

Barton Deakin Brief: New South Wales State Budget 2018-19

19 June 2018

The New South Wales (**NSW**) Treasurer, the Hon Dominic Perrottet MP, today delivered the 2018-19 NSW State Budget. This is the fourth Budget to be delivered by the Coalition in its second term.

This Barton Deakin Brief outlines key Budget measures across major portfolios.

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Overview

The NSW Government will deliver an estimated surplus of \$3.9 billion this year and \$1.6 billion in 2018-19, with continuing surpluses over the forward estimates averaging \$1.6 billion each year.

Total revenue in 2018-19 is estimated to be \$81.1 billion which is 0.8 per cent higher than total revenue in 2017-18 of \$80.4 billion. Revenue growth is forecast to be 2.5 per cent for 2018-19 and is expected continue on an average of 2.5 per cent over the forward estimates. This is lower relative to previous years due to lower transfer duties from a softening in residential property transaction volumes and prices. This is partially offset by upward revisions to GST revenue forecasts and mining royalties.

Total expenditure in 2018-19 is estimated to be \$79.6 billion which is \$3.1 billion or 4.1 per cent higher than total expenditure in 2017-18 of \$76.5 billion. Average expenditure growth is estimated to be 3.2 per cent for the four year estimates, below the decade average of 4.3 per cent.

Government net debt is expected to be negative \$9.8 billion or -1.6 per cent of Gross State Product (**GSP**) by the end of June 2018. Net debt is projected to increase to \$28.660 billion or 1 per cent of GSP by the end of the forward estimates.

The NSW Gross State Product (**GSP**) is forecast to grow by 2.75 per cent in 2018-19 and is set to do so again in 2019-20. The increase in household consumption and dwelling investment also delivers a state final demand (**SFD**) of 3 per cent in 2018-19.

The NSW unemployment rate has declined to 4.75 per cent and forecasted to stabilise at 4.75 per cent over the next 2 years. Employment is forecast to grow by a rate of 1.75 per cent in 2018-19 and 1.5 per cent in 2019-20.

Since 2015 to April 2018, more than 300,000 jobs have been created in NSW – over 60 per cent of jobs created in the past year have been full time positions.

According to the 2018-19 Budget papers, the net worth of the general government sector is assets less liabilities and is an economic measure of wealth, reflecting the Government’s contribution to the wealth of Australia. NSW Net Worth has exceeded a quarter of a trillion a year ahead of schedule, and expected to be \$261.1 billion at June 2018. Net worth is expected to grow annually over the budget year and forward estimates, reaching \$305.9 billion dollars by June 2022. This represents an increase by \$44.8 billion over four years.

Treasury

In 2018-19 the NSW Treasury commits \$12.2 billion in recurrent expenses and \$13.3 million in capital expenditure. Key initiatives include:

- \$3.2 million on the establishment of the NSW Productivity Commission headed by a new Productivity Commissioner and appoint of a Chief Economist



- A new Online Gambling Point of Consumption Tax that will be set at a baseline of 10 per cent of NSW net wagering revenue with a tax-free threshold of \$1 million per year. The NSW racing industry will not be negatively affected by this and will receive additional funding of 2 per cent of all wagering operators' taxable net wagering revenue in NSW

Infrastructure

The 2018-19 NSW State Budget commits \$87.2 billion over the next four years to infrastructure investments. New infrastructure investments in this budget include:

Education infrastructure

\$6 billion to be allocated for capital works for new and upgraded schools to 2021-22. This will mean that 170 new or upgraded schools will be delivered. The government has committed \$500 million over five years to provide air conditioning to NSW Public Schools and \$160 million in 2018-19 to address planned maintenance to NSW schools. TAFE NSW will receive \$179.5 million for their capital expenditure program.

Health infrastructure

A total of \$8 billion will be invested over four years to 2021-22 for health infrastructure.

This includes a state wide \$700 million investment into mental health infrastructure to support new contemporary care models and new specialist mental health units.

The 2018-19 funding commits to new and upgraded hospitals in:

- Liverpool
- Griffith
- Dubbo
- Bankstown-Lidcombe
- St George
- Rouse Hill
- Tenterfield
- Dungog
- Scone
- Gloucester
- Grafton
- Inverell
- Manning
- Coffs Harbour
- Cooma
- Bowral

In addition these hospitals have planned future works committed in the 2018-19 Budget:

- John Hunter
- Nepean



- Sydney Children's Hospital
- Westmead
- Albury Hospital
- Canterbury
- Bankstown
- Shoalhaven
- Hornsby
- Goulburn

Regional infrastructure

\$4 billion has been allocated to the Snowy Hydro Legacy Fund to facilitate investment from the proceeds of the Snowy Hydro Sale. \$40 million has been allocated in 2018-19 for project development.

