



financially responsible



2000-01 Victorian Budget Overview

socially progressive



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2000-01 Budget Paper set includes:
Budget Paper No. 1 - Treasurer's Speech
Budget Paper No. 2 - Budget Statement
Budget Paper No. 3 - Budget Estimates
Budget Overview

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Planting
Melbourne

Our Treasury Building
and City Square

Farrell and Parkin:



Treasurer's message

The Bracks Labor Government is committed to providing a sound financial platform for delivering improved services and promoting growth for all Victorians.

At the last election my team promised to deliver on four key pillars — responsible financial management, promoting growth across the whole State, delivering improved services and restoring democracy.

This budget — the first budget of the Bracks Labor Government — provides the substance of this commitment.

This budget — as was promised — is a financially responsible and socially progressive blueprint for Victoria.

A substantial operating surplus has been retained to protect Victoria against economic downturn, ensuring that taxes can be reduced while services are improved.

This budget is for all Victorians. It sets a framework that enables the benefits of a competitive business environment to be shared across all regions — so that Victoria can grow together.

It delivers long overdue improvements in the key areas of education, health and community safety.

This budget also marks a further step towards restoring openness and greater accountability in government. In a world first, the Auditor-General has independently reviewed the budget — setting new standards in financial transparency and accountability.

By delivering this platform, the budget lays the foundation for the economic and social development of Victoria for the next four years.

The 2000-01 Budget outlines the plan that will enable the whole State to grow, enhancing the competitiveness of Victorian businesses and improving services.

Steve Bracks
Treasurer

2000-01 Budget: delivering in full

The Bracks Labor Government was elected on a policy program built on four key pillars:

- responsible financial management, including maintaining a substantial budget operating surplus
- promoting growth across all of Victoria

- delivering improved services, particularly in the key areas of education, health and community safety

- restoring democracy through open and accountable government.

In the 2000-01 Budget, the Government delivers on its election commitments — in full.

Meeting election promises in full

Election promise	Key decisions
Responsible financial management	<ul style="list-style-type: none"> ■ Substantial budget operating surpluses over the next four years ■ Net financial liabilities to decline
Growing the whole State	<ul style="list-style-type: none"> ■ \$1 billion Growing Victoria infrastructure reserve established ■ Business taxes to be cut by at least \$200 million by July 2003, including \$100 million from July 2001 ■ \$170 million Regional Infrastructure Development Fund established ■ Living Regions, Living Suburbs Support Fund initiated to assist local development ■ Greater focus on promoting regional investment ■ Better transport links between non-metropolitan areas and Melbourne ■ Victorian Economic and Social Advisory Council to be established
Delivering improved services	<ul style="list-style-type: none"> ■ Education funding boosted to reduce class sizes, enhance student services and broaden training opportunities and skills ■ Extra health funding provided for more hospital beds, more elective surgery, and extra home and community-based care ■ 800 additional operational police ■ 100 extra train station staff and 100 new tram conductors ■ Upgrades to road, tram and train services
Restoring democracy	<ul style="list-style-type: none"> ■ Independence and powers of the Auditor-General restored ■ Auditor-General reviews the budget for the first time ■ Compensation for victims of crime restored ■ Common law rights for seriously injured workers being reinstated

Responsible financial management

The Government's budget strategy is to provide a sound and stable financial basis to promote growth across the whole State. A sound financial position is also essential to ensure that improved services can be provided to all Victorians.

One of the Government's key election commitments was to maintain a substantial budget surplus. The first Bracks Labor Government budget delivers on this promise.

- A budget operating surplus of \$592 million is forecast for 2000-01, and surpluses averaging more than \$450 million are projected in future years.

Responsible financial management also involves keeping state liabilities at prudent levels. Victoria's triple-A rating was affirmed by Standard & Poor's on 20 December 1999, and awarded by Moody's Investors Services on 8 February 2000. The Government is committed to maintaining this rating.

The 2000-01 Budget further reduces state liabilities.

- Budget sector net financial liabilities are forecast to fall from 10.9% of GSP as at June 1999 to 7.7% of GSP by June 2004. State government net debt is expected to decline from \$6.2 billion to \$4.7 billion over the same period.

