



Restoring Order to **SPENDING**

Libertarian Party - Victorian Budgetary
Policy

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If you would be wealthy, think of saving as well as getting

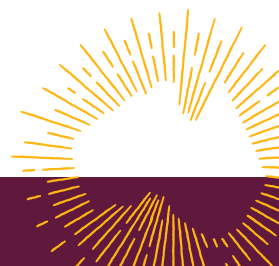
Benjamin Franklin

Preamble

- Victoria's finances are in a mess with persistent deficits, out of control spending and historic levels of debt. Since 2019-20, the government has been spending more than it collects and this spending has grown faster than the Victorian economy.
- In 2004-05, the government swallowed up 12% of the state's output (gross state product), but by 2025-26, it was taking 16% of our output and this trend is likely to continue. Government debt is at an all-time high \$167 billion of and the government expects to pay more in interest on this debt in 2025-26 (\$7.3 billion) than it plans to spend on Policing and Community Safety (\$4.5 billion).
- Victorians have been here before. In the mid 1990s, Victoria faced a similar debt crisis following the fallout from the Cain/Kirner recession.

But it's worse. The government has committed to spending a minimum of \$223 billion on the Suburban Rail Loop over at least the next twenty years. Add inflation and debt charges and the debt funded debt will soar towards \$400 billion. This locks in a long-term debt crisis that will cause taxes to explode and kill off vital necessary infrastructure spending in other areas such as schools, hospitals, fire, police and ambulances stations. It will create a crisis in funding of teachers, nurses, doctors, police, firefighters and more

Add the existing debt to the SRL debt and total Victorian debt will head past \$500 billion (half a Trillion). This is a Victorian crisis that must be stopped from happening. .



One of the reasons for this ever-increasing government spending is voters have been conditioned into expecting to get more and more 'free' stuff from government and politicians are prepared to keep providing 'free' stuff as they don't have to pay for it with their own money.

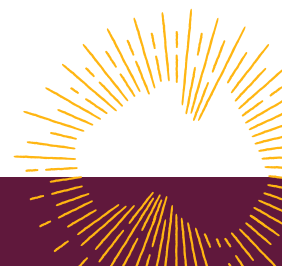
Given the nature of democratic politics, it's unrealistic to expect politicians to impose the necessary fiscal discipline on themselves to prevent future financial messes. Such discipline will need to be imposed externally and this can be done through the constitution.

In addition to controlling the overall level of spending, greater scrutiny of individual spending decisions is required to ensure taxpayers' money is being spent wisely and taxpayer can be sure their money is being spent responsibly. It's about commonsense in spending.

The Libertarian Solution

- 1. Amending the Victorian constitution to require every State budget to be balanced – except for genuine emergencies.** Forcing the government to live within its means is an important step in restoring Victoria's finances. The Libertarian Party of Victoria supports amending the Victorian constitution to require the government to deliver a balanced budget each year, unless there is a genuine emergency requiring the government to run a deficit.

Parliament should have the power to determine whether an emergency existed that requires deficit spending, but it would require a special majority of Parliament to approve. A special majority is defined in the constitution as 3/5th of all members of each chamber. Amending the constitution in this way will impose fiscal discipline on the government, while giving the government leeway to respond to genuine emergencies.



2. Amending the Victorian constitution to impose a 15% cap on State expenditure as a proportion of Victoria's annual gross state product.

As with most Western democracies, the Victorian government is consuming more and more of the state's output, leaving fewer resources for the productive sector of the economy. This trend is likely to continue unless a cap is imposed on government spending. Currently, government spending as a proportion of annual gross state product is around 16%, which is too high. As outlined in our Immediate Tax Relief policy, the Libertarian Party of Victoria is proposing to reduce government spending by 4% per year to make Victoria the lowest taxing per person State.

This reduction, coupled with continuing economic growth, should reduce government spending as a proportion of the economy. To ensure government spending as a share of the economy doesn't creep up again, the Libertarian Party of Victoria supports introducing a 15% constitutional cap on government spending as a share of gross state product once spending is below this level. This cap could be lowered over time as spending is further reduced.

3. Amending the Victorian constitution to impose a 6% cap on State debt as a proportion of Victoria's annual gross state product.

Since 2018-19, the Victorian government has increased its debt from \$25 billion to \$167 billion in 2025-26. This has given Victoria the highest level of debt as a share of its gross state product (24.4% in 2024-25) of any State and this level of debt was nearly double the average across all States for that year (13%).

In 2024-25 the government set itself a goal of reducing debt as a share of gross state product by funding a higher proportion of capital spending from the budget and growing the Victorian economy. Having a debt strategy is welcomed but this strategy is destroyed because of the government committed to the Suburban Rail Loop that will add arguably \$400 billion to state debt (as explained above and detailed below).



Discipline is needed to ensure Victoria doesn't find itself with another debt crisis. To ensure government debt doesn't become excessive again, the Libertarian Party of Victoria supports introducing a 6% constitutional cap on government debt as a proportion of gross state product. In the 14 years prior to 2018-19, the government managed to function with an average debt of 3.4% of gross state product and the debt didn't rise above 6% of gross state product over this period. Reducing government debt back to these levels will take time, but once it has been achieved, the constitution should be amended to cap the debt to 6% of gross state product to prevent a future debt blow out.

- 4. Introducing a statutory sunset clause on all items of government spending.** Under current legislation, the Victorian government is required to review all regulations every ten years and to provide a public report justifying their renewal. While government spending decisions are reviewed as part of the budget process, these are internal reviews and the government isn't required to report their outcomes. This can lead to an accumulation of inefficient spending programs.

The Libertarian Party of Victoria supports introducing a statutory requirement for all government spending items to be subject to a time limit (a 'sunset clause') which will require a public review before spending can be renewed.