Transport infrastructure

Major transport projects will continue to receive substantial funding including:

- \$3.0 billion reservation from Restart NSW for the Sydney Metro West
- \$4.3 billion towards delivery of the Sydney Metro, including \$2.4 billion on Sydney Metro Northwest and \$1.9 billion on Sydney Metro City and Southwest
- \$1.8 billion in 2018-19 to continue development and delivery of Westconnex
- \$1.2 billion in 2018-19 for the Pacific Highway Upgrade Program

Health

In 2018-19 recurrent health related expenditure of \$22.9 billion will account for 28.6 per cent of total recurrent expenditure. \$2.2 billion will be invested in health capital, including \$149 million from the Ministry of Health's expenses budget, taking the total health budget to \$25.1 billion.

Key health expenditure includes:

- More than 950 additional nurses and midwives, 300 doctors and 120 allied health professionals
- \$2.2 billion in capital works funding to continue building and rebuilding hospitals and care facilities
- \$35.3 million Parents Package in 2018-19 and \$156.5 million over four years
- \$9.3 million to provide an additional 100 midwives
- \$51.3 million in ambulance services, which includes \$23.7 million to employ an additional 200 paramedics and 13 call centre staff
- \$72 million in capital works for ambulances, including \$12.2 million in new funding for the Government's Critical Communications Enhancement Program
- \$115 million in medical and scientific innovations including \$15 million for cardiovascular disease research capacity development.

Mental health

The Government maintains its commitment to mental health services with expenditure of \$2.1 billion in 2018-19.



This includes \$100 million per annum for specialist community mental health support and \$82.5 million for delivering increased admitted, and community-based mental health services

Drug and Alcohol Services

In 2018-19 the Government will invest an additional \$12 million in drug and alcohol services in metro and regional areas for prevention and harm minimisation programs.

This is part of an \$850 million investment over four years.

Education

The NSW Government will spend \$6 billion over the next four years on capital expenditure in the education portfolio. This represents a 43 per cent increase on last year's capital programme of \$4.2 billion from 2017-18 to 2020-21. The total 2018-19 Budget of \$16.7 billion is up 6 per cent on 2017-18.

Key education funding measures include:

- \$6 billion in new and existing capital works over the next four years. The Government will commence approximately 40 new capital works projects in 2018-19 with planning for a further 20 new and upgraded schools. This is in addition to the 110 ongoing new and upgraded schools.
- \$160 million will be included in the 2018-19 budget for school backlog maintenance.
- \$500 million over five years to provide air conditioning for schools
- \$71.8 million in 2018-19 to implement the Literacy and Numeracy Strategy in NSW Government Schools
- \$50 million in flexible funding to schools to implement the School Leadership Strategy
- \$3.75 million in 2018-19 to support an additional 1,000 Aboriginal students to participate in Clontarf Academies in NSW.
- \$216 million over four years to introduce the new Creative Kids Rebate
- \$197.8 million over four years to extend the Government's investment in preschool education under the Start Strong Program.

The 2018-19 Budget also provides \$1.3 billion in funding support for non-government schools, including increasing the Building Grants Assistance Scheme to support enrolment growth.

Early childhood education

The NSW Government is investing \$474.3 million toward early childhood education in the 2018-19 Budget – a \$39 million increase on last year.

This will include coverage of all three year olds in community preschools from 2019 to ensure universal access to two years of early childhood education and a continuation of the Start Strong Program.

This year's budget includes:

- \$42.1 million capital works grant program to create up to 4,800 new preschool places in areas of high growth
- Continuation for Rural and Remote Early Childhood Teaching Scholarship programs that help educators in preschools and long day care services upgrade their qualifications.



The NSW Government will also spend \$38.3 million in the 2018-19 Budget for a range of Aboriginal Affairs initiatives.

Transport

The 2018-19 Budget's recurrent transport expenses in the transport sector are expected to be \$13.4 billion, which is 13.5 per cent of total recurrent expenses. Capital spending for transport in 2018-19 accounts for 56.5 per cent of total capital expenses and amounts to \$12.4 billion.

Roads

- \$315 million to improve road safety
- \$1.8 billion for the maintenance of road and maritime assets
- \$1.4 billion (including \$336 million capital expenditure) to maintain rail network assets
- \$1.2 billion to continue the New South Wales and Commonwealth Government funded [Pacific Highway upgrade program](#)
- \$283 million, amounting to a \$3 billion commitment over four years, to continue planning or delivery of missing links on motorways and major routes in Sydney
- \$281 million to reduce congestion on Sydney roads
- \$199 million to enhance road freight productivity across NSW
- \$12 million towards upgrades of Heathcote Road.

