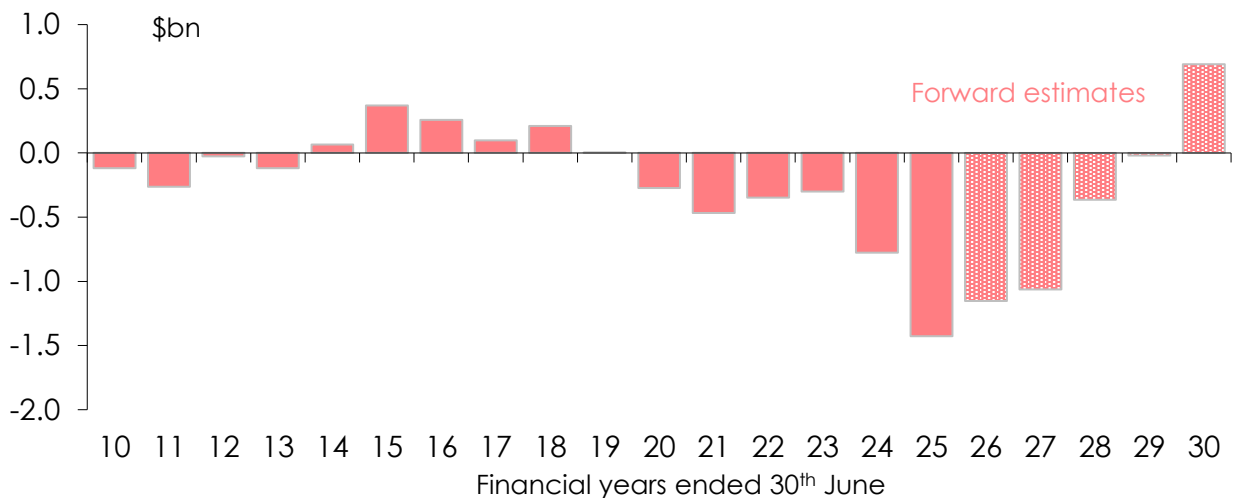
Net operating balance



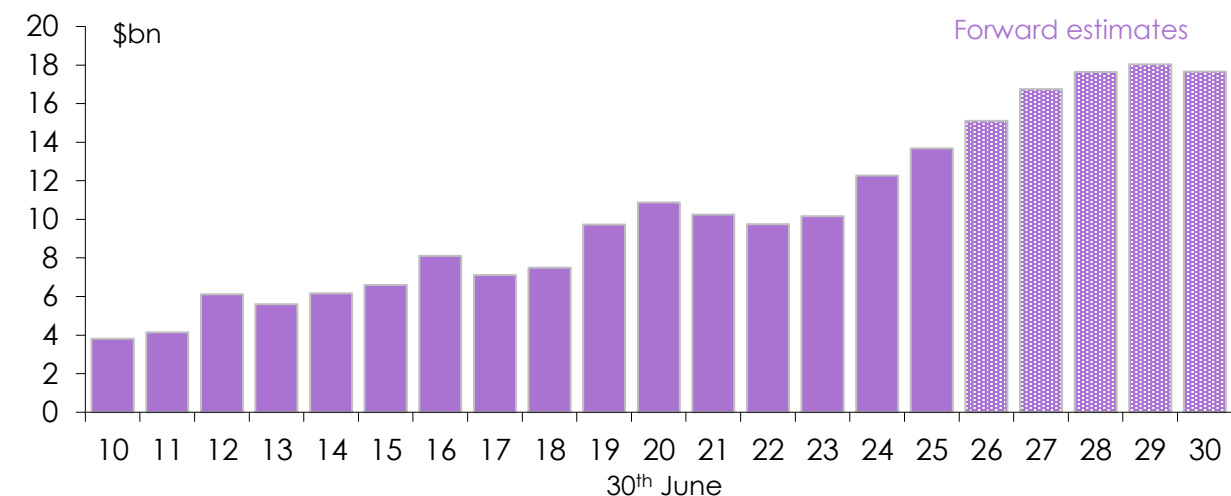
Net debt



Cash balance



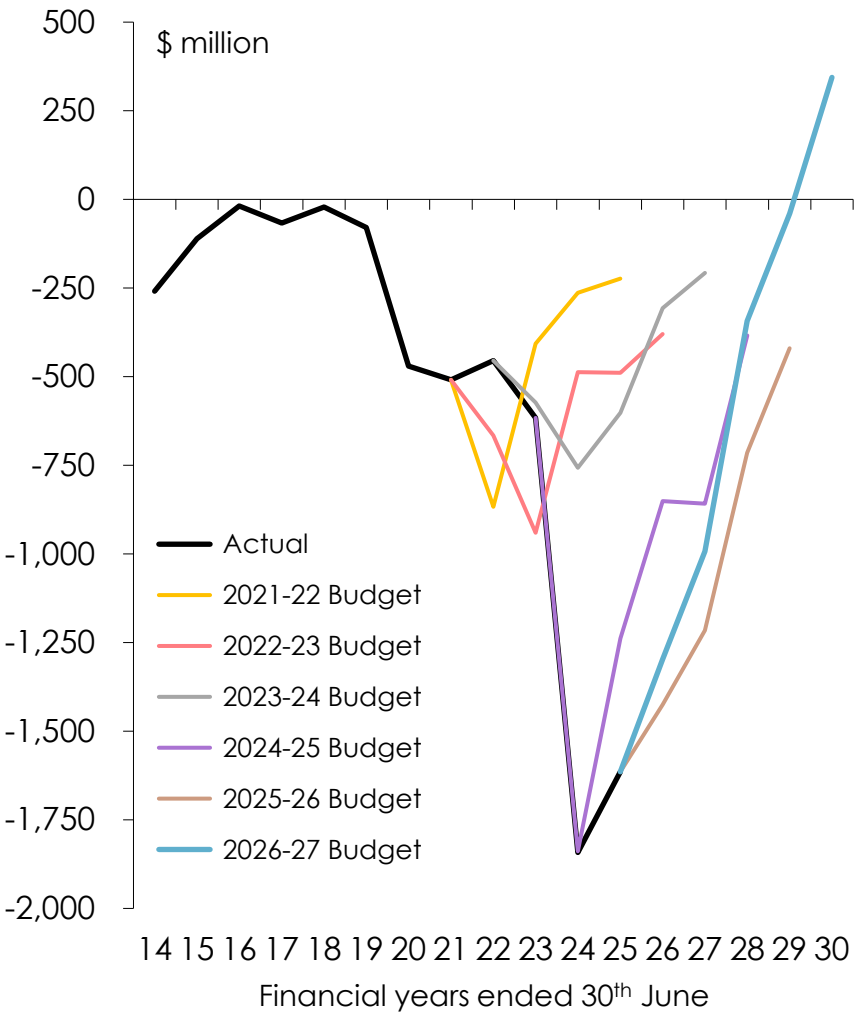
Net financial liabilities



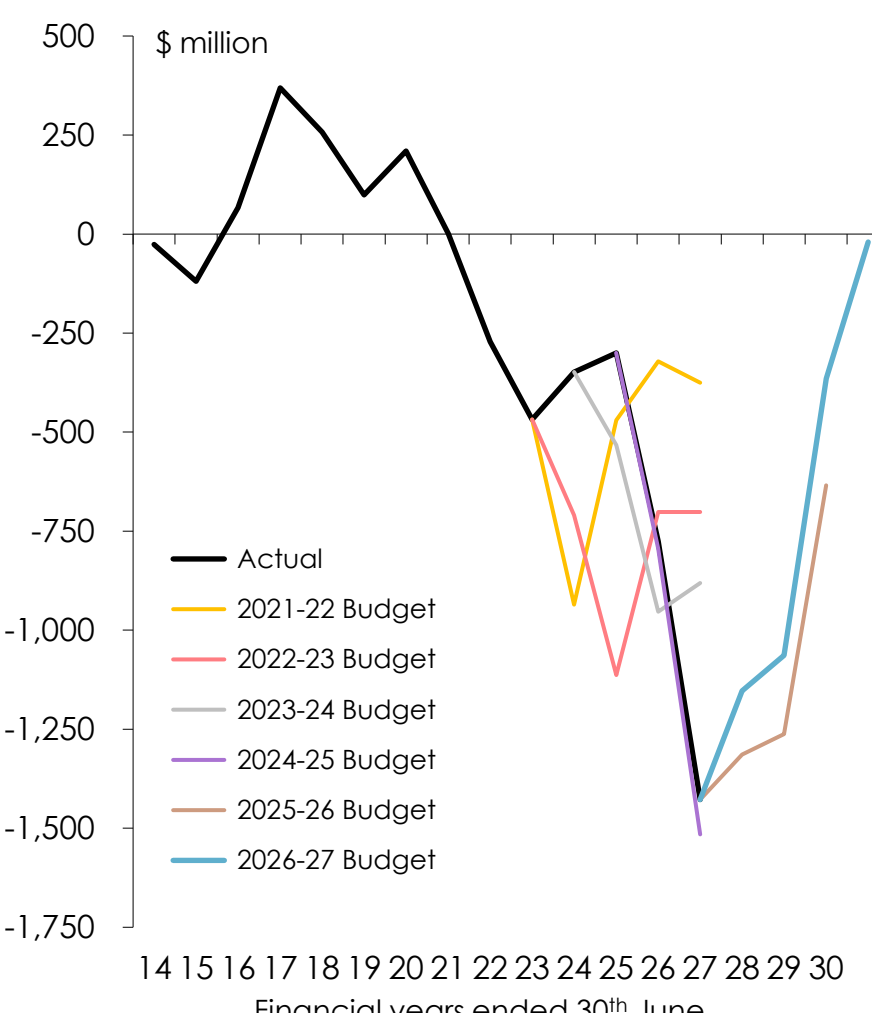
Note: Data shown in these charts are for the 'general government' sector. 'Underlying' net operating balance excludes one-off grants from the Commonwealth Government for capital purposes. 'Net financial liabilities' includes the unfunded superannuation liability. Sources: Tasmanian Government, [Treasurer's Annual Financial Report](#), 2024-25 and previous issues; [Budget Strategy and Estimates: Budget Paper No. 1](#), 2026-27 and previous issues.

