

FIRST PRINT

STATE DEBT CONTROL (BALANCED BUDGETS) BILL 1994

NEW SOUTH WALES

**EXPLANATORY NOTE**

(This Explanatory Note relates to this Bill as introduced into Parliament)

The object of this Bill is to require the Government to balance the State budget. The Bill amends the Constitution Act 1902 as outlined below.

Referendum

Under the Constitution Act 1902, the proposed Act is required to be submitted for the approval of the voters of the State at a referendum. This is because the proposed Act amends section 7B of the Constitution Act 1902 for the purpose of its entrenchment as referred to below. It is proposed to hold the referendum in conjunction with the next general election (which is due to be held on 25 March 1995). The question to be put to the voters at that referendum is whether they approve of the Bill entitled "A Bill for an Act to require the Government to balance the State budget". The proposed Act will only become law if a majority of the voters approve of it at that referendum.

Entrenchment—changes to proposed Act must be approved by electors

The proposed Act (if approved by the electors at the referendum) cannot be changed without the approval of the electors at a further referendum. (Schedule 1 (1)—proposed amendments to section 7B)

State budget and certificate of its compliance required for budget Bill

The proposed Act prevents the introduction of a budget Bill into Parliament (or any increase in the amount appropriated) without a State budget for the budget sector and without a certificate by the Treasurer that the State budget complies with the requirements of the proposed Act. The head of the Treasury must also certify that the forecasts in the State budget are reasonable in his or her professional opinion. (Schedule 1 (2)—proposed section 58)

State budget—requirement for balanced budget

The proposed Act provides that a State budget must not contain a budget sector deficit for the current financial year or for either of the following 2 years. The requirement covers both recurrent and capital services and works. A temporary deficit is

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permitted in the case of exceptional circumstances, such as a natural disaster or a major economic recession. (Schedule 1 (2)—proposed section 59)

State budget—requirement to eliminate deficits

If a budget sector deficit is forecast or an actual deficit occurred in a previous financial year, the State budget must indicate the measures that will be taken by the Government to eliminate the impact of the deficit on State debt over a period not exceeding 3 years or any other period provided by Parliament. The fiscal forecasts in that State budget must be based on those measures. (Schedule 1 (2)—proposed section 60)

State budget—accounting principles for fiscal forecasts

The proposed Act requires fiscal forecasts in the State budget to be made in accordance with the principles for the classification of Government financial transactions adopted by the Australian Statistician or with any other nationally recognised principles. (Schedule 1 (2)—proposed section 61)

Half-yearly State budget updates

The Treasurer will be required to provide a half-yearly State budget update to Parliament each financial year. The update is to be tabled in the Legislative Assembly in February each year (or, if the Assembly does not sit in February, in the first 3 sitting days thereafter). The Treasurer will be required to update the economic and fiscal forecasts in the last State budget for the remainder of the financial year and for the following 2 years. The fiscal forecasts are to be updated having regard to the actual result in the first 6 months and other available information. If a State budget update discloses a deterioration in the budget forecasts so that the State budget no longer complies with the proposed Act, the Treasurer is required to indicate the measures that will be taken to ensure that future State budgets will comply with the proposed Act. The head of the Treasury must also certify that the forecasts in the State budget update are reasonable in his or her professional opinion. These provisions may be altered by Parliament without a further referendum. (Schedule 1 (2)—proposed section 62)

Proposed Act applies from 1997–98 financial year

The proposed Act will not apply until the State budget for the 1997–98 financial year. (Schedule 1 (2)—proposed section 63)

Review of operation of proposed Act

The Treasurer will be required to conduct a review of the operation of the proposed Act every 5 years and obtain a report from a Parliamentary committee for that purpose. (Schedule 1 (2)—proposed section 64)

Meaning of key terms used in proposed Act

The proposed Act uses the following key terms:

“budget Bill”. This expression refers to the annual Appropriation Bill that is introduced to appropriate sums of money for the ordinary annual services of the Government in accordance with the State budget for that year. The definition excludes the supply Bill (which normally secures supply for the months of October and November pending the passage of the annual Appropriation Act, following the lapsing of the automatic carry over appropriation of 3 months from the end of the financial year under section 25 of the Public Finance and Audit Act 1983). The definition also does not include standing appropriations (e.g. for the repayment of Government guarantees) or an appropriation during a financial year for a special purpose.