Western Sydney Roads

- \$1.8 billion to continue the development and delivery of [WestConnex](#), including \$236 million spending within [Roads and Maritime Services](#) for planning, pre-construction and construction
- \$439 million in capital expenditure for NSW and Commonwealth funded road upgrades to support [Western Sydney Airport](#) at Badgerys Creek

Public transport

- \$648 million will go toward the '[More Trains, More Services](#)' programme for new trains and extra services across the train network
- \$4.3 billion in 2018-19 towards delivery of [Sydney Metro](#), including \$2.4 billion to deliver Sydney Metro North West linking North West Sydney with Chatswood and \$1.9 billion on Sydney Metro City and Southwest which will link Chatswood with Bankstown
- \$3 billion Restart reservation for Sydney Metro West between the Sydney CBD and Greater Parramatta. This funding, subject to the final business case, will fund completion of project development and commencement of land acquisition, early works and tunnelling. The Government will also invest \$28 million in 2018-19 to fast track the planning and the final business case for this project
- \$258 million on the Parramatta Light Rail Stage 1
- \$133 million for access upgrades to transport infrastructure
- \$35 million towards planning the final business case for the North-South Rail link to service the new Western Sydney Airport
- \$31 million to continue procurement of the Regional Rail Fleet Program to replace the XPT, XPLOER and Endeavour trains
- \$6.0 million for joint investigations with the Commonwealth Government into providing faster rail services between Newcastle and Sydney



- \$2.5 million to trial the adoption of connected and automated vehicles

Industry

The NSW Government's 2018-19 Budget \$5 billion of spending, \$4.7 billion on recurrent expenses and \$354.7 million on capital expenditure. Spending includes:

- \$2.4 billion investment on a skilled and employable workforce including \$285.2 million over four years to fund 100,000 fee free apprenticeships and \$179.5 million for TAFE NSW's capital expenditure program
- \$739.1 million on sustainable use and access to natural resources including continuation of the \$1 billion Safe and Secure Water program and \$23.2 million over two years to deliver comprehensive water management reforms
- \$467.8 million in 2018-19 in sustaining the economic conditions for development including \$16.8 million over three years through the Quantum Computing Fund
- \$392.2 million for safe and secure agricultural output including \$250 million in loans through the Farm Innovation Fund, \$71.8 million over four years to support the state's forestry industry and \$24.4 million within Restart NSW for Doppler Weather Radars in central and western NSW
- In 2018-19 the government will spend \$343.4 million on productive private industries including \$65 million over ten years for a research and development partnership with Grains Research and Development Corporation and \$50 million to boost agricultural productivity
- \$153 million on increasing jobs and investment in NSW including \$46 million to continue to support fast growing start ups and small and medium enterprises

Family and Community Services

Key measures in 2018-19 for family and community services:

- \$3 billion in the provision of disability services
- \$2.2 billion for sustained support for individuals, children and families experiencing harm including:
 - \$1.2 billion for Out-of-Home Care and permanency support
 - \$83.4 million for community housing housing leasing
 - \$7.6 million for the Aboriginal Social Housing Policy
- \$61.7 million in funding over four years to implement the NSW Homelessness Strategy
- \$10.2 million (\$59.1 million over four years) to support better safety, permanency and wellbeing outcomes for children, young people and their families, funding 100 additional workers, for the child protection system and investment in the open adoption program
- \$16.9 million (\$44.1 million over three years) for continued support to reduce domestic and family violence reoffending and re-victimisation
- \$26.5 million for Start Safely, to help people escaping domestic and family violence move into stable housing in the private rental market.
- \$149.5 million for early intervention services including \$95 million to provide parenting, youth and family support programs and \$54.5 million for community development and strengthening programs



Justice

In 2018-19 the Government is forecast to spend approximately \$8.8 billion of recurrent expenditure on public order and safety. In total, this represents 10.1 per cent of total recurrent expenditure. The Government is also committing 8 per cent of total 2018-19 capital expenditure on public order and safety.

\$4 billion (including \$263 million capital) in 2018-19 will be allocated to law enforcement.

In 2018-19, the Budget allocates \$1.2 billion toward the State's extensive network of courts and tribunals to effectively manage civil and criminal legal matters. In addition, \$10 million has also been allocated in 2018-19 to deliver early guilty plea reforms.