Growing the whole State

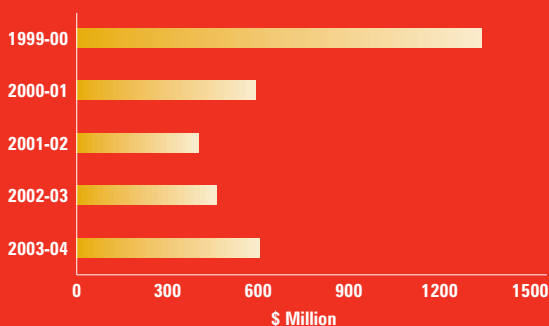
The Government is keen to ensure that all Victorians share in the benefits of the State's economic prosperity.

The Government's plan to promote growth and raise living standards throughout the whole State includes:

- Linking Victoria — an integrated transport infrastructure program to revitalise the State's roads, rail and port transport
- Skilling Victoria — a program that recognises the importance of education and training to long-term growth prospects and individual aspirations
- Connecting Victoria — a strategy for developing the State's information and communications technology industry and sharing the benefits of these technologies across the entire Victorian community.

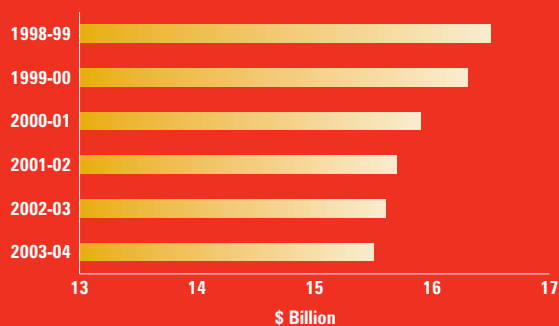
Substantial budget surpluses

Budget sector operating surplus



Liabilities falling

Budget sector net financial liabilities (excluding Growing Victoria)



The Government has also taken a number of initiatives to enhance the competitiveness of Victoria's business environment.

- *The Budget establishes a new \$1 billion Growing Victoria infrastructure reserve (further details on page 15).*
- *Business taxes are scheduled to be cut by a minimum of \$200 million per annum by July 2003, including \$100 million from July 2001.*
- *A \$170 million Regional Infrastructure Development Fund has been established to enhance services in rural and regional areas.*
- *A \$35 million Living Regions, Living Suburbs Support Fund will operate to assist local economic and social development.*
- *The Government has provided \$18 million to strengthen regional development organisations and better promote regional investment.*
- *Regional TAFE colleges will be provided with \$17 million over four years to take account of the additional on-costs faced by these regional-based TAFEs.*

The Government has also acted to improve transport links between regional Victoria and Melbourne, which will assist rural and regional areas in attracting new residents and industries. Significant new transport projects will commence from 2000-01, including:

- \$80 million contribution to cut train travel times between regional centres and Melbourne
- \$120 million to upgrade the Geelong Road, with matching funding to be provided by the Commonwealth Government.

More detail on major new asset investments in each region are provided on pages 10 and 11.

Delivering improved services

The Government is determined to improve services for all Victorians, particularly in the key areas of education, health and community safety.

The Government has taken action to target resources towards key service delivery initiatives in 2000-01, including:

- extra funding for education to reduce class sizes, enhance student services and broaden the range of training available
- increased health funding for more hospital beds, more elective surgery, and more home and community-based care
- 800 new operational police by the end of 2002-03
- 100 extra train station staff and 100 new tram conductors
- upgrades to road, tram and train services.



Restoring democracy

The Bracks Labor Government has pledged to return Victoria to open, transparent and accountable government.

The Government has moved swiftly to strengthen the powers of independent watchdogs, and increase community participation in the decision-making process.

- *The independence of the Auditor-General has been restored.*
- *The independence and powers of the Director of Public Prosecutions and Ombudsman have been guaranteed.*
- *Local government will now operate with greater autonomy, allowing the community a greater voice in local issues.*
- *Compensation for victims of crime has been restored.*
- *Common law rights for seriously injured workers are being reinstated.*

The Government has also introduced new financial responsibility legislation, setting new standards in government transparency and accountability.

The Auditor-General has been given new powers to review the budget financial statements, providing confidence that state finances are properly and independently scrutinised.