The 2026-27 Budget is the first since 2016-17 which doesn't show Tasmania's finances getting worse than the previous one

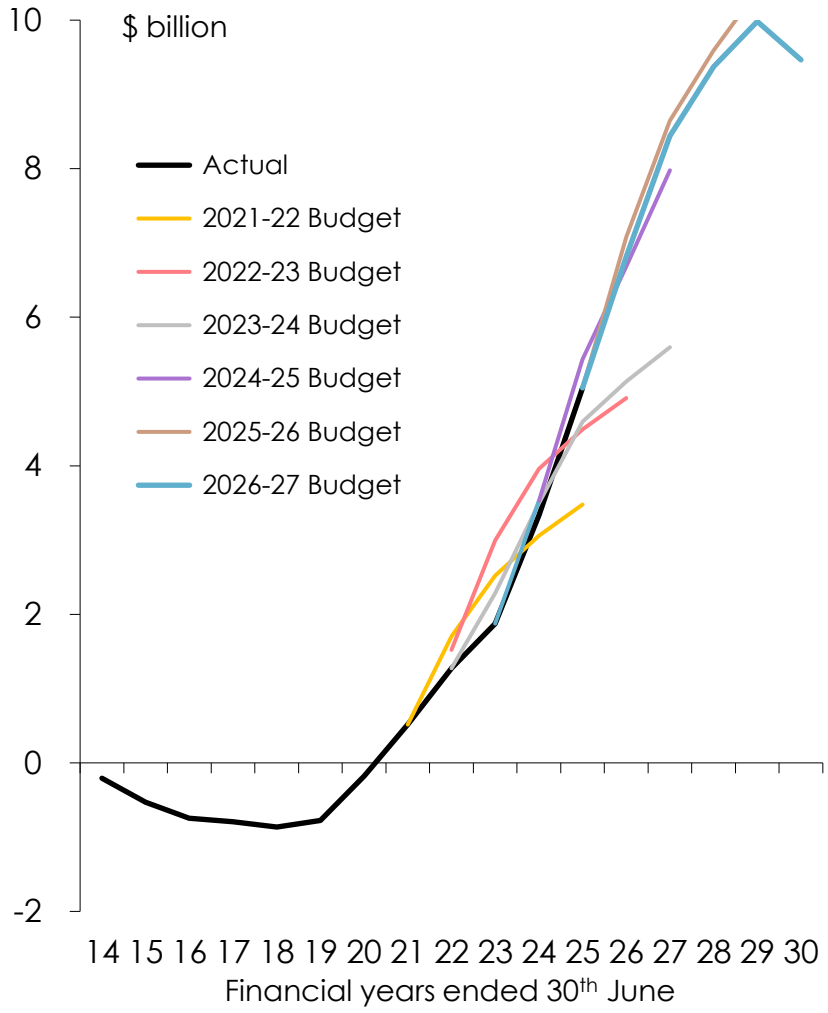
Successive Budget forecasts of the 'underlying' net operating balance



Successive Budget forecasts of the cash balance



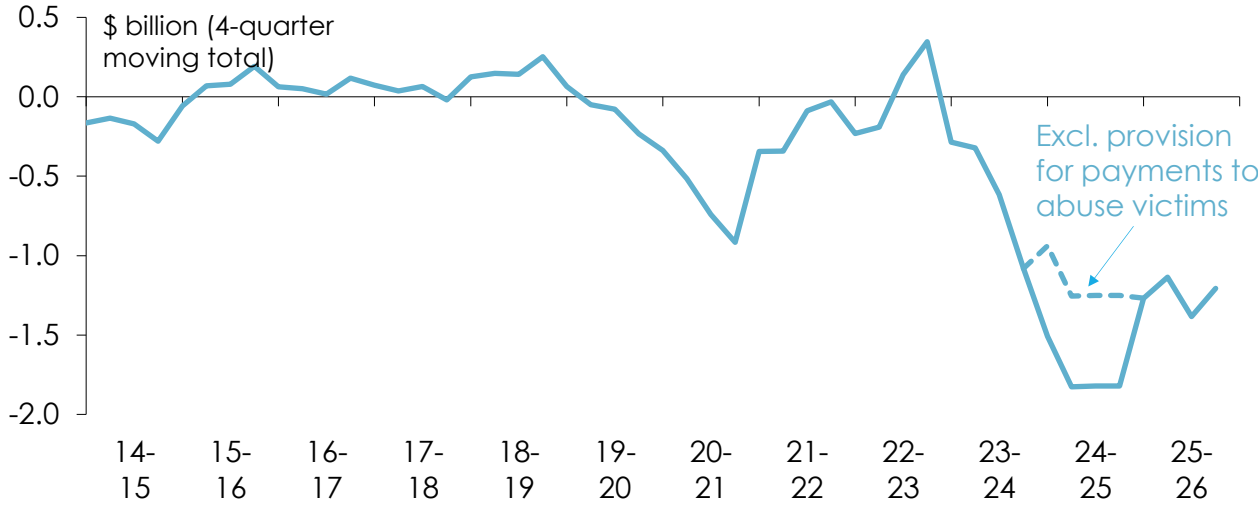
Successive Budget forecasts of net debt



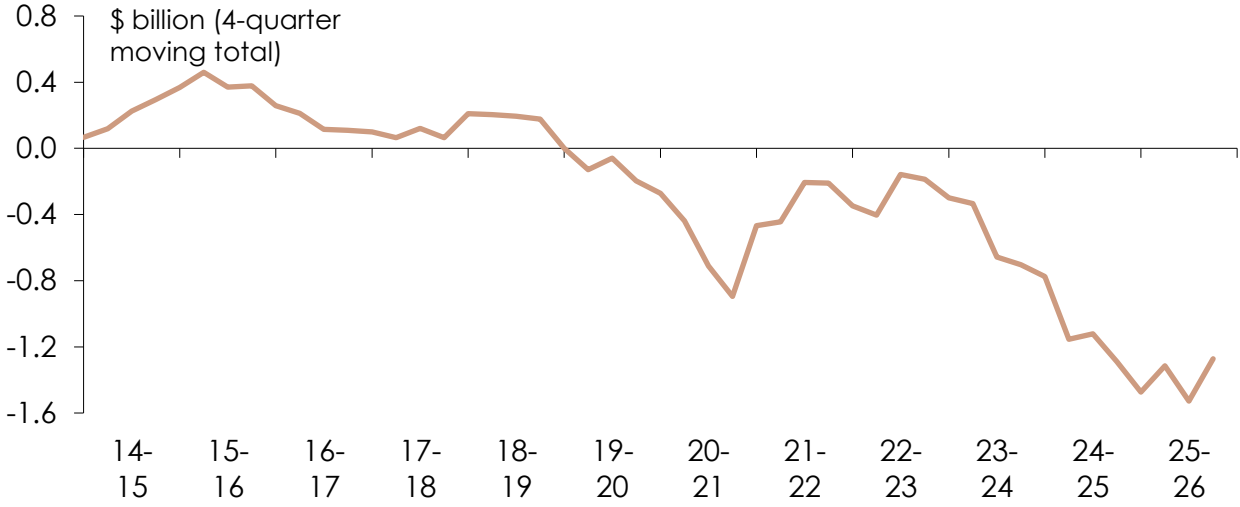
Note: Data shown in these charts are for the 'general government' sector. 'Underlying' net operating balance excludes one-off grants from the Commonwealth Government for capital purposes. Sources: Tasmanian Government, [Treasurer's Annual Financial Report](#), 2024-25 and previous issues; [Budget Strategy and Estimates: Budget Paper No. 1](#), 2026-27 and previous issues.

The latest quarterly financial statements (included in the Budget Papers) suggest that Tasmania's financial position has at least stopped deteriorating