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“budget sector”. This expression is defined in accordance with the current program-budgeting arrangements, namely, the recurrent and capital programs specified in the budget estimates relating to the Legislature, to Government agencies funded mainly from the Consolidated Fund and to Crown transactions. Government trading enterprises and certain other Government agencies not so funded are not part of the State budget sector. A list of the current agencies in the budget sector is set out in Appendix D of Budget Paper No. 2 1994–95.

“Consolidated Fund”. This expression, referred to in the above definitions, refers to the principal account of the Government for budget sector transactions. It comprises taxes, fines, some regulatory fees, Commonwealth grants and income from Crown assets.

“State budget”. For the purposes of the proposed Act, the State budget for a budget Bill is the budget (containing budget estimates and fiscal forecasts for the budget sector) in the budget papers prepared by the Treasurer and tabled in the Legislative Assembly.

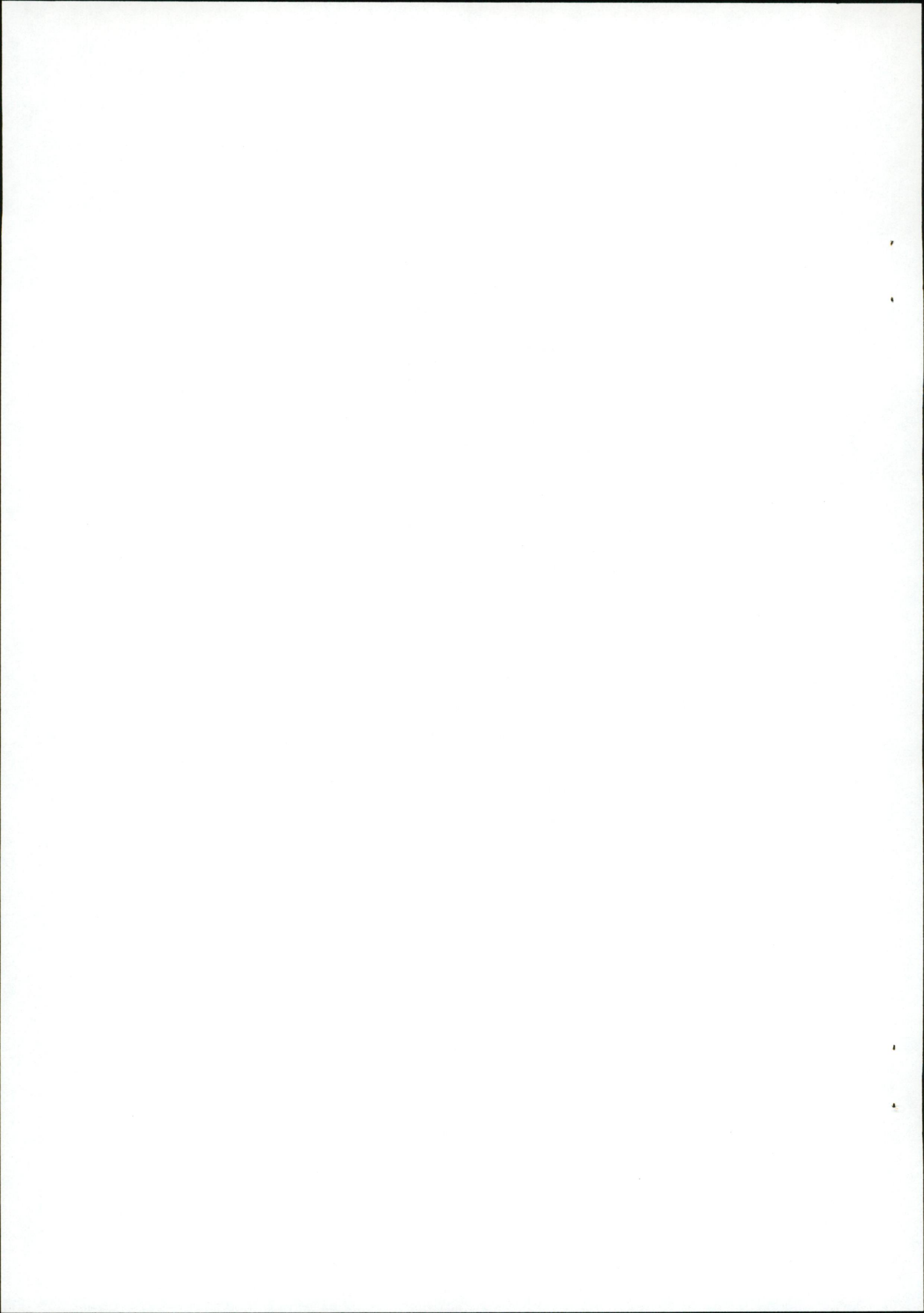
(Schedule 1 (2)—proposed section 57)

