

2018-19 Victorian Budget May 2018

On 1 May 2018 Victorian Treasurer the Hon Tim Pallas delivered the Victorian Labor Government's fourth Budget.

The 2018-19 Budget investments heavily in rail and road infrastructure, particularly in the regions and high-growth areas throughout Victoria.

The Budget also prioritises the revitalisation of the State's vocational education system, with a view to ensuring the State's workforce is properly equipped to contribute to the Victorian economy.

The Treasurer's Budget speech is available [here](#).

The 2018-19 Budget is available in full [here](#).

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The Budget Outlook

The 2018-19 Budget produces an operating surplus of \$1.4b for 2018-19. A \$2b surplus is expected for 2019-20 with the operating surplus expected to rise again to \$2.7b in 2020-21. The Budget surplus will average \$2.5b over the forward estimates.

The Victorian economy is expected to grow by 2.75 per cent in 2018-19, with the same growth figure expected for the subsequent four years. Real Gross State Product has averaged 3.2 per cent a year over the past three years, rising at a higher rate than population growth.

Net debt as a percentage of GSP is expected to be 4.6 per cent at June 2018, increasing to a peak of 6 per cent by 2020-21. Victoria’s AAA credit rating will be maintained as a result of these debt figures.

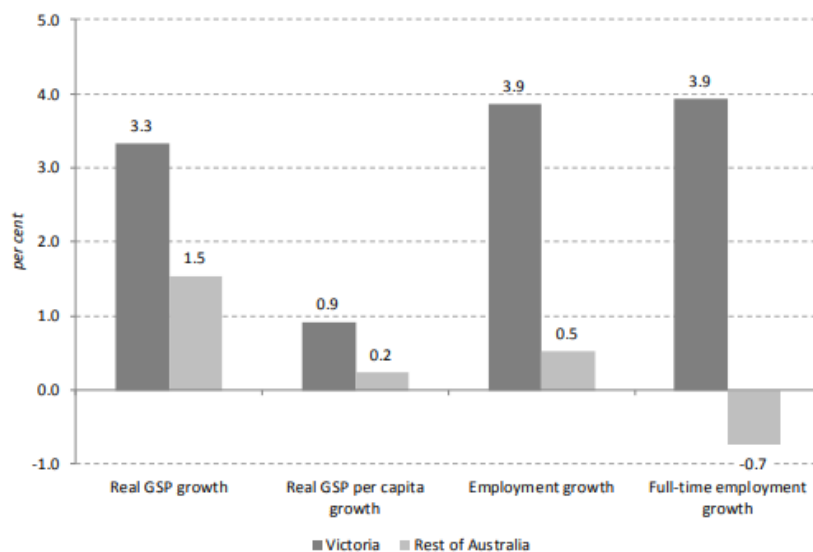
Employment is forecast to grow by 2.0 per cent in 2018-19, representing five consecutive years of above-trend growth. This builds on the 340,000 jobs created since the election of the Andrews Government in 2014, 200,000 of which are full-time. The unemployment rate is anticipated to stabilise at 5.75 per cent in 2018-19 before declining to its trend rate of 5.50 per cent in 2019-20.

Table 1.1: General government fiscal aggregates^(a)

	Unit of measure	2016-17 actual	2017-18 revised	2018-19 budget	2019-20 estimate	2020-21 estimate	2021-22 estimate
Net result from transactions	\$ billion	2.7	2.0	1.4	2.0	2.7	2.9
Government infrastructure investment	\$ billion	9.1	11.6	13.7	10.0	8.9	7.6
Net debt	\$ billion	15.8	19.6	24.3	28.0	29.8	31.4
Net debt to GSP	per cent	3.9	4.6	5.4	5.9	6.0	6.0

Source: Department of Treasury and Finance

Chart 1.3: Selected economic indicators for Victoria and the rest of Australia, 2016-17



Source: Australian Bureau of Statistics

Source: Budget Paper No 2: Strategy and Outlook, pg 4.

Jobs

The Victorian Government continues its commitment to a job creation agenda, with funding initiatives to attract investment from the fastest growing industries and international companies.

Building on record jobs growth in the State, the Budget includes:

- \$21.9m towards the Jobs Victoria Program, connecting job seekers and employers.
- \$4.9m to create the Office of Industry Participation and Jobs to expand the Industry Capability Network to Ballarat, Bendigo, Geelong and Shepparton.
- \$2.9m towards the defence industry and its supply chain.
- Strengthening the Major Project Skills Guarantee to include women, at risk youth and Indigenous Australians.

Transport and Infrastructure

A record average of \$10b billion in infrastructure spending has been allocated across the forward estimates. This figure will peak at \$13.7b in 2018-19. Government infrastructure spending is expected to support more than 75,000 jobs.