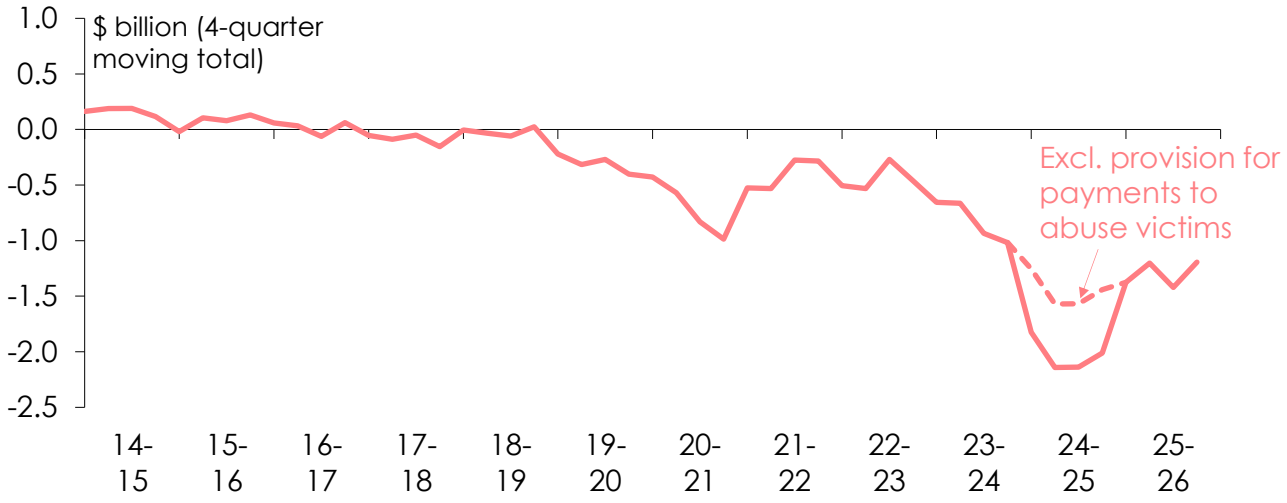
Net operating balance



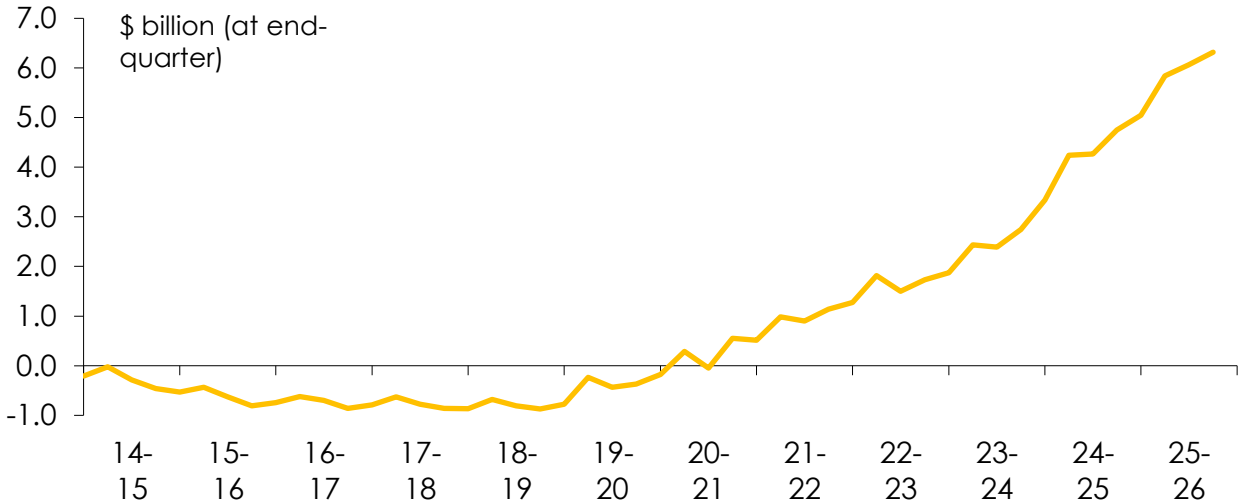
Cash balance



Fiscal balance



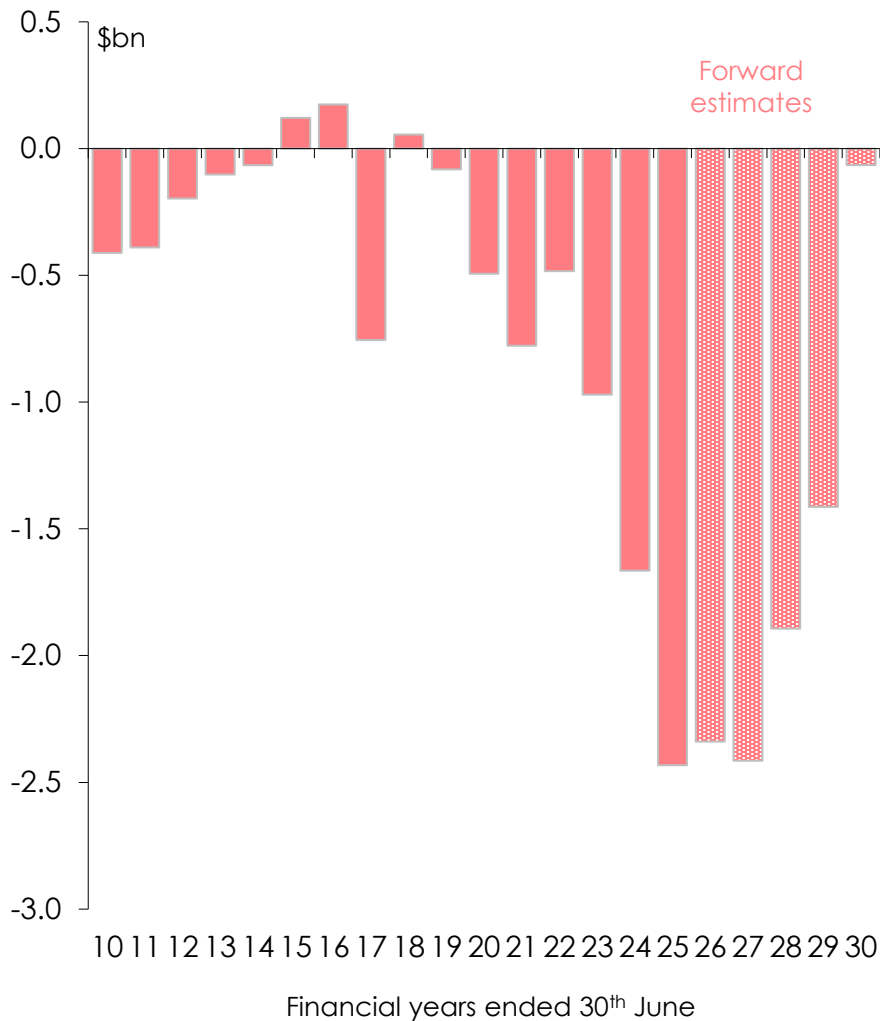
Net debt



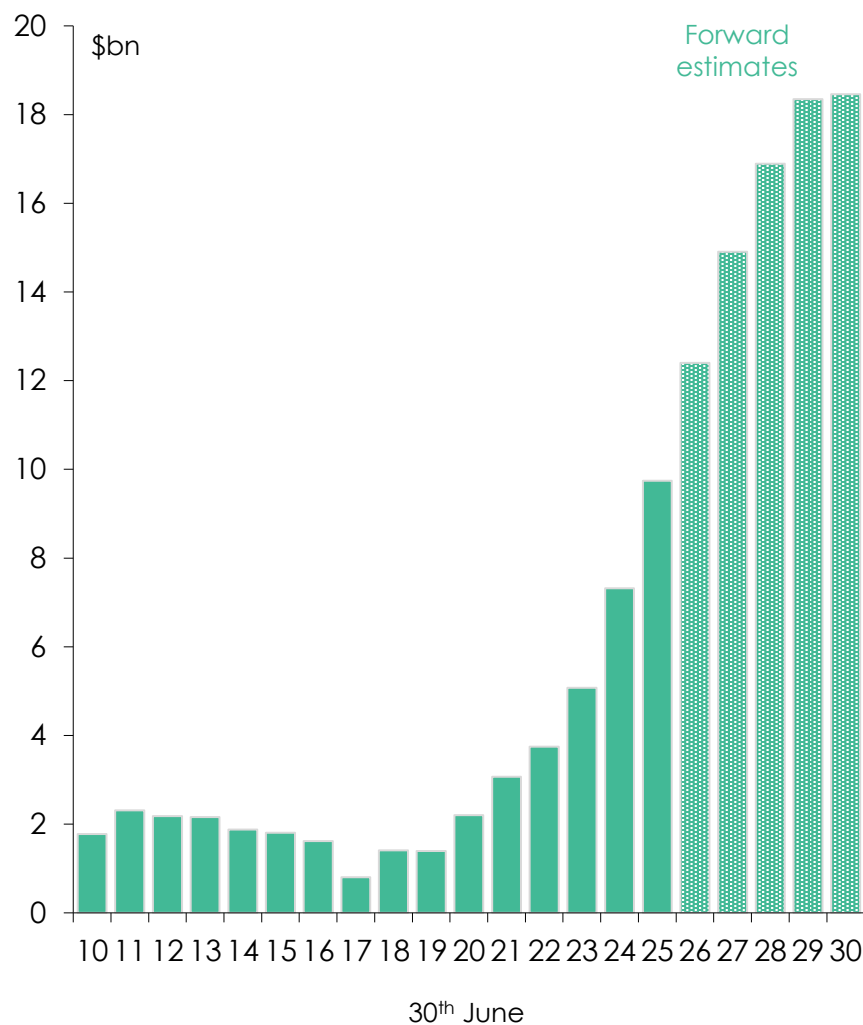
Note: Data shown are for the 'general government' sector (ie excluding GBEs). Towards the end of the June quarter of 2024, the Government made an additional provision of \$571 mn for claims related to child sexual abuse in State institutions (on top of the \$76 mn recognized a year earlier). This provision adds to the net operating and fiscal deficits, but not the cash deficit. Sources: Tasmanian Department of Treasury and Finance, [Financial Reports](#), and Tasmanian Government, [Budget Strategy and Estimates: Budget Paper No. 1, 2026-27](#), Chapter 10.

The 2026-27 Budget also projects improvements in the position of the non-financial public sector as a whole – though not quite a cash surplus

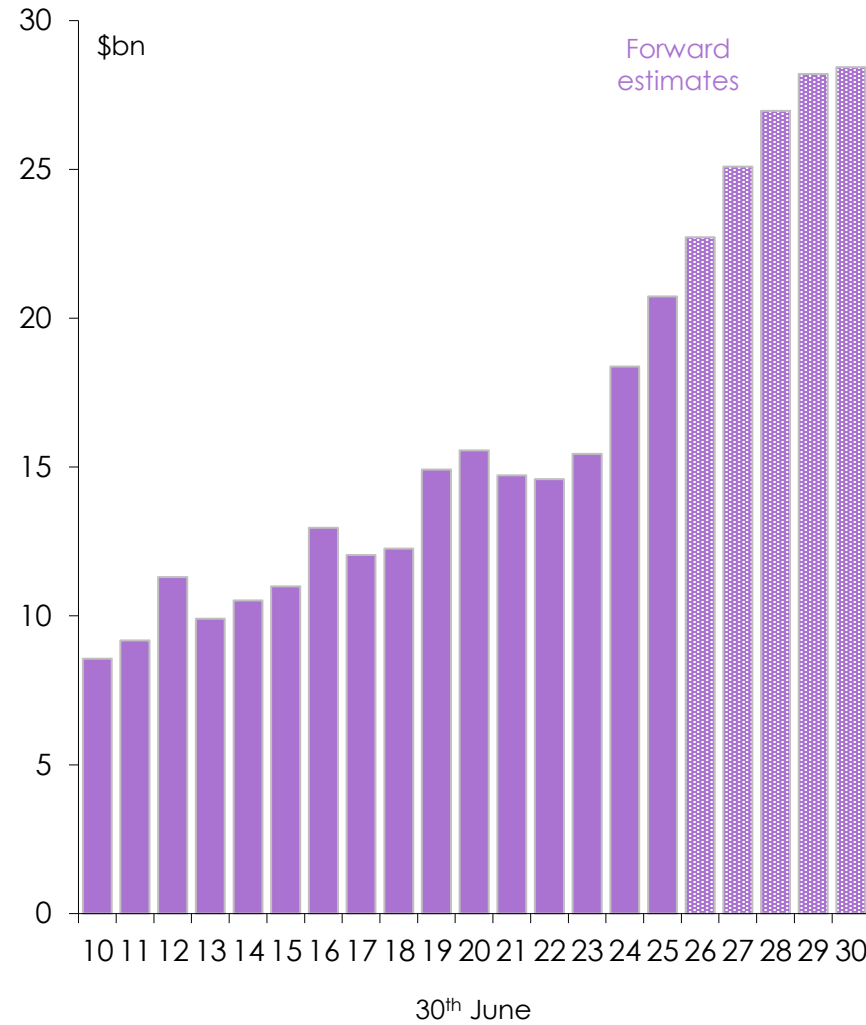
Non-financial public sector cash balance



