

2017-2018 Victorian State Budget

Overview

The Treasurer of Victoria, Tim Pallas, has delivered his third State Budget with a strong focus on safety, security, and regional development.

The Government projects an operating surplus of \$1.2 billion, with surpluses averaging \$2.4 billion over the forward estimates.

Victoria's economy is in a strong position to continue its growth trajectory. Expenses are expected to grow by 3.2 per cent a year on average compared with average revenue growth of 3.7 per cent.

The State's revised net debt as a percentage of Gross State Product (GSP) is forecast to be no higher than 6 per cent over the next four years. Average employment grew by 3.4 per cent, well above the national average of 0.6 per cent.

The Budget centrepiece is the significant investment in countering family violence, along with strengthening criminal justice and boosting Victoria's police numbers.

The state continues to invest on average \$9.6 billion a year, over four years, on infrastructure.

The reduction in funding to the creative industries with a package on only \$96.6 million concerns the Committee for Melbourne as the arts are a unique attraction for the State. More is needed to consolidate Greater Melbourne as an established arts and cultural destination.

Small businesses will welcome the decision to bring forward the increase in the payroll tax threshold by a year as part of the \$221 million cut to payroll tax.

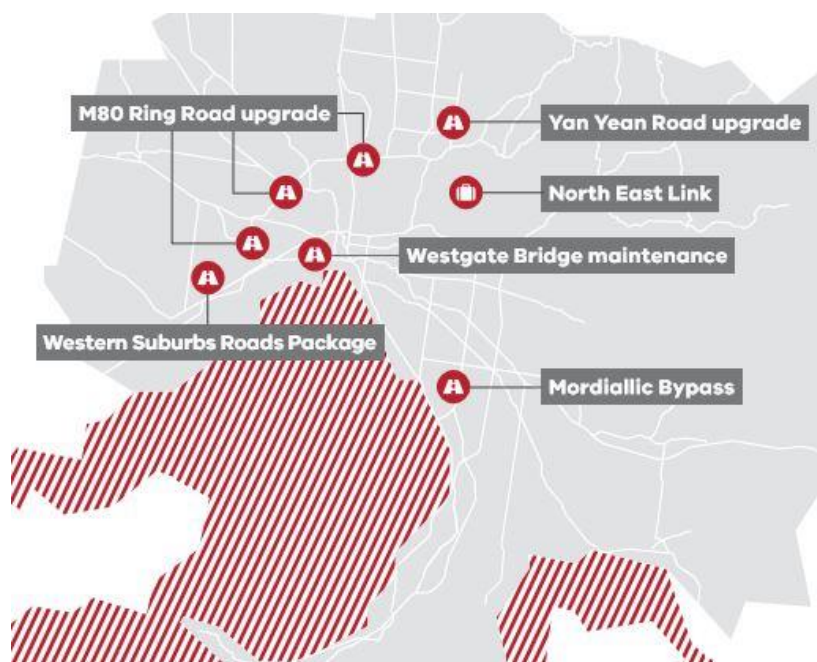
The following summary includes notable Budget initiatives relevant to the Committee's four key pillars: future economy, infrastructure, urban optimisation and liveability.

Economic forecasts and fiscal aggregates

Change	2015-16 actual	2016-17 forecast	2017-18 forecast	2018-19 forecast	2019-20 projection	2020-21 projection
Real Gross State Product (GSP)	3.3	3.00	2.75	2.75	2.75	2.75
Employment (%)	2.4	3.25	2.0	1.50	1.50	1.50
Unemployment rate (%)	5.9	5.75	5.50	5.50	5.50	5.50
Consumer price index (%)	1.6	2.00	2.00	2.25	2.50	2.50
Wage price index (%)	2.3	2.00	2.25	2.70	3.00	3.25
Population (%)	2.1	2.00	1.90	1.80	1.80	1.80
Net debt (\$billion)	22.3	18.1	23.8	25.1	27.4	28.9
Net debt to GSP (%)	6.0	4.6	5.8	5.8	6.0	6.0
Government infrastructure investment (\$billion)	4.8	9.3	10.1	9.8	10.1	8.4

Transport infrastructure

Roads (Metropolitan)



The 2017-18 Budget has allocated a further \$2 billion to reduce congestion on roads. This is on top of the almost \$7 billion invested in the previous budget. Key initiatives include:

1. M80 Ring Road: \$700M allocated over four years towards upgrades. Will primarily improve safety and reduce congestion. An electronic freeway management system will be installed overhead to better manage traffic flow.
2. Mordialloc Bypass: \$300M allocated to construct the bypass, which should be complete by 2023. Includes a nine-kilometre section linking the end of the Mornington Peninsula Freeway to the Dingley Bypass.
3. North East Link: \$100M allocated for planning and preconstruction activities. Considered to be the final piece required to complete the Metropolitan Ring Road. Expected to significantly reduce congestion in Melbourne's north, south and east by taking trucks off local streets and provide an essential north-south connection.

Public transport (metropolitan system)

- \$218M: 10 E-Class trams and new infrastructure.
- \$187M: new train stables on the Frankston line at Kananook.
- \$67M: passenger safety on train and bus networks.
- \$63M: more train, tram and bus services.
- \$9M: improvements to Melbourne's busiest train stations.
- \$5M: upgrade plan to the Hurstbridge train line.
- 50 additional tram services on routes 57, 58 and 59.
- Route extension upgrades to improve the bus network in Melbourne's outer suburbs.

Housing

- \$851M: to abolish stamp duty for first time buyers of homes valued up to \$600,000.
- Cuts to stamp duty on homes valued up to \$750,000.
- \$50M: to double the First Home Owner Grant to \$20,000 in regional Victoria. Will support up to 6,000 first home buyers.
- Funding a new optional standard long-term lease agreement available for landlords and tenants wishing to enter into arrangements of more than five years.
- A dedicated website to connect landlords and tenants interested in long-term lease arrangements.

Social housing

- \$1B: Social Housing Growth Fund to support another 2,200 new social housing places.
- \$100M: to fund low-cost loans.
- \$20M: to upgrade rooming houses in both the government and community sectors.
- \$3M: transfer management of 4,000 public housing dwellings to community housing agencies.

Sport and the creative industries

- \$272M: third stage of the Melbourne Park Redevelopment.
- \$40M: upgrades to the Arts Centre Melbourne.

- \$29M: for summer exhibitions at National Gallery of Victoria, including the Triennial of Contemporary Art and Design, and permanent exhibitions.
- \$11M: Melbourne International Film Festival and other film festivals.
- \$5M: technology upgrades at the Australian Centre for the Moving Image's Screen Worlds exhibition.

Industry and jobs

- \$90M: to attract private sector investment and job creation, and protect existing businesses.
- \$25M: for Visit Victoria to attract visitors from around the world.
- \$10M: for Jobs Victoria to increase the impact of social enterprises, and to assist retrenched workers across Victoria to find new jobs.

Payroll tax

- \$221M: cut to payroll taxes, includes:
 - \$48M: to bring forward payroll tax cuts announced in last year's Budget;
 - Increases in the payroll tax-free threshold will be brought forward by one year. The \$575,000 payroll tax threshold will be increased to \$650,000 from 1 July 2018. Expected to benefit approximately 38,000 Victorian businesses; and
 - Businesses in regional Victoria will receive a 25 per cent discount on their payroll tax.

Energy & water

- \$103M: for the *Water for Victoria* plan to manage Victoria's water resources.
- \$89M: to modernise Victoria's energy system.
- \$43M: for the Victorian Gas Supply Program.
- \$24M: to assist households and businesses to manage energy usage and compare energy prices.

Environment and climate change

- \$163M: to modernise the Environment Protection Authority.
- \$86M: for the Biodiversity Plan 2037, which includes targeted actions such as revegetation, predator control and pest control.
- \$32M: for up to 60 additional park rangers.
- \$25M: to respond to climate change, including statewide emission reduction targets.

Education

- \$685M: for refurbishment and the building of new facilities, including Fishermans Bend Education precinct.
- \$58M: to support for students, including 21 million to help children travel to school, including those with a disability.

Health

- \$163M: for the Northern Hospital.
- \$70M: for the Austin and Royal Melbourne Hospitals.
- \$63M: for the Monash Medical Centre emergency department.
- \$50M: to plan the new Footscray Hospital development.

- \$35M: to upgrade specialist medical equipment in metropolitan and regional hospitals.
- Investments made in ambulance services, reducing surgery waiting times, patient safety, emergency readiness and preventative health and research.