Roads

The Budget provides for \$4.3b in roads funding, including:

- \$2.2b towards the Suburban Roads Upgrade, encompassing 13 arterial roads across north and southeast suburbs.
- \$941m – to be overseen by the newly-established division of VicRoads, Regional Roads Victoria – towards regional roads, with \$333m towards fixing more than 1000 kilometres of road.
- \$110m for further planning works for the North-East Link.
- \$100m *Fixing Country Roads* fund, providing grants to local councils.
- \$98m for planning and pre-construction of new bypasses on the Western Highway.
- \$23.9m to improve road safety around schools.
- \$21m to strengthen bridges around the State.

Rail

- \$571.5m to upgrade the Cranbourne, Pakenham and Sunbury train lines.
- \$313m for Stage 2 of the Shepparton Line Upgrade.
- \$172.9m to build new train stabling and maintenance facilities throughout the regional rail system.
- \$103.5m to purchase five X'Trapolis trains.
- \$60m for new and upgraded car parking spaces at outer suburban train stations.
- \$50m towards planning fast rail to Geelong.
- \$16.3m for accessibility improvements at Essendon and Watergardens stations.

The Budget also provides a \$50m investment to the *Growing Suburbs Fund* which will be used to enable ten eligible councils to undertake capital works.

Education

The Budget provides a \$2.8b investment in schools, including \$1.25b to build and upgrade schools:

- \$483m for repairs, renovations and upgrades.

- \$353.2m to build 12 new schools in high-growth areas, add facilities to seven others already under construction and planning for more new schools.
- \$288m to make schools more inclusive for students.
- \$180.8m to build, plan and upgrade 60 regional schools
- \$77.8m for demountable classrooms.
- \$45m for the State's school asbestos program.
- \$43m to build, upgrade and improve early learning facilities.
- \$17m for planning work for yet more new schools.
- \$10m each for the 'school pride and sport fund' and the 'inclusive schools fund'.

\$1.55b will be invested in a range of education measures, including \$32.9m to fund 200 additional Primary Maths and Science Specialists and \$22.1m for teaching tools to improve literacy and numeracy in schools.

\$135.9m will be invested into early childhood education, including \$42.9m to build and upgrade kinders across the State. \$17.9m will be invested to provide specialist language teachers in kinders.

Skills and training

\$828 will be invested into skills and training, with a focus on revitalising the TAFE system and ensuring the training system is properly aligned to meet the needs of industry.

- \$172m to make 30 priority TAFE courses and 18 Apprenticeship Pathway courses free of charge for students.
- \$303.8m to open new classes and enable 30,000 new student places in the vocational education system.
- \$120m for three regional TAFE upgrades in Morwell, Bendigo and Gippsland.
- \$108.6m to allow more students to access career advice in year 9.
- \$49.8m to create the Head Start Apprenticeships and Traineeships program, giving 1,700 students the chance to undertake an additional year of high school and complete their education with a VCAL degree and a Certificate qualification.

Health

The 2017-18 Budget provides for a significant upgrade to the State's hospital system, with \$1.67b in new funding to support hospitals:

- \$396m for Australia's first standalone heart hospital, the Monash Heart Hospital.
- \$217m to fast-track 207,000 elective surgeries.
- \$123.8m to roll out advanced technological electronic medical records at the Peter MacCallum Cancer Centre, Melbourne Health and Royal Women's Hospital.
- \$115m to expand the Wonthaggi Hospital.
- \$50m to upgrade rural and regional health infrastructure.
- \$50m to assist hospitals treat the flu.
- \$29.6m upgrade of Sunshine Hospital.
- \$2.1m to create a bone marrow research centre.

The Budget delivers a \$705m investment in mental health and rehabilitation programs, including:

- \$232.4m to support 89 new and existing inpatient beds.

- \$153.8m to provide intensive community mental health services.
- \$100.5m to establish six emergency department crisis hubs across the State, at the Monash Medical Centre and the Royal Melbourne, Geelong, Sunshine and Frankston hospitals.
- \$58.9m towards expanding the Mental Health and Complex Needs Initiative.
- \$40.6m to fund construction of three new 30-bed residential treatment facilities in Barwon, Gippsland and Hume.
- \$18.7m to support six new Hospital Outreach Post-Suicidal Engagement sites.

The Budget contributes the following to disability services:

- \$13.7m towards the rollout of key initiatives from the State Disability Plan 2017-20, and towards the continued transition to the NDIS.
- \$9.2m towards increasing opportunity for disabled people, including employment avenues.

Regional Partnerships

The Budget provides \$760m to deliver Victoria's nine Regional Partnerships, including:

- \$153.2m towards the Geelong City Deal, which will build the Geelong Convention Centre and Progress Stage 2 of the Shipwreck Coast Upgrade.
- \$23m towards the Goulburn Regional Partnership.
- \$2m to regional tourism boards.
- \$2m towards Falls to Hotham Alpine Crossing.

Justice and corrections

The Budget will include \$128.9m in new funding to the court system, allowing for 18 new magistrates, two new County Court judges and one new Supreme Court judge. Three magistrates have been allocated to the Bail and Remand Court (which has already begun operating, as recommended by the Coghlan Bail Review). The Budget includes:

- The Office of Public Prosecutions receiving an extra \$21.8m over four years to recruit prosecutors and provide additional assistance to the Office.
- \$115m towards a police and crime-prevention package including \$36m for a new police station in the CBD, \$25m for specialist training and \$24 million to tackle cybercrime.
- \$47.3m to support Aboriginal children in the child protection system.
- \$41m towards the rollout of further security measures in Melbourne's CBD.
- \$37.3m towards Victorian Legal Aid.