Clause 1 specifies the short title of the proposed Act.

Clause 2 provides that the proposed Act commences on its assent by the Governor.

Clause 3 is a formal provision giving effect to the Schedule of amendments to the Constitution Act 1902.

Schedule 1 contains the amendments to the Constitution Act 1902 described above.



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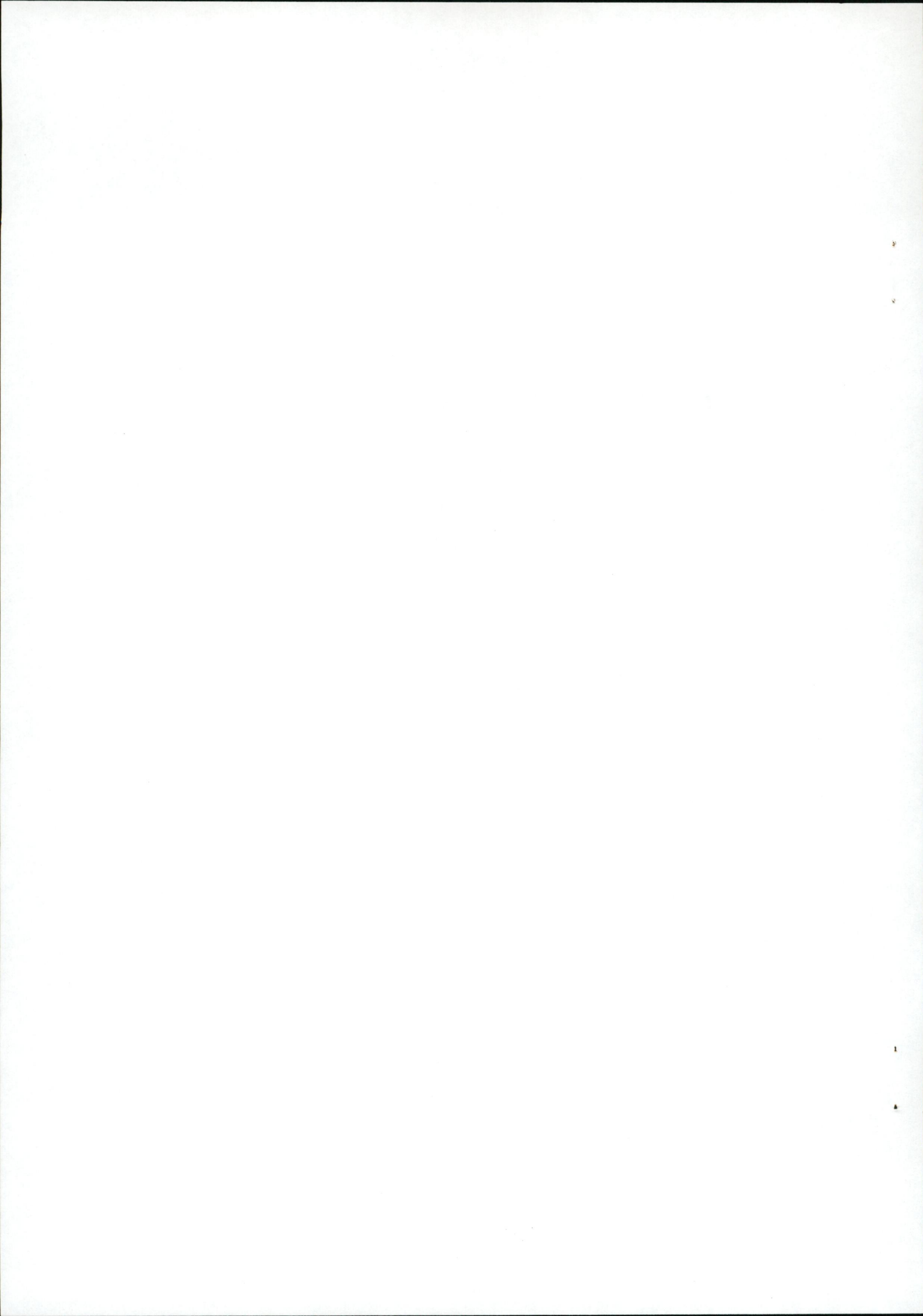
NEW SOUTH WALES