Non-financial public sector net debt



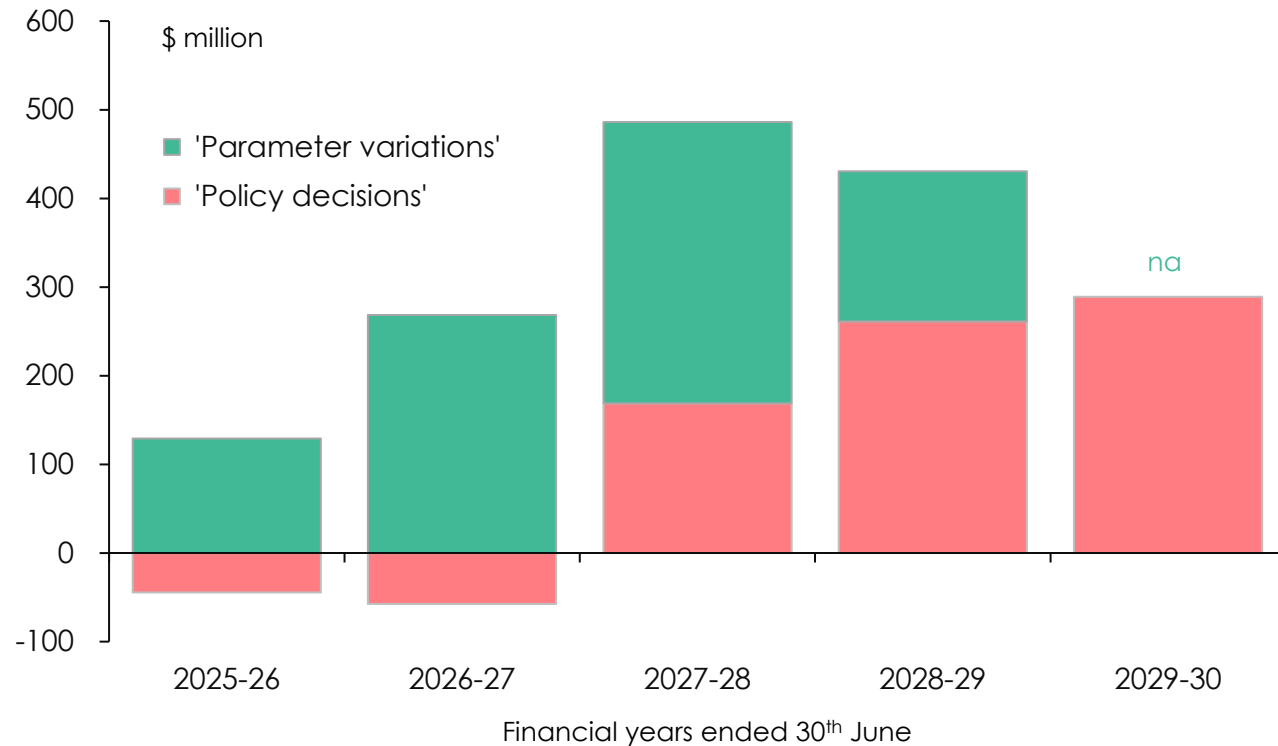
Non-financial public sector net financial liabilities



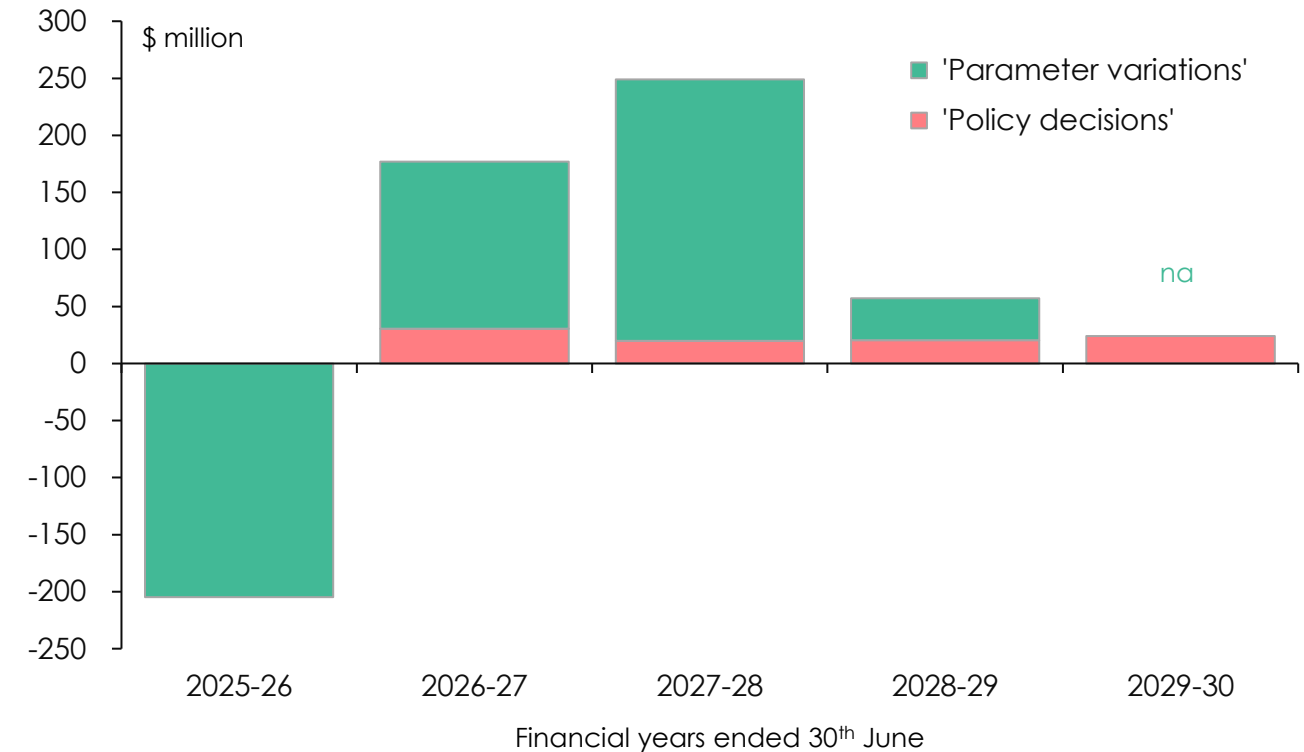
Note: Data shown in these charts includes public non-financial corporations (aka GBEs and SOCs). Net financial liabilities includes unfunded superannuation liabilities.
Sources: Tasmanian Government, [Treasurer's Annual Financial Report](#), 2024-25 and previous issues; [Budget Strategy and Estimates: Budget Paper No. 1](#), 2026-27.

72% of the improvement in the 'operating balance', and 90% of the improvement in the fiscal balance, are due to 'parameter variations'

Impact of 'parameter variations' and 'policy decisions' on the net operating balance between the 2025-26 and 2026-27 Budgets



Impact of 'parameter variations' and 'policy decisions' on the fiscal balance between the 2025-26 and 2026-27 Budgets



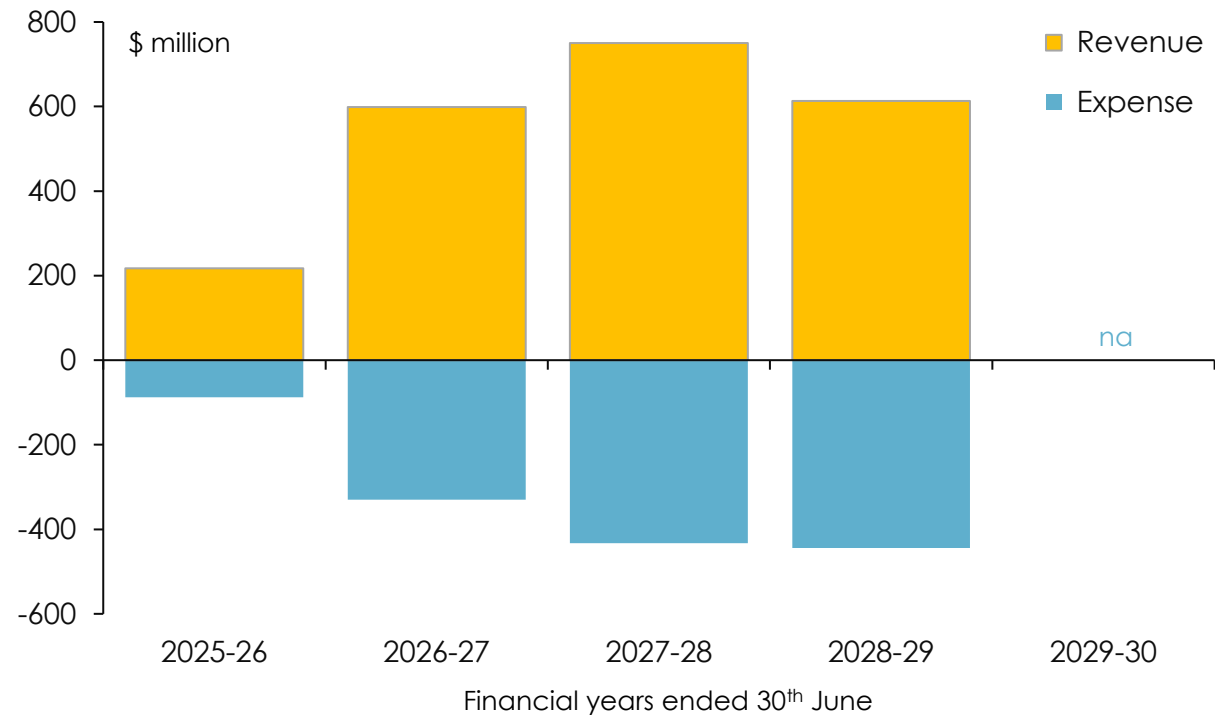
'Operating parameter variations' (changes to economic and other assumptions) improved the 'bottom line' by \$884 mn over the four years to 2028-29, while 'policy decisions' improved it by \$328 mn (\$617 mn over the five years to 2029-30)

Capital 'parameter variations' improved the 'bottom line' by \$208 mn over the four years to 2028-29, while 'policy decisions' improved it by \$71 mn (\$95 mn over the five years to 2029-30)

Note: These charts are for the 'general government' sector. 'Parameter variations' include revisions to forward estimates of revenue from the Commonwealth Government, as well as to forward estimates of expenses and revenue arising from changes in economic and other assumptions. Estimates of 'parameter variations' for 2029-30 are not available. Source: Tasmanian Government, [Budget Strategy and Estimates: Budget Paper No. 1](#), 2026-27, p. 115.