Investment in corrections infrastructure includes:

- \$689.5m million to build a 700-bed maximum-security men's prison at Lara.
- \$145m towards additional secure units and staff at Parkville and Malmsbury Youth Justice centres.
- \$91m for extra beds and security upgrades across the prison system, including \$8.5m towards the Dame Phyliss Frost Centre.
- \$20.9m to respond to the recommendations of the Expert Panel on Terrorism and Violent Extremism Prevention and Response Powers.

Environment

- \$70.6m for Parks Victoria to improve management of the parks network, supporting an extra 130 park ranger positions.
- \$65m to provide water security for communities across the State and build irrigation and water supply infrastructure.
- \$10m towards water supply for the Mitiamo district.
- \$8.3m to help protect Victoria's beaches.
- \$5.8m towards curbing climate change and identifying areas throughout the State that may be susceptible to the effects of climate change.
- \$1.2m to finalise work on the *Yarra Strategic Plan*.

Child and family services

The Budget provides for a record \$858.6m investment in child and family services through the Roadmap for Reform, including:

- \$225.5m towards employing 450 child protection workers.
- \$390.7m for additional home-based care.
- \$101.7m towards family and early intervention programs including *CHILDFirst*, *Cradel to Kinder* and *Healthy Mothers, Healthy Babies*.
- \$49.9m towards therapeutic counselling for victims of family violence.

Emergency services

The Budget commits \$43m towards upgrading Country Fire Authority (CFA), State Emergency Service (SES) and Life Saving Victoria facilities.

\$8.3m will be committed towards improving water safety programs to reduce drownings.

Family violence

The Budget provides an additional \$42.5m in addition to last year's \$1.9b investment in family violence, including:

- \$24m to help change attitudes which contribute to family violence.
- \$13.5m to help decrease family violence amongst Indigenous communities.
- \$5m in additional funding towards implementing the 10 Year Family Violence Industry Plan.

Small business and trade

- Building on the fast-tracked payroll tax cuts announced in the 2017-18 Budget by reducing the regional payroll tax rate to 2.425 per cent, half the metropolitan rate.
- \$55m towards the Investment Attraction and Assistance program.
- \$13.5m for small business mentoring.
- \$4.1m towards supporting the wine industry in Victoria.
- \$2m towards the artisanal food industry.
- Doubling the stamp duty-free threshold from \$300,000 to \$600,000 to encourage investment in agriculture and farming.

Cyber Security

The Budget will provide \$17.6m to deliver the State's first Cyber Security Strategy, following the appointment of the State's first Chief Information Officer. The Strategy will aim to ensure Victoria's government agencies are immune from external hacking threats.

\$2.6m will go towards assisting the Office of the Victorian Information Commissioner to better support government in protecting the privacy of Victorians.

Planning and housing

- \$25m towards ensuring buildings are protected from combustible cladding.
- \$14.7m to reduce red tape and fast-track new homes renovations.
- \$9.7m to process additional planning permits, and \$3.5m to help councils process subdivisions in a more timely manner.

Cost of Living

- \$48m towards the *Power Saving Bonus* to provide \$50 payments to households to encourage them to use a Victorian Government website to find the least costly energy deal on the market.
- \$21.8m to expand Utility Relief Grants Scheme, increasing the payment from \$500 to \$650.
- \$1.9m towards expanding the public transport fare discount program.

Multicultural and Indigenous affairs

- \$116m to support Aboriginal Victorians achieve self-determination and celebrate culture. This includes \$1m to implement Creative Victoria's First People's Plan.
- \$43.6m to improve multicultural community infrastructure and help migrants settle into the State.
- \$17.1m towards the Multicultural Community Infrastructure Program.

Tourism, arts and sport

- \$473m boost for women's and community sport, including upgrades to Ikon Park, Moorabbin Oval, the Rugby Centre of Excellence, Casey Fields and Footscray Park.
- \$225 million to redevelop Etihad Stadium and keep the AFL grand final at the MCG until at least 2057.
- \$205m expansion of the Melbourne Convention and Exhibition Centre.
- Establishment of the Community Sports Infrastructure Loans scheme, which will help to unlock \$100m to upgrade local facilities.
- \$83m to galleries, museums and creative sector.
- \$51.1m to attract tourists, including \$4.5m towards boosting *Victoria's Major Events Fund*.
- \$31.6m to revamp Melbourne's Australian Centre for the Moving Image.
- \$8.4m investment in film and television production.
- \$5.4m to celebrate the State's LGBTI pride events, including the establishment of a Pride Events and Festivals fund.

Further information

The Victorian Treasurer's Budget speech is available [here](#).

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Hawker Britton's Occasional Paper on the 2017-18 Victorian Budget is available [here](#).