TABLE OF PROVISIONS

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SCHEDULE 1—AMENDMENT OF CONSTITUTION ACT 1902



STATE DEBT CONTROL (BALANCED BUDGETS) BILL 1994

NEW SOUTH WALES



No. , 1994

A BILL FOR

An Act to require the Government to balance the State budget.

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5 **BE** it enacted by the Queen's Most Excellent Majesty, by and with the advice and consent of the Legislative Council and Legislative Assembly of New South Wales in Parliament assembled, with the approval of the electors as required by the Constitution Act 1902, and by the authority of the same, as follows:

Short title

1. This Act may be cited as the State Debt Control (Balanced Budgets) Act 1994.

Commencement

10 2. This Act commences on the date of assent.

Amendment of Constitution Act 1902 No. 32

3. The Constitution Act 1902 is amended as set out in Schedule 1.

SCHEDULE 1—AMENDMENT OF CONSTITUTION ACT 1902

(Sec. 3)

15 (1) Section 7B (**Referendum for Bills with respect to Legislative Assembly and certain other matters**):

(a) In section 7B (1) (a), before "the Seventh Schedule", insert "Part 10,".

20 (b) In section 7B (7), after "section 29 (2)", insert ", 60 (2) or 62 (6)".

(2) Part 10:

After Part 9, insert:

**PART 10—STATE DEBT CONTROL
(BALANCED BUDGETS)**

25 **Definitions**

57. In this Part:

"**budget Bill**" means a Bill that appropriates sums of money from the Consolidated Fund for the ordinary

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SCHEDULE 1—AMENDMENT OF CONSTITUTION ACT 1902—
continued

- annual services of the Government (whether or not it deals with any other matter), but does not include a Bill that secures supply for those services (for a period not exceeding 3 months after the authority of the Treasurer to pay for those services would otherwise lapse); 5
- “**budget sector**” means the recurrent and capital programs, specified in the State budget estimates of expenditure, relating to the Legislature, to Government agencies funded mainly from the Consolidated Fund and to Crown transactions; 10
- “**Consolidated Fund**” means the fund referred to in section 39 or any fund that replaces that fund; 15
- “**financial year**” means the period for which a budget Bill appropriates the Consolidated Fund (whether or not it is a period of 12 months);
- “**State budget**”, in relation to a budget Bill, means papers prepared by the Treasurer and containing budget estimates of expenditure and fiscal forecasts for the budget sector (including fiscal forecasts for the financial year for which the Bill appropriates the Consolidated Fund and for at least the next 2 years); 20
- “**Treasurer**” means the Minister responsible for budget Bills; 25
- “**Treasury**” means the Government agency responsible to the Treasurer for budget Bills.
- State budget and certificate of its compliance required for budget Bill** 30
58. (1) A budget Bill may not be introduced into the Legislative Assembly unless:
- (a) there is a State budget relating to the Bill; and
 - (b) the Treasurer certifies that the State budget complies with this Part, 35
- and the State budget and certificate are tabled in the Legislative Assembly with the Bill.
- (2) The Legislative Assembly may not pass any vote or resolution for an alteration to a budget Bill that would