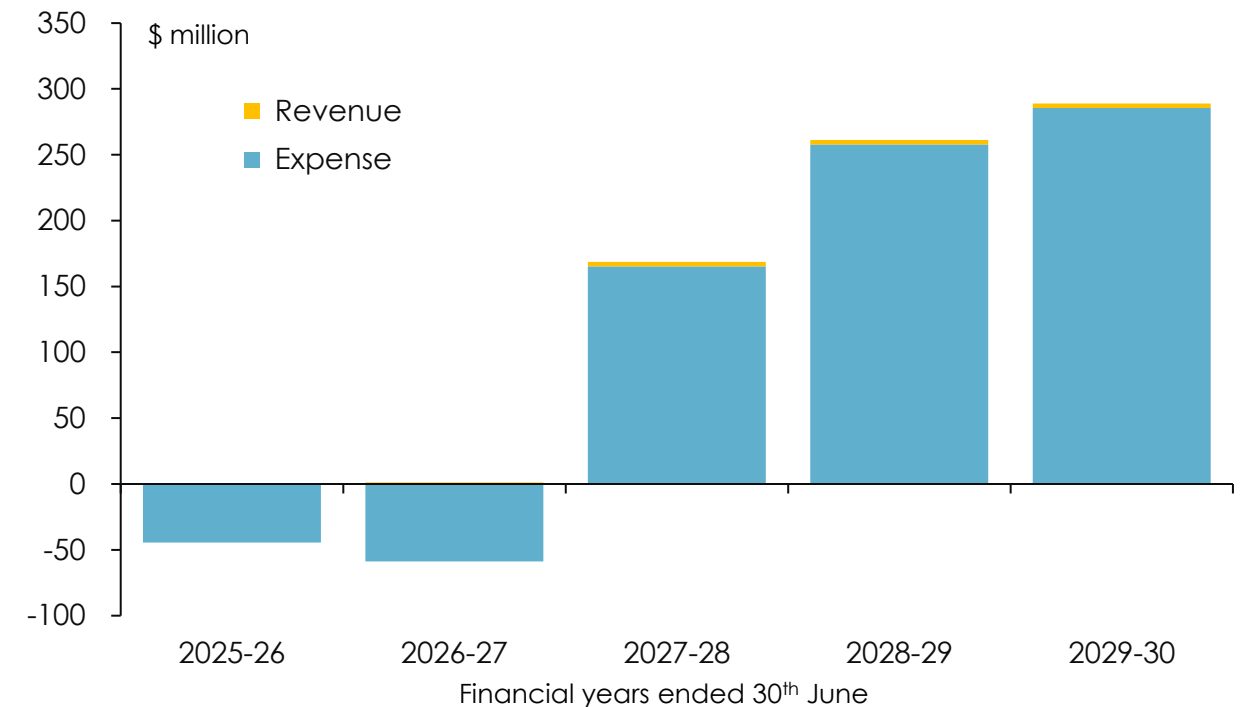
Revenue upgrades provided more than all of the 'parameter variations', whilst spending cuts account for almost all of the 'policy decisions'

Impact of revenue and expense 'parameter variations' on the net operating balance between the 2025-26 and 2026-27 Budgets



'Parameter'-driven upward revisions to forward estimates of revenue improve the net operating balance by \$2.2 bn (of which \$1.7bn came from upward revisions to estimates of revenue from the Commonwealth) over the four years to 2028-29 while upward revisions to expense estimates worsen it by \$1.3bn

Impact of revenue and expense 'policy decisions' on the net operating balance between the 2025-26 and 2026-27 Budgets



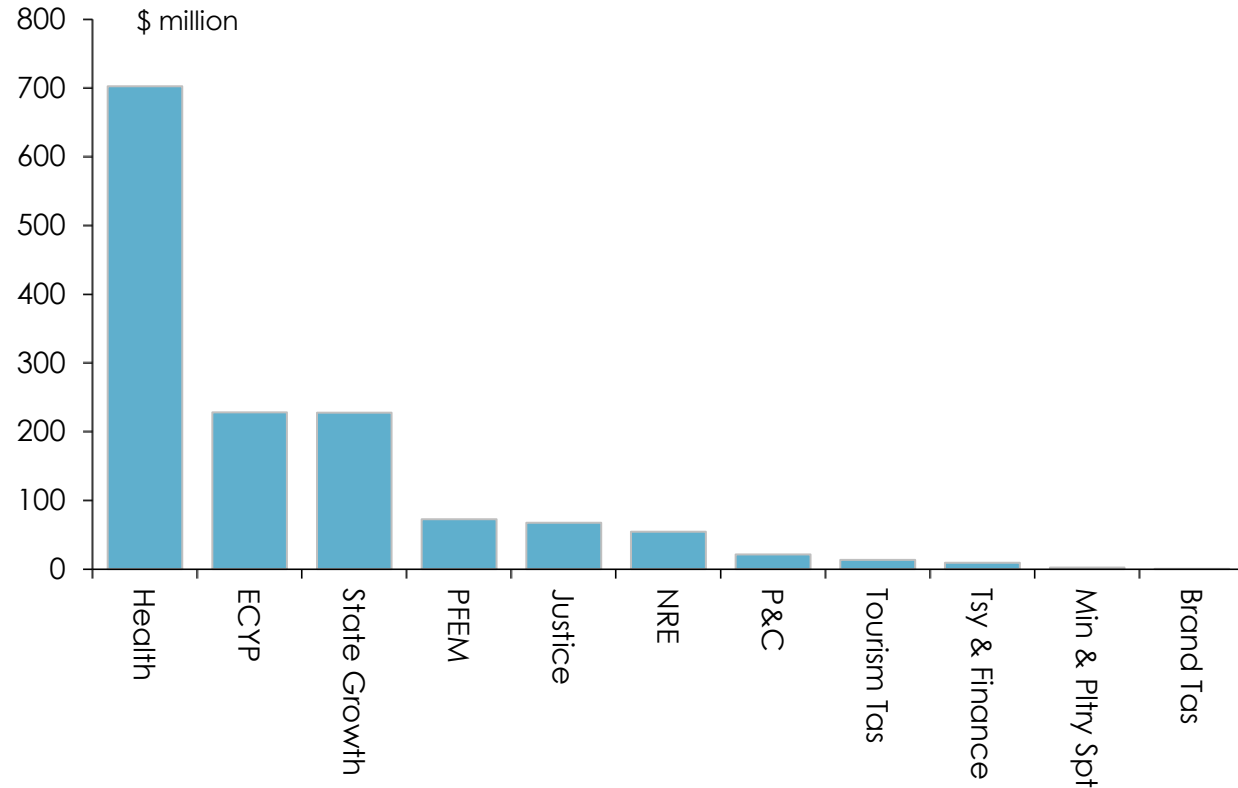
Revenue policy decisions contribute only \$12mn to improving the net operating balance over the five years to 2029-30 while expense decisions contribute \$605 million (\$1.1 bn in net 'operational efficiencies' offset partly offset by other new spending)

Note: 'Parameter variations' include revisions to forward estimates of revenue from the Commonwealth Government, as well as to forward estimates of expenses and revenue arising from changes in economic and other assumptions. Estimates of 'parameter variations' for 2029-30 are not available.

Source: Tasmanian Government, [Budget Strategy and Estimates: Budget Paper No. 1](#), 2026-27, p. 115.

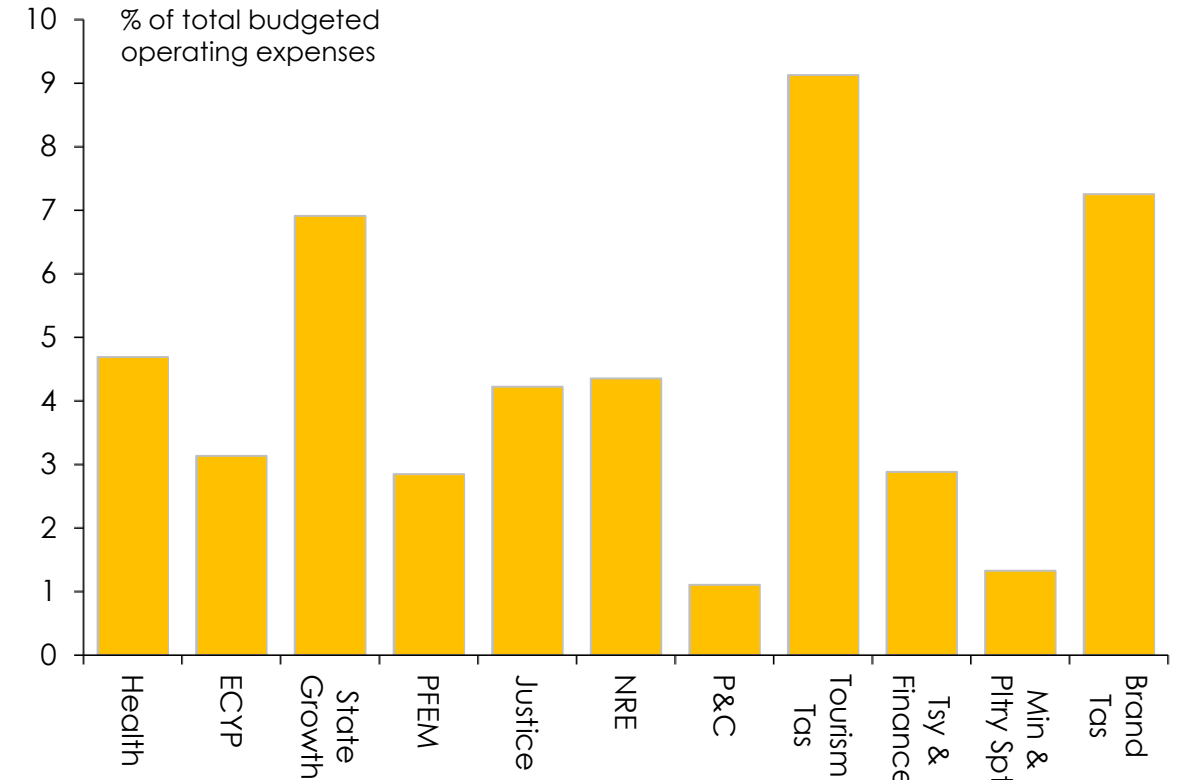
Health is expected to contribute just over half of the budgeted savings from 'operational efficiencies'

Budgeted 'operational efficiencies' by department or agency, 2026-27 through 2029-30, in dollars



Just over half the budgeted savings from 'operational efficiencies' are expected to come from Health – note that the \$1.4 bn in total savings are partly offset by dropping the \$300mn in savings previously budgeted to be found by the 'Productivity and Efficiency Unit'

Budgeted 'operational efficiencies' by department or agency, 2026-27 through 2029-30, in per cent

