

## 2019-20 Victorian Budget Update December 2019

On 12 December 2019 Victorian Treasurer the Hon. Tim Pallas delivered the Victorian Labor Government's 2019-20 Budget Update.

The 2019-20 Budget Update follows through on more recent commitments made by Labor since the May Budget.

The Budget Update outlines how the Victorian Government will continue to deliver record investment in rail and road infrastructure, while maintaining a surplus in a slow national economy. It also makes significant commitments to education, environment and regional planning.

The Treasurer's Media statement is available [here](#).

The 2019-20 Budget Update is available in full [here](#).

### The Budget Outlook

The Andrew's Labor Government has forecast a \$618 million surplus in 2019-20, down from \$1 billion, and an average ongoing surplus over the forward estimates of \$3.3 billion. The downturn in the national economy has resulted in a decrease in GST revenue received by this Government, from the Commonwealth.

The Victorian economy has grown to \$455 billion and is expected to continue to grow in 2020-21 by 2.75 per cent.

Although the real Gross State Product reached 3.0 per cent in 2019, it has been revised down to 2.5 per cent for 2019-20 and is expected to strengthen in 2020-21 on the back of a strengthening established property market.

The Government estimates the net debt as a percentage of Gross State Product (GSP) to be 8.5 per cent by June 2020; this will increase to 10.5 per cent at the end of the forward estimates in 2022-23. This will allow the Government to fund vital infrastructure projects while maintaining its triple-A credit rating.

As of June 2019, Victoria has seen 120,000 more jobs in the economy and the current average state-wide unemployment rate is at 4.6 per cent. The unemployment rate in regional Victoria is at a record low of 3.6 per cent. Wages growth have remained subdued and the forward estimates project that wages growth will rise from 2.7 per cent in 2018-19 to 3.0 per cent in 2019-20.

**Table 1.3: General government fiscal aggregates <sup>(a)</sup>**

	Unit of measure	2019-20 revised	2020-21 estimate	2021-22 estimate	2022-23 estimate
Net result from transactions	\$ billion	0.6	1.2	3.8	4.9
Government infrastructure investment <sup>(b)(c)</sup>	\$ billion	15.8	15.1	12.4	12.3
Net debt	\$ billion	40.3	49.3	53.9	57.8
Net debt to GSP <sup>(c)</sup>	per cent	8.5	9.9	10.3	10.5

Notes:

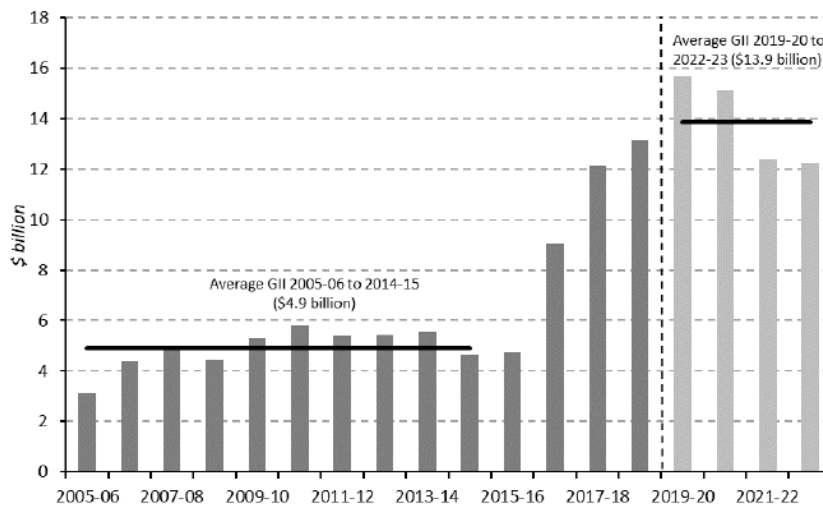
- (a) Includes the impact of accounting standards changes that require the classification of most operating leases as debt and the progressive recognition during construction of capital expenditure and related debt associated with financial service concession arrangements, including certain public private partnerships.
- (b) Includes general government net infrastructure investment and estimated construction costs for public private partnership projects.
- (c) The ratios to GSP may vary from publications year to year due to revisions to the Australian Bureau of Statistics GSP data.

Source: Department of Treasury and Finance

The Government’s long-term financial management objectives include prioritising sound financial management, improved public services, building public infrastructure, and the efficient use of public resources.

Net debt has risen \$1.3 billion to fund infrastructure investments which have increased \$1.1 billion from the 2019-20 Budget. Key infrastructure investments include the North East Link, Melbourne Airport Rail and the removal of an additional 25 level crossings by 2025. Government infrastructure investment is projected to average \$13.9 billion a year over the next four years, supporting both job growth and the rapidly growing Victorian population.

**Chart 1.2: Government infrastructure investment <sup>(a)(b)</sup>**



Notes:

- (a) Includes general government net infrastructure investment and estimated construction costs for public private partnership projects.
- (b) Excludes the impact of the medium-term lease over the operations of the Port of Melbourne and the divestment of Victoria’s share of Snowy Hydro Limited.

Source: Department of Treasury and Finance



The Andrew's Labor Government released the following key policy initiatives:

1. Drought Affected Farmers  
The Victorian Government continues to support its farmers by providing an additional \$36 million in funding. It will establish a Farmers' Drought Fund and will deliver Farm Business Management and Planning Support services.
2. Forestry Plan  
Funding will be provided to support the transition to plantation timber to the sum of \$21.3 million, which increases the total funding package to \$120 million.
3. Education and Training  
Multiple areas in education will receive a boost in funding amounting to \$329.5 million, including additional support for at-risk youth, students with disabilities and additional needs, and students with high ability. Funding is also in place to improve internet bandwidth and information technology service delivery.

The following departments received a funding boost:

1. Department of Environment, Land, Water and Planning  
\$14.1 million – Firefighting Aviation  
\$93.8 million – Cladding Rectification Program (and approximately \$140 million per year in forward estimates)  
\$74 million in forward estimates – Rehabilitate the Lara waste stockpile  
\$6.6 million – Recycling Immediate Relief Package  
\$62.5 million – Solar Homes Program Boost
2. Department of Health and Human Services  
\$100 million – Supporting hospitals with additional flu funding  
\$2.8 million – Supporting participants in the Royal Commission into Victoria's Mental Health System with lived experience.
3. Department of Jobs, Precincts and Regions  
\$2 million – Infrastructure upgrades at Beckley Park racing precinct.
4. Department of Justice and Community Safety  
\$9.7 million – Summer fire information and education programs  
\$5.0 million – Emergency services telecommunications authority at Williams Landing
5. Department of Premier and Cabinet  
\$13.6 million – Supporting the Royal Commission into Victoria's Mental Health System.



6. Department of Transport
  - \$11.8 million – Mordialloc Freeway
  - \$11.6 million – South Gippsland Highway
  - \$80 million in forward estimates – Monash Freeway Upgrade Stage 2.
  - \$30 million in forward estimates – Echuca- Moama Bridge Project
  
7. Court Services Victoria
  - Funding of \$1.7 million to be provided to the Judicial Commission of Victoria to maintain public confidence in Victorian courts.

### **Further information**

For more information, please contact your Hawker Britton consultant JP Blandthorn, Victorian Director on +61 407 366 304 or Debbie Manchin, Policy and Business Analyst on +61 421 083 995.

Further Hawker Britton Occasional Papers on the activities of the Victorian Government are available [here](#).