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SCHEDULE 1—AMENDMENT OF CONSTITUTION ACT 1902—
continued

5 increase the total amount appropriated from the Consolidated Fund under the Bill as introduced into the Legislative Assembly unless:

- (a) the Treasurer certifies that the State budget relating to the Bill (as revised to take into account the proposed alteration to the Bill) complies with this Part; and
- 10 (b) the certificate is tabled in the Legislative Assembly before the vote or resolution is passed.

(3) A Treasurer's certificate must contain a statement of responsibility signed by the head of the Treasury certifying that the fiscal forecasts for the budget sector contained in the State budget are reasonable in the professional judgment of the head of the Treasury.

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State budget—requirement for balanced budget

59. (1) A State budget must not contain a fiscal forecast of a budget sector deficit.

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(2) However, a State budget may contain a fiscal forecast of a budget sector deficit if the deficit is due to exceptional circumstances (for example, a natural disaster or a major economic recession).

(3) This section applies to fiscal forecasts for the financial year for which the budget Bill appropriates the Consolidated Fund and for the following 2 years.

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State budget—requirement to eliminate deficits

60. (1) A State budget must indicate the measures that the Government proposes to take to eliminate the impact on State debt of any budget sector deficit that is forecast in that State budget or of any actual budget sector deficit that occurred in a previous financial year.

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(2) Those proposed measures are to provide for the elimination of that impact over a period not exceeding the next 3 years or any other period provided by law.

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(3) The fiscal forecasts for the budget sector contained in that State budget must take those proposed measures into account.

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SCHEDULE 1—AMENDMENT OF CONSTITUTION ACT 1902—
continued

(4) The actual budget sector deficit for a financial year is the estimated deficit if actual results for the year are not available when the State budget is prepared. 5

State budget—accounting principles for fiscal forecasts

61. The fiscal forecasts for the budget sector in a State budget must be made in accordance with the principles for the classification of Government financial transactions adopted by the Australian Statistician or in accordance with any other nationally recognised principles. 10

Half-yearly State budget updates

62. (1) A State budget update must be tabled in the Legislative Assembly by the Treasurer each year.

(2) The State budget update must be tabled in the month that follows the first 7 months of the current financial year or, if the Legislative Assembly does not sit in that month, in the first 3 sitting days after that month. 15

(3) The State budget update must provide the following information for the current financial year and for the next 2 years: 20

(a) an update on the economic forecasts contained in the latest State budget;

(b) an update on the fiscal forecasts for the budget sector having regard to the actual results in the first 6 months of the current financial year and other available information. 25

(4) If a State budget update indicates that the latest State budget may no longer comply with this Part, the update must indicate the measures that the Government proposes to take to ensure that future State budgets will comply with this Part. 30

(5) A State budget update must contain a statement of responsibility signed by the head of the Treasury certifying that the forecasts contained in the State budget update are reasonable in the professional judgment of the head of the Treasury. 35

(6) Any of the requirements of this section may be altered or excluded by another law.

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SCHEDULE 1—AMENDMENT OF CONSTITUTION ACT 1902—
continued

This Part applies from 1997–98 financial year

5 63. (1) This Part applies to budget Bills and State budget updates for the financial year commencing in 1997 and subsequent financial years.

(2) This Part does not apply to an actual budget sector deficit in a financial year commencing before 1997.

Review of operation of this Part

10 64. (1) The Treasurer is to review the operation of this Part in the year 2002 and every 5 years thereafter.

(2) For the purposes of that review, the Treasurer is to seek a report on the operation of this Part from an appropriate Parliamentary committee.

15 (3) A report of the outcome of each review is to be tabled in each House of Parliament after the completion of the review.