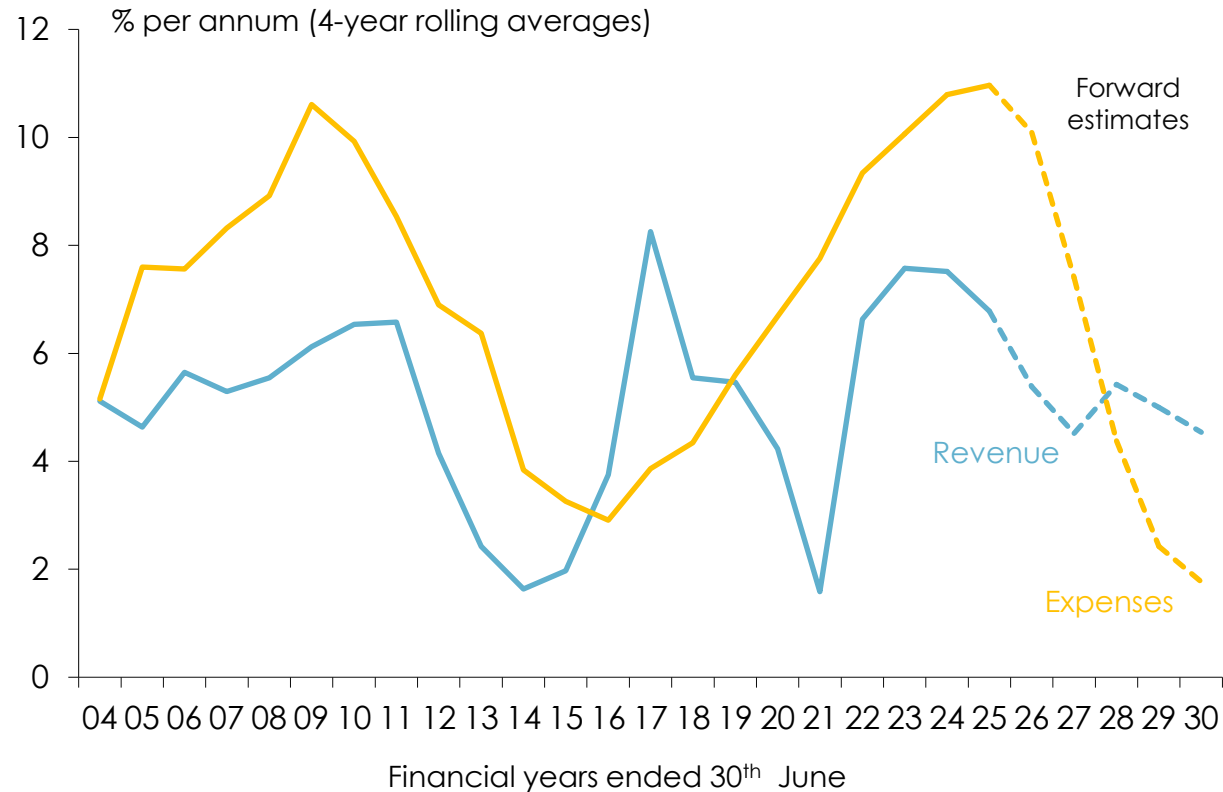


Proportionately, the largest savings from 'operational efficiencies' are expected to come from State Growth, and smaller agencies like Tourism Tasmania and Brand Tasmania

Note: Percentage changes from 'operational efficiencies' are the percentages of 'operating expenses' budgeted for in the 'Detailed Budget Statements' presented for each department or agency. Source: Tasmanian Government, [Agency Information Supporting Appropriation Bill No. 1: Budget Paper No. 2, 2026-27](#).

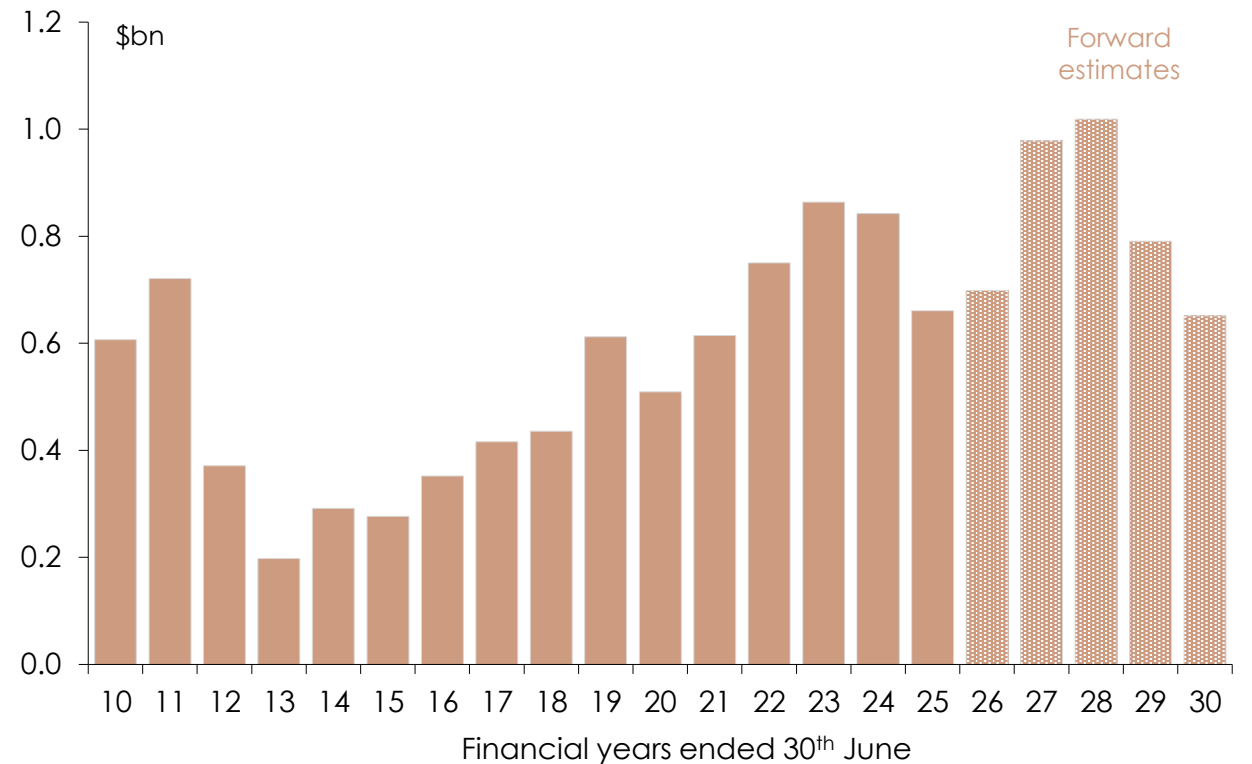
Achieving the budget forecasts will require unprecedented expenditure restraint, especially ahead of the election due by mid-2029

Growth in 'operating' expenses and revenues



The forward estimates imply that growth in operating expenses will slow to 1.8% per annum over the four years to 2029-30 (equivalent to -2.4% pa in real terms) – or 0.9% per annum (-3.2% pa in real terms) excluding interest and superannuation

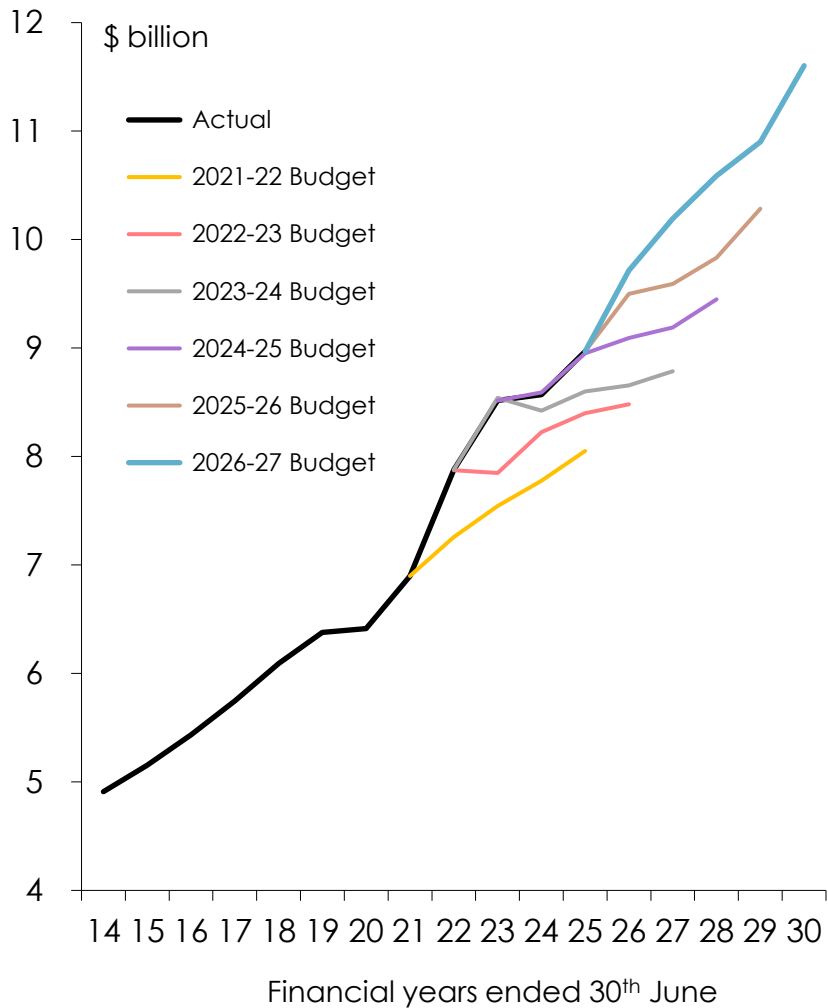
'Purchases of non-financial assets'