- 5. Tightening the controls on Treasurer's Advances.** Treasurer's Advances are amounts pre-authorized by Parliament in the annual Appropriation Act that the Treasurer may draw upon during the year to meet expenditure that is genuinely urgent or unforeseen, and which arises after the Budget has been brought down. Because these sums are appropriated as a large global pool without specified purposes, the subsequent decisions about how they are spent do not receive the same line-by-line scrutiny or debate as ordinary budget items. Strong controls are therefore needed to ensure that Treasurer's Advances are confined to truly urgent and unexpected expenditure and are not used as a back door for routine or politically convenient spending.



In recent years, Victoria has moved far beyond the traditional, limited use of Treasurer's Advances. Parliament has been asked to pre-authorise sums in the order of \$10-13 billion per year as Treasurer's Advances, representing roughly 10-15 per cent of total appropriations for government services. This is far more than is reasonably required to deal with genuine emergencies and places a very large share of total spending effectively outside the ordinary budget process.

The Libertarian Party of Victoria supports amending the relevant financial management legislation to ensure any money advanced to the Treasurer is confined to truly urgent and unforeseen expenditures. Reforms should include tighter statutory definitions of "urgent" and "unforeseen", clear limits on the proportion of total appropriations that may be allocated to Treasurer's Advances, and more timely and detailed reporting to Parliament on each use of the Advance, including when it was made and why it met the criteria.

6. Requiring all government departments to publicly provide more accessible information on their revenue and expenditure. The money spent by the government is money taken from Victorians and Victorians have a right to know how their money is being spent. The Libertarian Party of Victoria supports requiring every government department to establish and maintain public-facing websites which clearly lays out:

- their funding sources;
- their programs and projects;
- key performance indicators against which their programs and projects can be assessed;
- line-by-line accounting for their spending, and
- information on any delays or cost blowouts with their programs and projects.

These measures will permit proper public scrutiny of government spending and improve transparency.

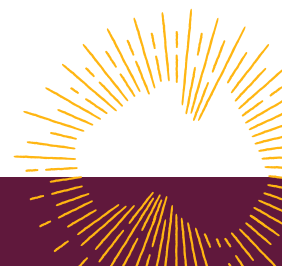


- 7. Providing non-government MPs with access to dedicated teams to assist them in scrutinising the annual budget and all proposed government expenditures.** One of the most important roles of Parliament is to properly scrutinise government spending. This requires specialised skills and a deep understanding of government processes. Most non-government MPs do not have access to the specialised staff and support required to properly scrutinise government spending.

The Libertarian Party of Victoria supports providing dedicated staff to non-government MPs to assist them in examining and questioning government budgets and spending proposals. This will expose government spending to more vigorous scrutiny which should lead to better spending decisions.

- 8. Reviewing the funding arrangements of oversight agencies such as the Victorian Auditor General's Office (VAGO), the Victorian Ombudsman and the Independent Broad-Based Anti-Corruption Commission (IBAC) to maximise their effectiveness and security.** VAGO, the Victorian Ombudsman and IBAC play an essential role in scrutinising the government's financial operations and in helping the Parliament and the public hold the government to account. While their independence is enshrined in legislation, they are vulnerable to pressure from the government through funding cuts, whether carried out or merely threatened. Moreover, the government can limit the effectiveness of these organisations by underfunding them.

The Libertarian Party of Victoria supports reviewing their funding arrangements with a view to strengthening their independence.

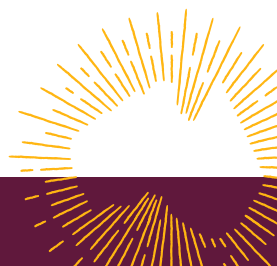


9. **Supporting the government implementing the recommendations set out in the Victorian Government's 'Digital Strategy 2021-2026' program.** In 2021, the Victorian government published a report outlining a comprehensive plan to modernise its operations considering contemporary developments in information technology.

The Libertarian Party of Victoria supports the adoption of the Digital Strategy recommendations as a matter of priority and requiring all government departments to publish quarterly reports tracking their compliance with the recommendations. This will improve the efficiency of the State government, thereby contributing to a lower cost of government alongside more responsive service-provision for Victorians.

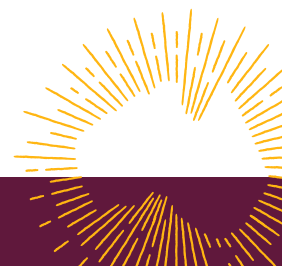
10. **Encouraging the use of AI and other cutting-edge productivity tools within the State government.** AI is actively transforming the way in which we live and work and has the potential to greatly improve human productivity. The Libertarian Party of Victoria supports encouraging - wherever possible - the intelligent integration of AI into government workflows.

11. **Plus. We will cancel the Suburban Rail Loop to prevent a debt explosion** In 2018, the original projected cost of the Suburban Rail Loop was \$50 billion. Today, the cost of just 2 parts alone (North and East) is now estimated at \$216 billion. Then add another \$13 billion for the Melbourne Airport Rail link. Don't forget the western part from Werribee to Tullamarine. If the existing parts of the SRL are any guide, we can calculate another \$8 billion, giving as a current total of \$223 Billion! Include inflation over the next 20 plus years and the cost **will likely exceed \$400 billion!**



Add the existing debt to the SRL debt and total **Victorian debt will head past \$500 billion (half a Trillion)**. This is a Victorian crisis that must be stopped from happening.

The Libertarian Party commits to cancelling the Suburban Rail Loop to stop the current debt crisis from turning into a debt tragedy that bankrupts Victoria and Victorians. (See our '[Cancel Suburban Rail Loop](#)' loop policy for details)



<https://vic.libertarians.org.au/policies>

Our Policies




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