- *The Auditor-General has certified that nothing has come to his attention during the review that will cause him not to believe that the financial statements are consistent with the Government's key financial target of achieving an operating surplus of at least \$100 million in each year.*



2000-01 Budget overview

A \$1 billion Growing Victoria infrastructure reserve will be established, and business taxes are to be cut by \$200 million per annum by July 2003.

- The first Bracks Labor Government Budget delivers its election promises in full by boosting key services to the Victorian community while maintaining a responsible budgetary position.
- Labor's election commitments for new service delivery initiatives total \$426 million in 2000-01, focussing on the key areas of education, health and community safety.
- A further \$211 million in 2000-01 will address a range of other unavoidable and priority service delivery needs.
- A \$1 billion Growing Victoria infrastructure reserve will be established to substantially boost Victoria's infrastructure.
- New infrastructure projects worth \$987 million will commence in 2000-01, providing new and better schools, hospitals, transport and other community facilities.
- Business taxes are scheduled to be cut by a minimum \$200 million by July 2003, including \$100 million from July 2001 — details will follow a review of business taxes.
- These new initiatives are fully funded, leaving a substantial budget operating surplus of \$592 million in 2000-01, and average surpluses of over \$450 million in the following three years.

New initiatives by department

Department	New output initiatives ^(a) (2000-01)		Asset investment
	Election commitments	Other new initiatives	(Total cost)
	(\$ million)	(\$ million)	(\$ million)
Education, Employment and Training	166	92	212
Human Services	157	95	227
Infrastructure	5	70	364
Justice ^{(b) (c)}	-3	-42	88
Natural Resources and Environment	40	53	47
Premier and Cabinet	2	27	6
State and Regional Development	69	16	2
Treasury and Finance ^{(c) (d)}	-11	-101	35
Parliament	2	1	5
Total	426	211	987

(a) Figures are net of departmental savings and funding from within existing forward estimates.

(b) 'Election commitments' include departmental savings that do not impact on program delivery.

(c) 'Other new initiatives' are affected by superannuation expense savings arising from a payment in 1999-2000 to the Emergency Services Superannuation Scheme. Net of this adjustment, new output initiatives (including election commitments) for the Department of Justice total \$15 million in 2000-01.

(d) Includes \$85 million transfer of demand contingency funding to other departments.



Budget highlights — for all Victorians

New service delivery initiatives announced in the 2000-01 Budget will provide improved education and health services, and increased community safety for all Victorians.

Major new asset investments will also commence in all regions of the State in 2000-01, as illustrated.

Loddon-Mallee

- New Mildura Court House
- Contribution to fast rail link between Bendigo and Melbourne
- Replacement primary school at Kangaroo Flat
- Kyneton Hospital redevelopment
- Swan Hill Secondary College consolidation onto one site
- Radiotherapy services trial in Bendigo
- Duplication of Calder Highway between Bendigo and Melbourne

