ABETZ PULLS ON REINS

Treasurer signals cuts to spending in years ahead to reduce ballooning debt

AT A GLANCE

2025-26 INTERIM BUDGET BY THE NUMBERS:

Revenue: $9.4 billion, up 5.7% on 2024-25

Expenditure: $10.5 billion, up 2.6%

Deficit: $1 billion, down 20%

Debt: $7 billion, up 30%

MAJOR SPENDING:

Infrastructure: $893m

Health: $3.5 billion.

Education: $2.4 billion.

Public order: $983 million.

Transport: $503 million.

WHAT THEY SAID:

"This is a sensible and calibrated approach that reinforces the fundamental principles of responsible government." **Treasurer Eric Abetz**

"This budget sets the scene for more cuts across health, housing and community services in next year's budget to pay for a ballooning interest bill." **Labor shadow Treasurer Dean Winter**

"The Liberals' era of stadium austerity will mean ongoing cuts to services already falling apart." **Greens leader Rosalie Woodruff**

David Killick

The state government has flagged an attempt to start living within its means, putting a lid on spending growth to arrest the state's precipitous slide into debt – and pointing to the first surplus in a decade.

Treasurer Eric Abetz's "interim" budget handed down on Thursday was not greatly changed from the blueprint produced by his predecessor Guy Barnett in May, which didn't pass parliament.

The second attempt is flagged as laying the groundwork for long-term reform, something the Treasurer described as a "glide path to surplus".

The budget projects government spending growth of 2.6 per cent in 2024-25 to $10.5bn and revenue rising by 5.9 per cent to $9.4bn.

The resulting deficit of just over $1bn will be the Liberals' seventh in a row and third-largest in the state's history.

It will be followed by two smaller deficits before a return to an aspirational surplus of $5.6m in 2028-29, which, if achieved, would be the first in a decade.

The budget defers the hardest work of budget repair for future years through "expenditure moderation".

Mr Abetz's financial blueprint predicts savings cuts in dollar terms of 1 per cent in next May's budget and 2.6 per cent in 2027-28; deeper in real terms when inflation – running at 3.2 per cent – is factored in.

The state's net debt will continue to rise, although more slightly slowly than previously predicted.

This year's debt of $7bn amounts to about $23,000 per Tasmanian, and the cost of servicing the total will consume 7.6 per cent of government spending. Interest rate changes remain a significant risk.

The budget puts the state $10.3bn in the red by 2028-29, equivalent to an entire year's government spending amid continuing pressure from soaring health costs, public sector growth and wage demands, and poor returns from government businesses.

> "The 2025-26 interim budget works towards ensuring government services and expenditure are operating in a fiscally responsible way
>
> **Treasurer Eric Abetz**

Mr Abetz, who has been Treasurer for just three months, said the task of getting the state back on to a sustainable footing was a challenge.

"The impacts of external shocks – the Covid-19 pandemic, combined with rising service delivery costs, particularly in the delivery of health services, and a tight labour market, have placed sustained pressure on our budget," he said in his budget speech.

"The 2025-26 interim budget works towards ensuring government services and expenditure are operating in a fiscally responsible way."

The budget underscores Tasmania's heavy dependence on federal funding, which makes up two-thirds of revenue.

Mr Abetz pointed to a pending review of the GST as a particular risk.

"The current 'no worse-off' guarantee expires in 2029-30 and its non-renewal could result in a substantial revenue loss," he said. And the state needs more help to pay for health.

"For too long, the federal government has chronically underfunded Tasmania's health system," Mr Abetz said.

"Over the next five years, Tasmanians face a $673m shortfall to their health funding if the federal government does not increase its contribution to health funding to the 45 per cent level that it should be paying," he said.

Global trade tensions, particularly tariffs, were flagged as another key risk to the state's financial outlook, but the reduction in government spending could also play a role in slowing private sector growth.

"In recent years, government expenditure has been a key driver of growth in Tasmania's economy," the budget notes.

It said falling government spending "could reduce overall economic growth in the short term".

The budget includes three major efficiency measures: a budget efficiency dividend which increases to $150m in 2026-27, a productivity and efficiency measure which trims another $150m in 2027-28, and new savings measures amounting to $12m a year.

A reduction in public sector headcount will be increased from a target of 2500 to around 2800 to reflect further unintended growth, Mr Abetz said.

The budget takes the axe to agency communications spending, trimming and centralising the burgeoning ranks of spin doctors in government departments.

The budget predicts increasing growth in gross state product from 0 per cent in 2024-25 to 1 per cent in 2025-26 and state final demand up from -0.5 per cent to 2.25 per cent in 2026-27.

Total state employment numbers are tipped to grow from -1 per cent in 2024-25 to 2 per cent and unemployment is expected to stay around 4 per cent.

Growth in the consumer price index is predicted to be 2.75 per cent over each of the next four years.

Tasmanian Treasurer Eric Abetz delivered the first state budget after the Liberal government was re-elected in 2025. Picture: Nikki Davis-Jones

The high price of public safety

$3.9bn expected Budget hit

LAW AND ORDER

Bridget Clarke

Public order and safety remains among the largest spending areas in the 2025/2026 interim budget, rising 9 per cent to $3.9 billion compared with the 2024/2025 budget.