Corrections & Police

- \$288.2 million over four years to further support the re-engineering of the NSW Police Force and provide more flexibility to the Police Commissioner to deploy resources
- \$42.9 million for emergency services and NSW Police to deliver the Critical Communications Enhancement Program
- \$22.8 million to implement the NSW Government's Road Safety Plan 2021, providing an addition 50 highway patrol officers
- \$17.1 million for the NSW SES Operational Fleet Replacement Program
- \$16.9 million to support the reduction in domestic violence reoffending
- \$39.2 million over four years to replace and refurbish Police Citizens Youth Clubs
- \$3.2 million for the Rural Fire Service to repurpose emergency response helicopters
- \$570 million will be used to implement the Criminal Justice Reforms from the 2016-17 budget
- The Government will continue with the implementation of the \$3.8 billion Prison Bed Capacity Program to increase prison capacity across the state, this will include \$809.8 million in 2018-19

Counter terrorism

- \$22 million to implement the *Terrorism (High Risk Offenders) Act 2017*
- \$15.2 million to implement the National Facial Biometric Matching Capability in New South Wales

Finance, Services and Innovation

The Budget allocated \$3.8 billion to the Department of Finance, Services and Innovation including \$3.2 billion in recurring expenses and \$564.4 million capital expenditure.

Key budget measures include:

- \$320 million over four years for enhancing communications services required by frontline agency staff in the delivery of emergency, law enforcement and essential community services to the people of New South Wales
- \$20 million for improving mobile coverage and eliminating mobile black spots in NSW
- \$20 million over four years for managing the Government's preparedness for and response to cyber security issues across all agencies
- \$9.3 million for developing and providing a Digital Drivers Licence and Digital Photo Card to customers across New South Wales



- \$97 million in 2018-19 to support safe workplaces and boosting job creation
- \$96 million for the new Compulsory Third Party Scheme

Sport, Arts and Culture

Sport

The NSW Government will deliver \$537 million for the 2018-19 sporting budget.

Key measures include:

- \$729 million over four years for the construction of the new stadium at Moore Park
- \$303.6 million to continue the Active Kids program over the next four years.

Art and culture

In 2018-19 the Government will invest \$928.5 into Arts and Culture including:

- \$245 million to relocate the Powerhouse Museum to Parramatta, expand storage at the Museum Discovery Centre and plan a creative industries precinct in Ultimo
- \$110.4 million to rejuvenate the Walsh Bay Arts Precinct
- \$55.7 million for the Sydney Modern project to transform the Art Gallery of New South Wales
- \$30 million to the Regional Cultural Fund
- \$42.9 million for the Opera House renewal program
- \$24.1 million to support screen production in NSW
- \$5.8 million amounting to \$50.5 million over three years to upgrade the Australian Museum

Planning and Environment

Spending on planning and environment for 2018-19 will be \$4.5 billion, \$728.5 million on capital expenditure

Key investment programmes include:

- \$1.9 billion will be spent to protect NSW's environment and heritage including:
 - \$632.3 million for national parks, walking trails, public parklands and gardens
 - \$102.1 million to help communities and businesses adapt to a changing climate
 - \$99 million to improve waste management
 - \$89.4 million for the Biodiversity Conservation Trust of New South Wales
 - \$36.8 million to protect threatened species
 - \$19.8 million for visitor precinct infrastructure at Kamay Botany Bay National Park
 - \$13 million for management of contaminated lands, and asbestos management and coordination
 - \$7.5 million for the construction of the Western Sydney Centre of Innovation in Plant Sciences
- \$1.1 billion to create a strong and vibrant state including:
 - \$235.5 million towards the provision of infrastructure to support growing communities through Special Infrastructure Contributions, the Local Infrastructure Growth Scheme and Voluntary Planning Agreements



- \$112.8 million to create prosperous and sustainable regions, facilitate employment opportunities, undertake strategic planning, implement regional plans, and manage infrastructure contributions
- \$31.6 million to address housing affordability
- \$25 million for the acquisition of green and open spaces
- \$24.5 million to the Parramatta Road Urban Amenity Improvement Program
- \$21.9 million to support improvements to the planning system
- \$517.1 million will be spent on water and electricity security
- \$118.3 million enabling sustainable, regulated use and access to geological resources

Further Information

Treasurer Perrottet's message available, [here](#).

- The Treasurer's budget speech is available [here](#).
- The 2018-19 NSW State Budget Papers available [here](#).
- Budgeted Financial Statements for all sectors, [here](#).
- Barton Deakin Brief on the NSW State Budget 2017-18 available, [here](#).
- Barton Deakin Brief on the NSW State Budget 2017-18 Half-Yearly Review, [here](#).
- Previous budget papers can be viewed [here](#).
- Barton Deakin's Budget Briefs page can be accessed [here](#).

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