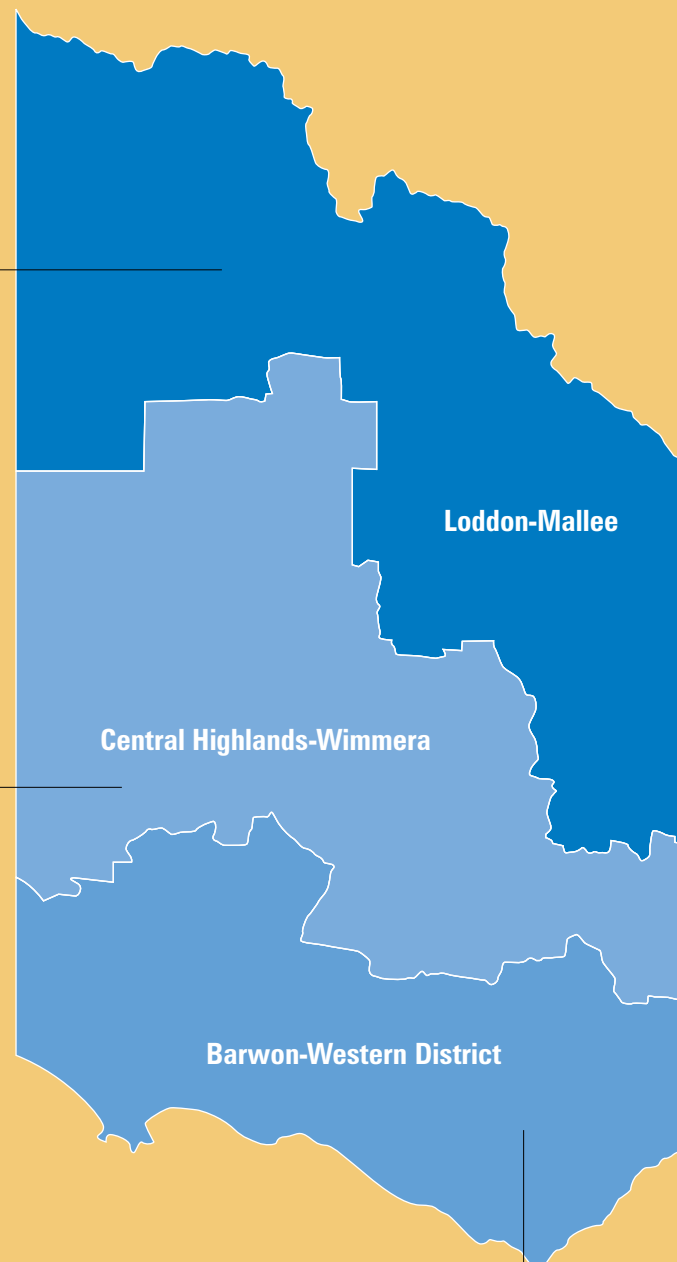
Central Highlands-Wimmera

- Replacement police station at Bacchus Marsh
- Contribution to fast rail link between Ballarat and Melbourne
- Horsham College development (administration, technology, special development school)
- Redevelopment works at Horsham-Sunraysia Research Institutes (Horsham and Mildura)
- Redevelopment of acute health facilities at Ballarat Base Hospital

Statewide

- Upgrade rural police stations
- Rural health infrastructure
- More hospital equipment
- Regional and metropolitan road improvements
- Modernisation/upgrade of facilities for schools and TAFEs
- Nursing home upgrades
- Community residential units

Major new asset investments will commence in all regions of the State in 2000-01, as illustrated.



Barwon-Western District

- Geelong Road upgrade
- Contribution to fast rail link between Geelong and Melbourne
- New Warrnambool Court House
- Portland Secondary College upgrade (Stage 3 — science, home economics, art)
- Belmont High School development (Stage 2 — science, technology, art)

Goulburn-Ovens-Murray

- New police station at Kinglake and replacement station at Seymour
- Whittlesea Secondary College development (science, commerce, administration)
- Upgrades to Tatura Primary School, and Cobram and Numurkah Secondary Colleges
- Upgrades to Wangaratta Primary School and Rutherglen High School
- Road upgrade and accident black spot treatment at Benalla
- Nursing home upgrade at Myrtleford

Gippsland

- Restoration of environmental flows to the Snowy River
- Contribution to fast rail link between Traralgon and Melbourne
- Replacement police station at Moe
- South Gippsland Secondary College redevelopment (Foster)
- Address algal blooms in Gippsland Lakes
- Warragul Regional College redevelopment (library, technology, art)
- New library and classrooms at Traralgon Primary School
- Central Gippsland Institute of TAFE (Yallourn Campus) refurbishment

Goulburn-Ovens-Murray

Melbourne

Gippsland

Melbourne

- Royal Women's Hospital redevelopment
- Eastern Freeway extension, Dingley Bypass Stage 1 and Hallam Bypass Stage 1
- Metropolitan tram and train extensions, and faster suburban trains
- Replacement police stations at Belgrave, Northcote and Preston
- Frankston Hospital redevelopment
- New primary schools at Aspendale Gardens, Roxburgh Park, Narre Warren South and Point Cook
- New secondary colleges at Berwick South and Narre Warren South
- New specialist school at Cranbourne East
- New campus of Kings Park Secondary College at Sydenham

Budget at a glance

Where the money comes from

Total revenue is forecast to rise by 3.4% to \$22.2 billion in 2000-01, with:

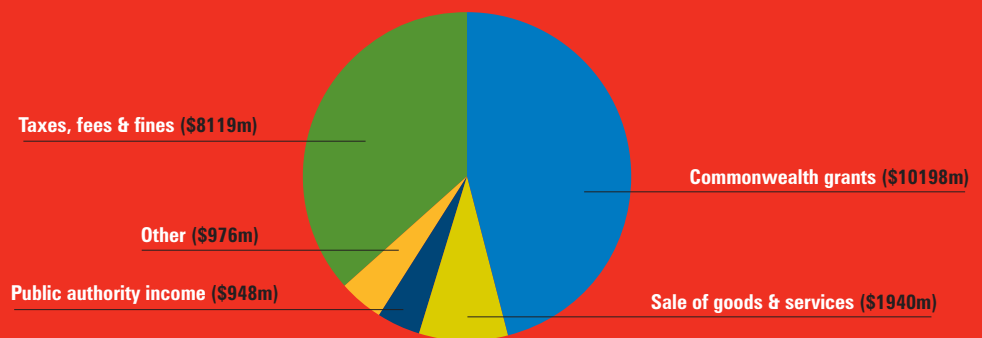
- Commonwealth grants now making up 46% of revenue under the new Commonwealth-State financial arrangements
- state-based revenue declining due to the impact of the Commonwealth's new tax system as well as more moderate economic growth, less bullish asset markets and lower public authority income.

Where the money goes

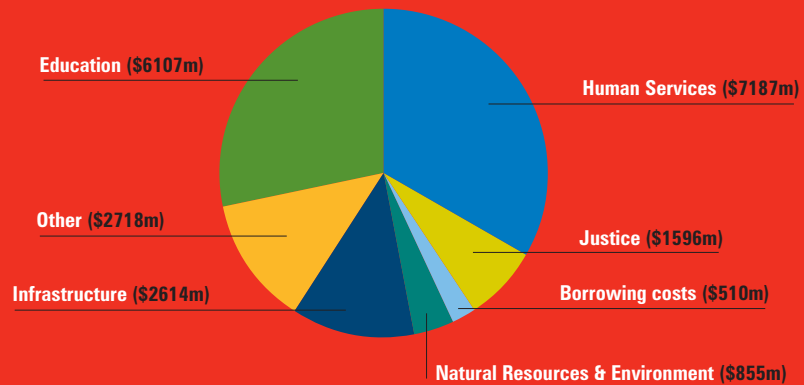
Total expenses are expected to rise by 7.4% to \$21.6 billion in 2000-01, due largely to:

- increased spending on the key services of education, health and community safety
- the impact of additional spending responsibilities transferred to the State under the new Commonwealth-State financial arrangements.

Revenue 2000-01



Expenses 2000-01



The Government is determined to ensure that the state tax system is fair, competitive and designed for a modern and growing Victoria.

- To ensure this, there will be a thorough review of state business taxes, the first since 1983. This review will report by the end of 2000, to allow its recommendations to be considered for the 2001-02 Budget.
- In addition, business taxes are scheduled to be cut by a minimum \$200 million by July 2003, including \$100 million from July 2001. Specific details will be determined following the tax review.

Lower business taxes will keep Victoria's tax burden in line with the Australian average and below that of New South Wales.

While the Government does not support the Commonwealth's GST, it will honour the commitments of the previous State Government to ensure access to Victoria's share of GST revenue. Moving the State to the new post-GST environment will be a major focus in 2000-01.

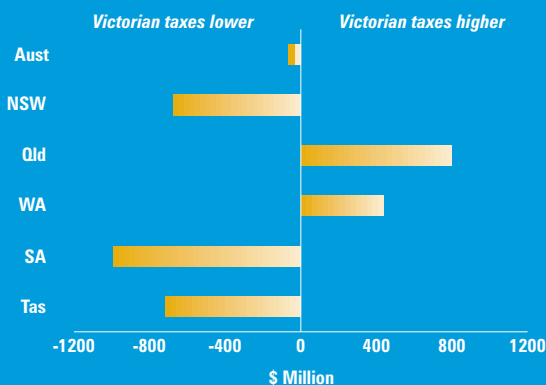


Lower business taxes

Lower business taxes will enhance Victoria's competitiveness with other States.

Even so, Victoria will not see any net gains from the new Commonwealth-State financial arrangements until 2007-08. Victoria is also the highest contributing State in Australia, with each Victorian paying a \$177 subsidy to other States each year.