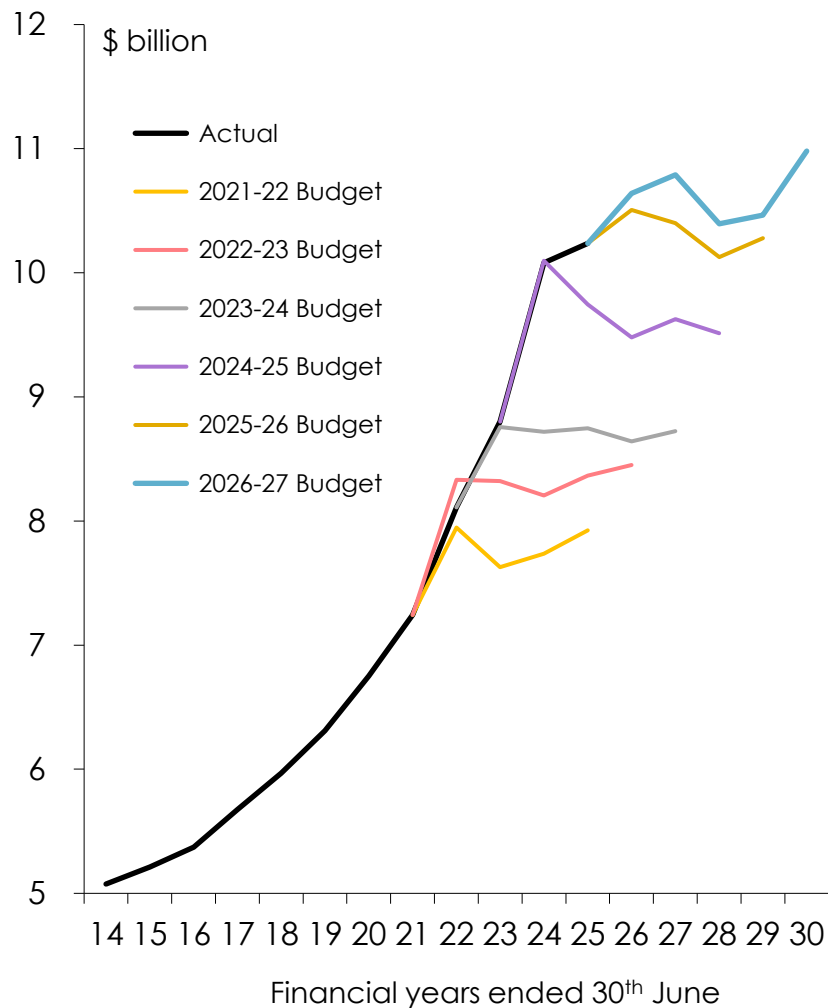
The forward estimates also imply a 36% reduction in capital expenditures between 2027-28 and 2029-30 – which would be the biggest step-down in capital expenditures over a two-year period since 2010-11 to 2012-13

Forward estimates of revenue have typically been much more accurate than forward estimates of 'operating' or capital expenditures

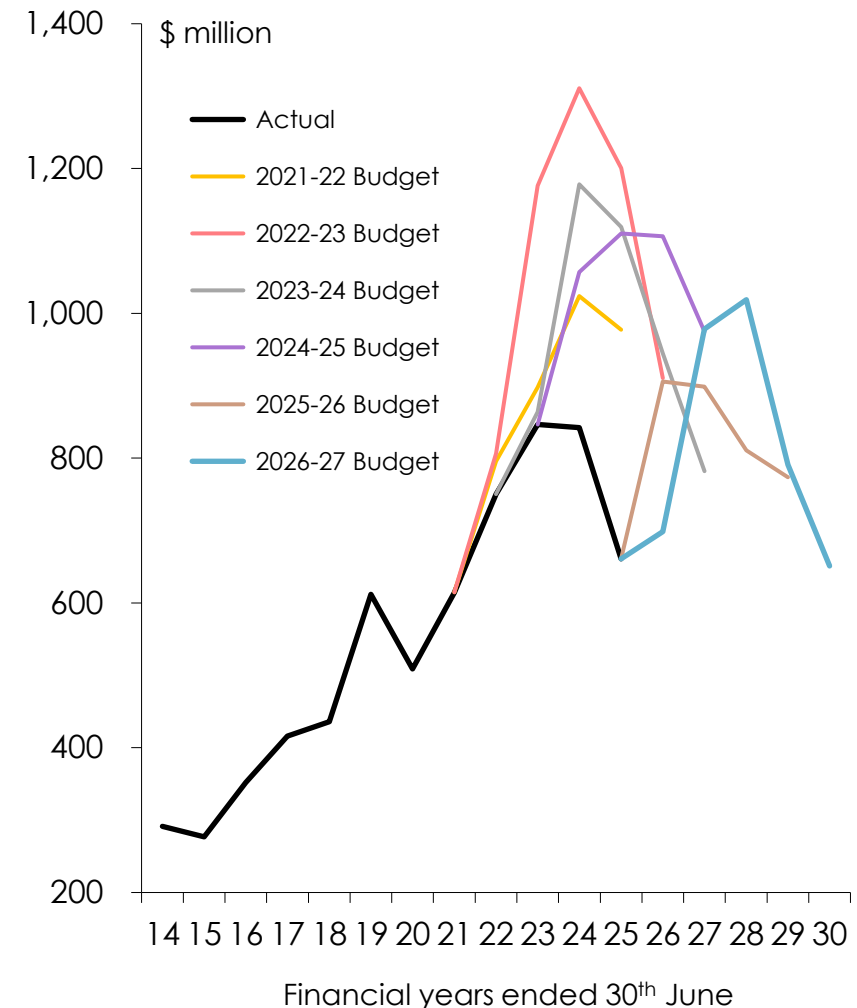
Successive Budget forecasts of the 'operating' revenue



Successive Budget forecasts of 'operating' expenses



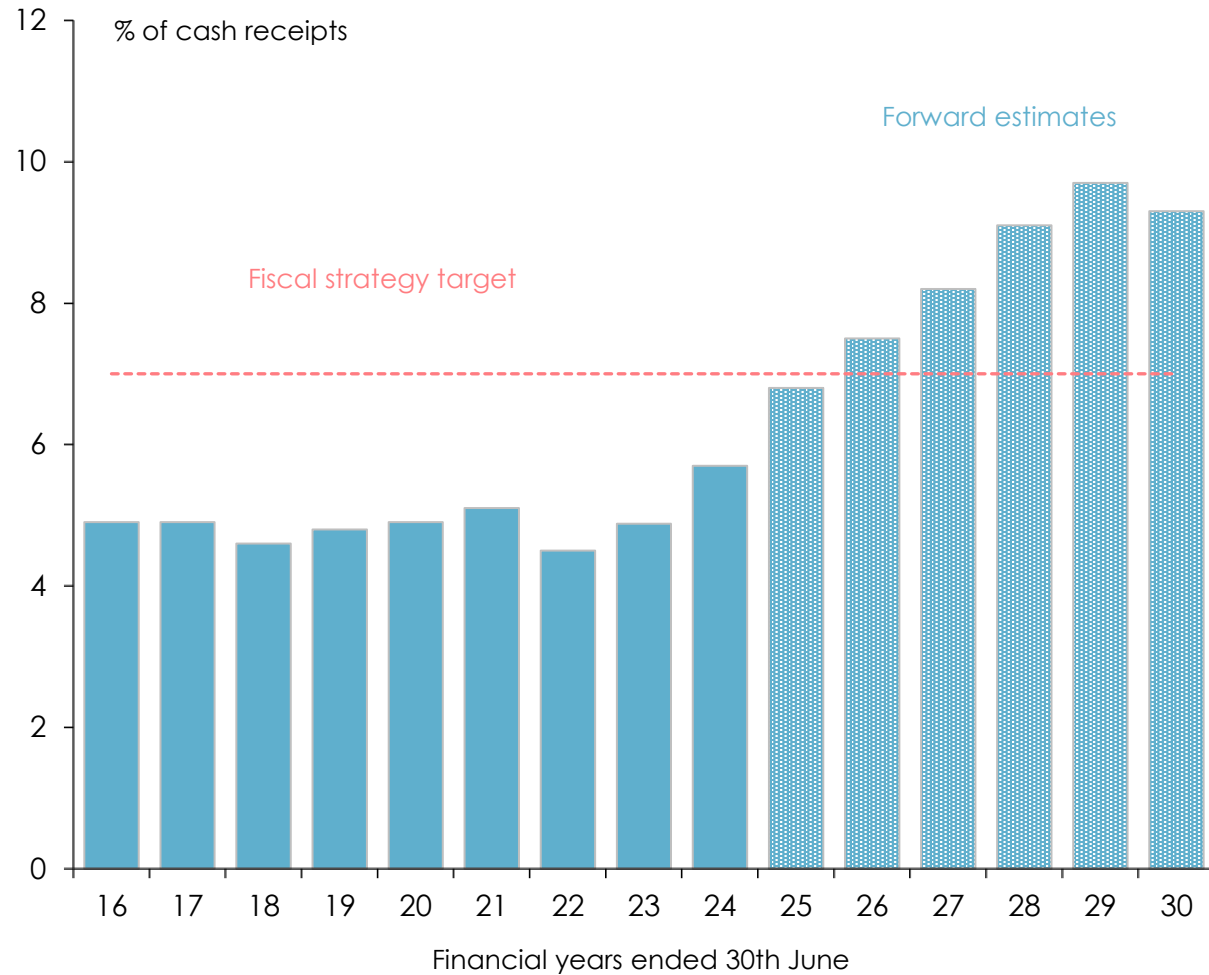
Successive Budget forecasts of purchases of non-financial assets



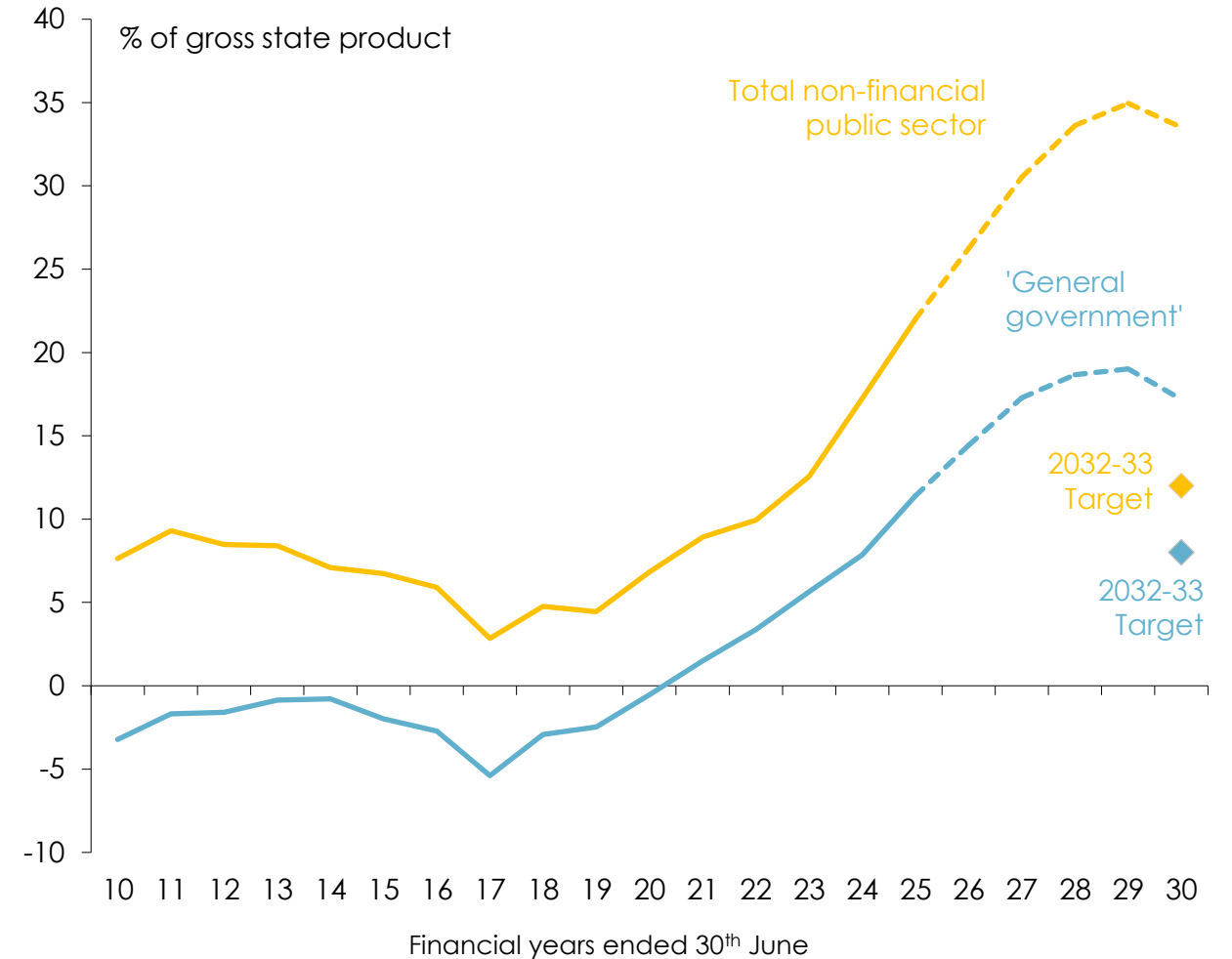
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Achieving the Government's longer-term fiscal strategy tasks will require more difficult decisions in future budgets