Police, Fire and Emergency Services departments are expected to spend $616m, up from $525m in 2024/2025 – an increase of approximately 17 per cent. Meanwhile, the Department of Justice is projected to spend $436m, rising from $387m, representing an increase of around 13 per cent.

The key deliverables for this year's police budget involves the allocation around $3.3m for enhancing protective and safety equipment for police, with the figure including funding for the metal doctor wand program.

A further $448000 of funding is estimated to be delivered for the project next fiscal year, while $500,000 will also be provided this year for body worn cameras for Tasmania Police.

The bulk of the police budget – $14.5m – will go towards support for injured workers, providing ongoing additional funding to support police officers and state service employees who have a workers compensation claim, marking around a $2m and a 16 per cent increase compared to the estimated spend of the 2024/2025 budget. Additional funding will go towards helicopter rescue service contracting and reforming the Tasmania Police Electronic Rostering.

Police stations set to receive funding for upgrades include Bridgewater Police Station, Rosebery Police Station, St Helens Police Station – the latter receiving $1.8m more funding than what was budgeted in 2024/2025.

Also included in the police budget is $500,000 to implement the key recommendations of the Weiss Review, including a restorative engagement framework for victims of police-related abuse, strengthened community engagement with sporting organisations, and a dedicated victim management team separate from the Professional Standards Unit, with $300,000 allocated for next year.

The Justice Department will receive $500,000 this year to support family violence intervention programs, with $1.38m allocated to community corrections for managing high-risk offenders over the next four years.

Additionally, $496,000 from the 2025/26 budget is earmarked for the Reducing Reoffending program.

Tasmania's Prison Services will also receive $25m worth of funding to help cover rising costs, including for staff, security, and the essentials – including food, clothing, and bedding – needed to accommodate the growing prison population.

The 2025/2025 $1.6bn infrastructure budget also includes the allocation of $105.3m for the development of new youth justice facilities to replace the Ashley Youth Detention Centre, with the Justice Department to also receive $2.47m million for the establishment of the Commission of Children and Young People.

Here's hoping truth is stranger than fiction as we're told a fairy tale

ANALYSIS

David Killick

The torrid passage of time is enough to swiftly relegate most state budgets to the fiction section, but budding author Eric Abetz has penned a tale of hope and optimism that we can only wish turns out to have some relation to actual events.

It's the story of a free-spending state government down on its luck which discovers that through sheer hard work, discipline and perseverance, it can turn its financial fortunes around.

Can the truth really turn out to be stranger than fiction?

Or are we being sold another fairy tale?

Although it is mostly inspired by a somewhat unheralded (and out-of-print) work by Guy Barnett, Mr Abetz's first budget relies on some heroic assumptions.

Crazy-brave some might say.

After back-to-back budgets that couldn't deliver spending growth of less than 5 per cent or deficits below a billion dollars, our ill-disciplined government is to reverse course and become the first anyone can remember that spends less in real terms than it did the year before.

Not just once. Four times in a row.

It will be a shock in a state economy where government spending plays an outsized role.

Around 2800 public sector workers will need to exit the employ of the government and those that remain will have to settle for pay rises that average 2.5 per cent. Efficiency drives will need to strip more than $300m a year in wasteful spending, the federal government will step up on health funding, the mendicant state will have to keep its tenuous grip on an outrageously inflated GST share and cuts to state government spending will have to be shallow enough not to stall the economy.

While government business enterprises drain the coffers with handouts, a government that couldn't deliver a bridge or big ferries or a wharf on time or on budget will build a $1.1bn stadium, a series of billion-dollar deficits will magically start to wither away, and the gods will hold off on external shocks like the global financial crisis or Covid.

And then a timely jump in revenue in the 2028-29 financial year will deliver the goods: a long-dreamt-of surplus amounting to 0.054 per cent of expenditure.

The federal government isn't this tale's only villain: our old mate net debt was $5bn on June 30.

It will be $10bn on June 30, 2029.

There are a couple of hints where sunshine and salvation might lie.

Infrastructure spending, which has averaged about $1.1bn this decade, will average about $850m a year in the four years ahead.

Given that many years only two-thirds is actually delivered, that might leave a bit more money in the bank.

And there's ample room for upside on revenue, for which predictions are conservative, the lowest since Covid.

Mr Abetz, our fourth treasurer in six years, is due to deliver his second budget on May 21.

Perhaps the predictions will become rosier, or we'll find a magic beanstalk, or a goose that lay golden eggs or the "magic money tree" someone was talking about a while back.

All good authors leave a surprise for the sequel.

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Community service fears cuts

Bridget Clarke

Tasmania's community service sector has expressed concern over the 2025-26 interim budget, warning it falls short of meeting the rising demand for support across the state.

TasCOSS CEO Adrienne Picone warned that debt-funded infrastructure projects could limit funding for essential services – particularly concerning given new research that shows one in seven Tasmanians are living in poverty amid rising housing and energy pressures.

TasCOSS CEO Adrienne Picone

"Community services represent a small fraction of the state's total budget, but this investment prevents the need for higher expenditure across other portfolios such as health, justice and education," Ms Picone said.

"As we look to the budget next year we urge (Treasurer Eric Abetz) to take a balanced approach to budget repair by considering a mix of revenue raising and targeting investment that prevents costly crises, not through cuts that guarantee them," she said.