**['Very difficult': NSW treasurer says state budget surplus unlikely amid inflation, cost blow-outs](https://www.abc.net.au/news/2023-06-20/nsw-budget-update-star-casino-taxes-surplus/102498686)** - ABC News [Ashleigh Raper](https://www.abc.net.au/news/ashleigh-raper/166990), [Ruby Cornish](https://www.abc.net.au/news/ruby-cornish/6329202)  [Gavin Coote](https://www.abc.net.au/news/gavin-coote/7487088) 20 June 2023

NSW Treasurer Daniel Mookhey has delivered a budget update to parliament, warning the state's finances are unlikely to return to surplus as expected.

**Key points:**

* Treasurer Daniel Mookhey said inflation had impacted the state's bottom line
* A casino tax hike has been pushed in New South Wales
* The Crown and The Star can expect them to come into effect in August

Previous forecasts showed a deficit of $7.1 billion next financial year, but a return to surplus of $300 million the following year in 2024-25.

Mr Mookhey said on Tuesday it would now be "very hard to hit those figures".

"I want to be up-front with the fact that returning the budget to surplus is very, very difficult."

In his financial statement, he cited inflation triggering a revaluation of the state's assets including schools, hospitals and roads and "will see the cost of depreciation rise by hundreds of millions of dollars a year starting from this July".

The treasurer told parliament this would add to the deficit.

Mr Mookhey says budget blowouts in major infrastructure projects including Metro City and South West will need at least an extra $2 billion from the budget.

There is also a $169 million TAFE funding shortfall.

Mr Mookhey says next year's funding allocation had been reduced from $2 billion to $1.8 billion by the previous government.

"We will work through the issues to do with TAFE," he said.

Earlier on Tuesday, it was revealed a tax hike for Sydney's casinos due to come into effect on July 1 has been deferred until August.

Last year the previous state government announced plans to increase duty rates at The Crown and The Star in a move projected to raise $364 million over three years.

The announcement caused Star Entertainment's share price to plummet and contributed to what CEO Robbie Cooke called an "issues rich" situation for the beleaguered casino giant.

Speaking on ABC Radio Sydney this morning, Mr Mookhey said despite the Perrottet government budgeting for the new rates, they remained unlegislated.

He said the delay was necessary because his predecessors had failed to liaise with the casinos about the changes.

"At no point did they engage with the particular businesses that were affected by it," he said.

"These businesses are having to reform their business model so they are completely compliant with the law."

Mr Mookhey said since becoming treasurer he had met with the casino leadership teams.

"They have a hard job ahead of them in terms of recovering their social licence… We're in discussions with them about how we go about implementing these arrangements in a way in which we can see whether or not we can minimise its impact on jobs."

The Star Entertainment Group has welcomed the decision, saying the former government’s proposed tax increases were unsustainable and "flawed in their design".

"This proposed duty increase was policy on the run by the former Treasurer, was ill-conceived with no consultation and had no regard to the capacity of our Sydney operation to afford the impost,” The Star CEO and managing director Robbie Cook said in a statement to the ASX.

In a statement, a Crown Resorts spokesperson said it "continues to engage" with the NSW government on the proposed changes to the casino tax.

**'Not surprised, but disappointed'**

Gambling researcher Charles Livingstone from Monash University described the deferral as "a strange move" given the state's precarious financial situation.

"Particularly to favour a casino which has just been disgraced in the most public possible way," he added.

Mr Livingstone said he believed the casino bosses were overstating the risk in order to maintain an advantage over other gambling venues.

Prominent anti-gambling campaigner Tim Costello said he was "not surprised but disappointed" at the NSW government's decision to delay the tax hike.

"[I'm] disappointed for the taxpayers of New South Wales, they deserve better," Mr Costello said.

"It says that they are beholden as a government to whatever duties and debts they owe to the gambling industry because the finances demand this increase."

**Spending cuts flagged to reduce debt, curb inflation**

Mr Mookhey this afternoon delivered a budget update in parliament to outline the state's position ahead of the budget proper in September.

"We are being candid with the parliament and the public about the situation, upfront about the fact that it is tough and there are difficult choices ahead for the state," he said.

He said the previous government's post-COVID spending created a precarious position by adding $33 billion of expenditure to the budget.

"Right now, if governments continue to accelerate spending, we do run the risk of the [Reserve Bank] effectively having to put up interest rates and taking back whatever benefit is provided," he said.

"In just a few years' time, we'll owe $188 billion to our creditors.

"To put that in stark terms, we will be paying more in interest than we do to fund the NSW Police Force and TAFE combined."

Mark Speakman said part of the state's debt was due to natural disasters and the pandemic. *(AAP: Paul Braven)*

Opposition Leader Mark Speakman has refuted the treasurer's claim that the state's books have been left with a $7 billion "black hole".

"The government seems to be looking for excuses to slash a whole lot of cost of living support programs… there is no budget black hole," he said.

He said a significant portion of the state's debt was the result of natural disasters and the pandemic.