Interest and defined benefit superannuation payments as a pc of cash 'operating' receipts



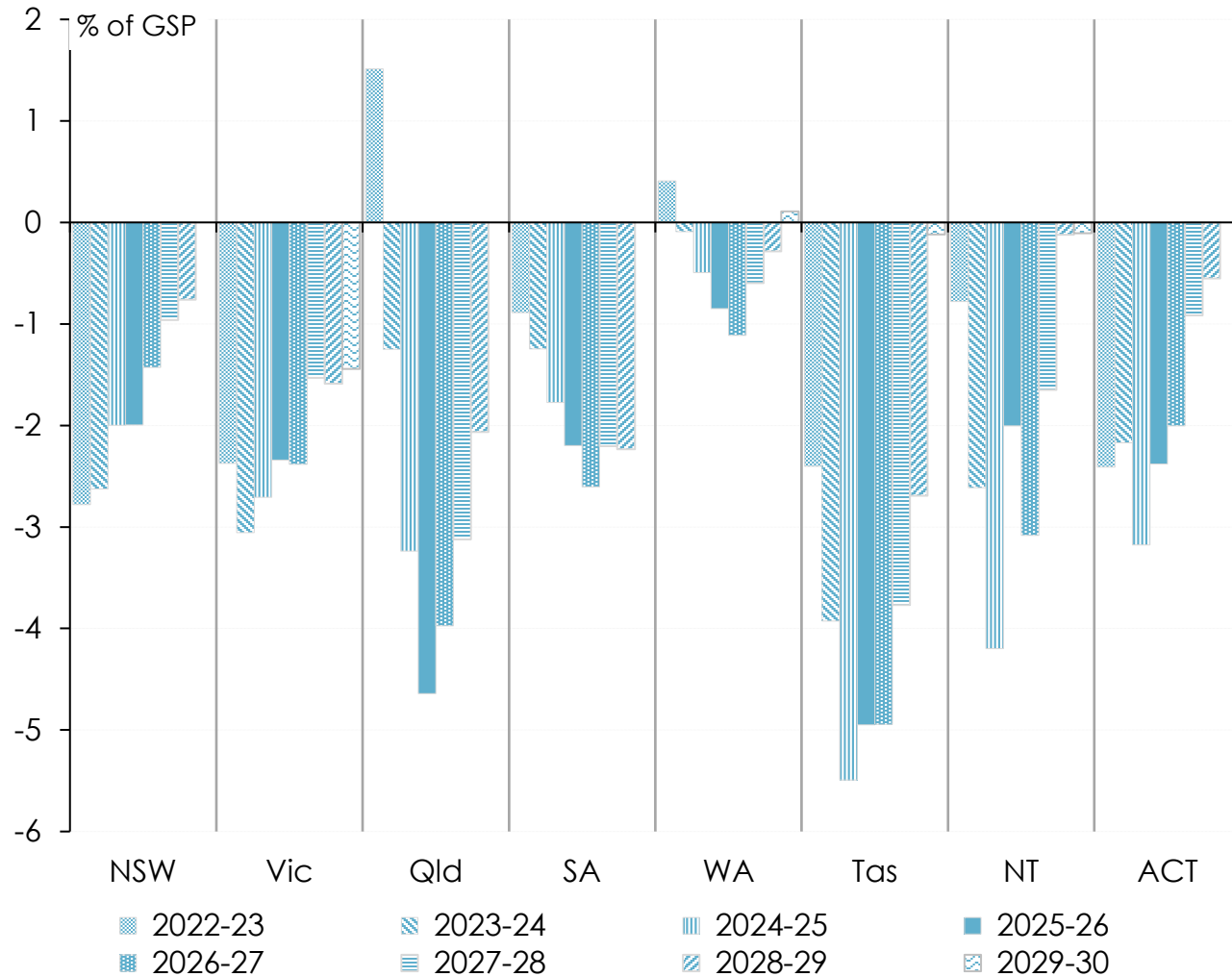
'General government' and total non-financial public sector net debt as percentages of GSP



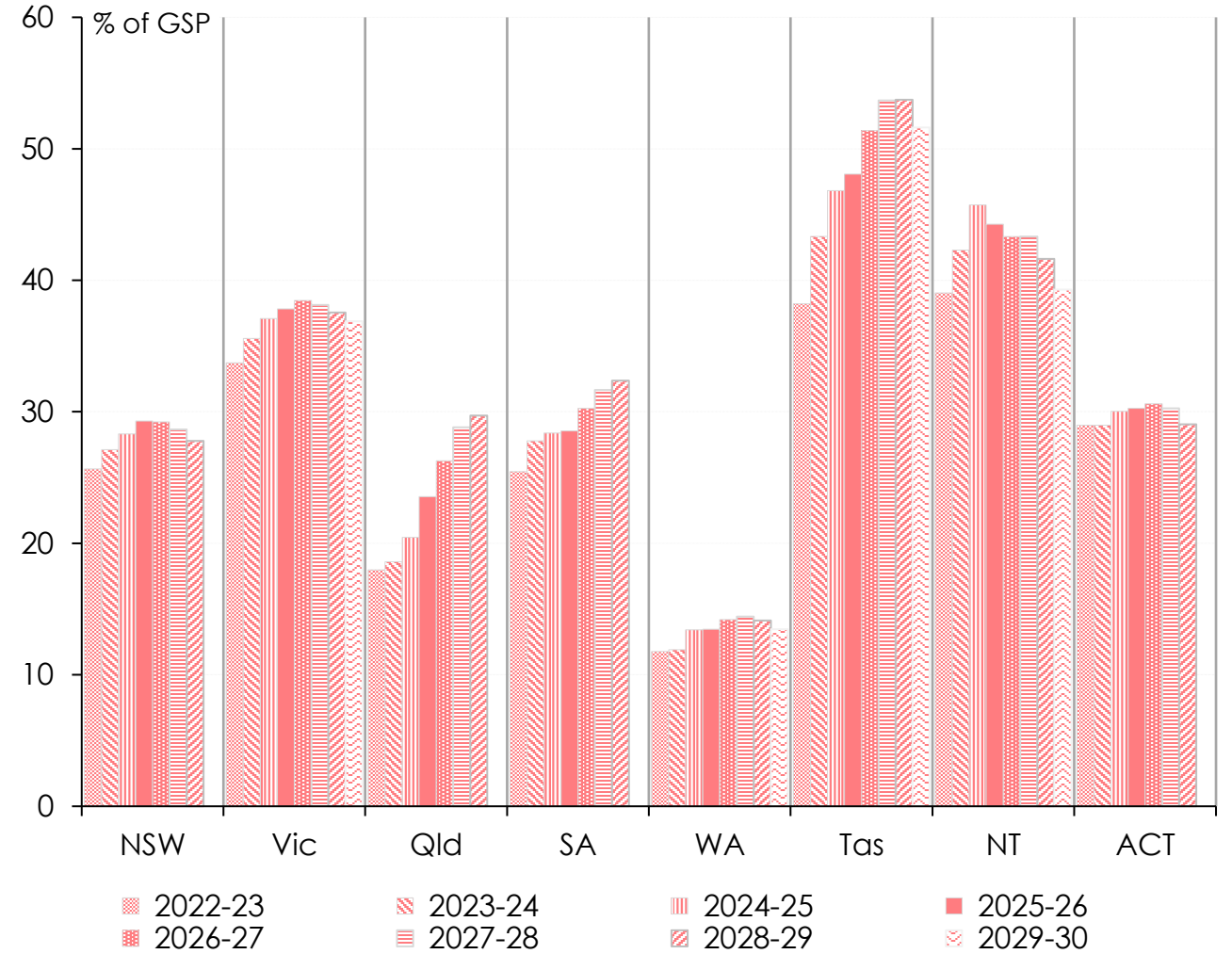
Sources: Tasmanian Government, [Treasurer's Annual Financial Report](#), 2024-25 and previous issues; [Budget Strategy and Estimates: Budget Paper No. 1](#), 2026-27.

Tasmania's public finances are still the worst of any state or territory – and probably still will be on most metrics by 2029-30

State and territory non-financial public sector cash balances



State and territory non-financial public sector net financial liabilities



Note: net financial liabilities includes unfunded superannuation liabilities as well as debt. Sources: 2024-25 Final Budget Outcome reports; 2025-26 Mid-Year Budget Reviews for New South Wales, Queensland, South Australia and the ACT; and 2026-27 Budget Papers for Victoria, Western Australia, Tasmania and the Northern Territory.

Important information

This document has been prepared by Saul Eslake on behalf of Corinna Economic Advisory Pty Ltd, ABN 165 668 058 69, whose registered office is located at Level 11, 114 William Street, Melbourne, Victoria 3000 Australia.

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