Victorian taxes competitive — Commonwealth Grants Commission
Victorian taxes relative to other States



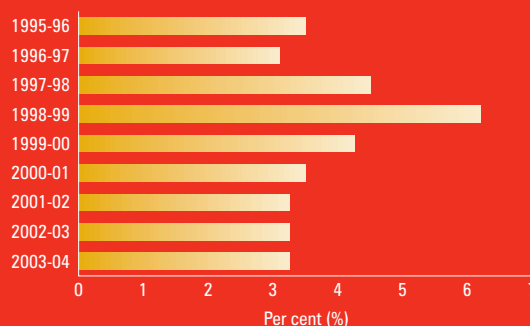
A strong economy

The Victorian economy is expected to continue to perform well in the next few years.

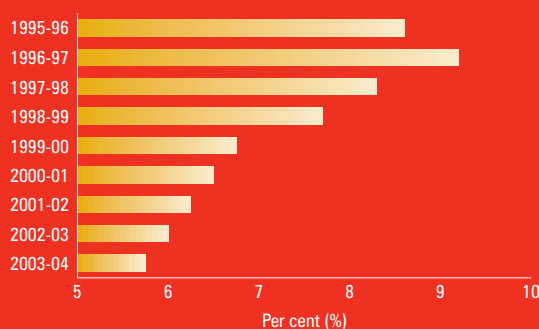
- Victorian economic growth is forecast to ease from 4.25% in 1999-2000 to a more sustainable 3.5% in 2000-01 and 3.25% in later years.
- Employment is expected to increase solidly by 1.75% in 2000-01 and 1.5% in 2001-02 and beyond, resulting in a steady decline in the unemployment rate to 5.75% by June 2004.
- Inflation is forecast to be 5.75% in 2000-01 due mainly to the impact of the GST, before easing to 2-2.25% in later years.
- Wages growth is anticipated to remain moderate at 3.5% over the forecast period.

These forecasts do not take account of initiatives that may be adopted in the future. The Government targets a 5% unemployment rate by the end of its first term in office.

Strong economic growth
Gross state product growth



Falling unemployment
Unemployment rate (June)



Victorian economic projections (%)

	Actual	Projections				
	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04
Economic (GSP) growth	6.2	4.25	3.50	3.25	3.25	3.25
Employment growth	1.9	2.50	1.75	1.50	1.50	1.50
Unemployment rate (June quarter)	7.7	6.75	6.50	6.25	6.00	5.75
Inflation	0.9	2.50	5.75	2.00	2.25	2.25
Wages growth	3.0	3.00	3.50	3.50	3.50	3.50



Growing Victoria infrastructure reserve

The Government will take advantage of the unexpectedly strong budget position in 1999-2000 to establish the \$1 billion Growing Victoria infrastructure reserve.

Spending of \$190 million has already been allocated from Growing Victoria for school modernisation and rail projects.

Future investments will be of considerable social and economic benefit to the State and will include:

- major transport projects such as fast rail links to regional centres, and train and tram extensions — Linking Victoria
- significant modernisation programs in education and training — Skilling Victoria
- improved information and communications technology facilities and capabilities — Connecting Victoria.

The Growing Victoria reserve, together with the existing base level of new investment, will significantly increase the

\$1 billion Growing Victoria infrastructure reserve will boost infrastructure spending by 20 per cent over the next four years.

State's infrastructure over the next four years. This will ensure that future generations of Victorians enjoy high levels of services, stronger economic growth and increased job opportunities.

Boosting Victoria's infrastructure
Budget sector asset investment





Better education and training

\$165 million over four years to reduce average Prep to Year two class sizes to 21 students, providing more individual attention in these crucial early years.

Education and training are among the most important investments for the future prosperity of Victoria. The Government is serious about providing all Victorians with access to quality education and lifelong learning opportunities.

The 2000-01 Budget provides significant new funding for education and training:

- \$165 million over four years to reduce average Prep to Year 2 class sizes to 21 students, providing more individual attention in these crucial early years
- an extra \$22 million per year to support students with disabilities or impairments

- \$12 million in 2000-01 to employ student welfare co-ordinators in each secondary college
- \$3 million to complete the Middle Years Research and Development project, aimed at improving student participation and learning outcomes
- \$65 million over four school years to expand pathways in the post-compulsory years of education, including programs available to VCE students
- extra TAFE funding for students and workers to undertake traineeships and apprenticeships
- funding for employers to hire 16 000 new apprentices and trainees over the next four years, with 10 000 positions targeted for disadvantaged and long-term unemployed people
- \$1.5 million per year to establish a Youth Employment Line, to provide information on careers, employment opportunities, conditions and training for young Victorians
- \$121 million to modernise schools and TAFE facilities around the State, of which \$110 million is funded through the Growing Victoria infrastructure reserve
- \$7 million per year to improve access to technology in schools
- 250 new teaching scholarships each year, to attract high quality graduates to the teaching profession.



A healthy Victoria

A key to good government is ensuring quality health care and community services for all its citizens.

New initiatives in this budget will substantially boost the quality of health care in Victoria:


- \$176 million for expanded and enhanced hospital services and to meet increased demand
- funding will re-open 360 hospital beds, extend opening times in operating theatres and ease demand pressures in hospital emergency departments
- assistance and incentives for Victorian nurses to upgrade skills
- increased funding for various community-based health and human services

Funding to re-open 360 hospital beds, and to extend opening times in operating theatres.

- introduction of new ambulance services in both metropolitan and rural areas
- major funding to rebuild Victoria's health infrastructure, including redeveloping the Royal Women's Hospital, the Austin Hospital, upgrading the Frankston and Kyneton hospitals, nursing home upgrades and community care centres in Sunbury and Preston.

A healthy Victoria

Significant new funding has also been provided to enhance the wide range of community support services available to people and their carers:

- an extra \$28 million in 2000-01 to provide new opportunities for people with disabilities
 - \$22 million over three years to increase the availability of housing for people with disabilities
 - \$15 million over two years to help homeless people access long-term housing
 - \$90 million over three years to expand the level of public and community housing by 800 units
 - \$47 million over the next three years to upgrade government nursing homes
- 
- funding to enhance support services for families and young people, including to improve community-based children's services, enhance maternal and child care services, and improve child protection and placement services
 - an additional \$75 million over four years to implement the Government's drug policy, which includes the development of local drug strategies and trial of up to five supervised injecting facilities.



A safer community

It is fundamental to the Government's vision of a better Victoria to ensure that people are safe and feel secure in their homes, streets and communities.

The budget includes a range of initiatives aimed at improving community safety:

- \$64 million for an extra 800 operational police on the streets by the end of 2002-03, to increase local visibility and presence
- funding to replace and upgrade police helicopters
- upgrading and replacing existing police stations at Preston, Northcote, Seymour, Belgrave, Moe and Bacchus Marsh
- establishing a new police station in Kinglake, and funding to upgrade a number of existing stations in rural Victoria
- establishing a new agency, Crime Prevention Victoria, to research and develop policies aimed at reducing crime and improving public safety

Funding for 800 extra police and new police stations.

- expanding the prison system by 357 permanent beds
- \$5 million for diversion programs, aimed at keeping juvenile offenders out of custody and into other support and rehabilitation programs
- creating the Office of the Emergency Services Commissioner, to better coordinate Victoria's fire and emergency services
- extra funding to better train and equip the Country Fire Authority and State Emergency Service
- funding to establish a Community Safety Emergency Support Fund, which will provide matching grants to communities for new investment in safety and rescue equipment.

Improved roads and public transport

The Government wants all Victorians to enjoy safe, reliable and affordable transport facilities, and to improve transport links between rural and regional areas and Melbourne.

The 2000-01 Budget contains:

- \$240 million over three years to rectify accident black spots on Victorian roads, with half of these funds to be spent on country roads
- a \$20 million contribution towards constructing a fast transit link between Tullamarine Airport and the Melbourne CBD
- \$80 million contribution over three years for fast rail links between Melbourne and the regional cities of Ballarat, Bendigo, Geelong and Traralgon, funded from the Growing Victoria infrastructure reserve
- \$70 million for metropolitan tram and train extensions and for faster suburban trains
- funding for various roads projects, including the Geelong Road, Dingley Bypass Stage 1, Hallam Bypass Stage 1 and Calder Highway
- funding for an extra 100 railway staff, with priority given to an increase in night time staffing and at outer suburban stations
- funding to improve lighting and other amenities at the Narre Warren and Hallam train stations
- 100 tram conductors to assist customers and improve public safety.



