



Putting people first

Victorian Budget 2020/21

Public Accounts and
Estimates Committee

Tim Pallas MP
Treasurer of Victoria

1 December 2020



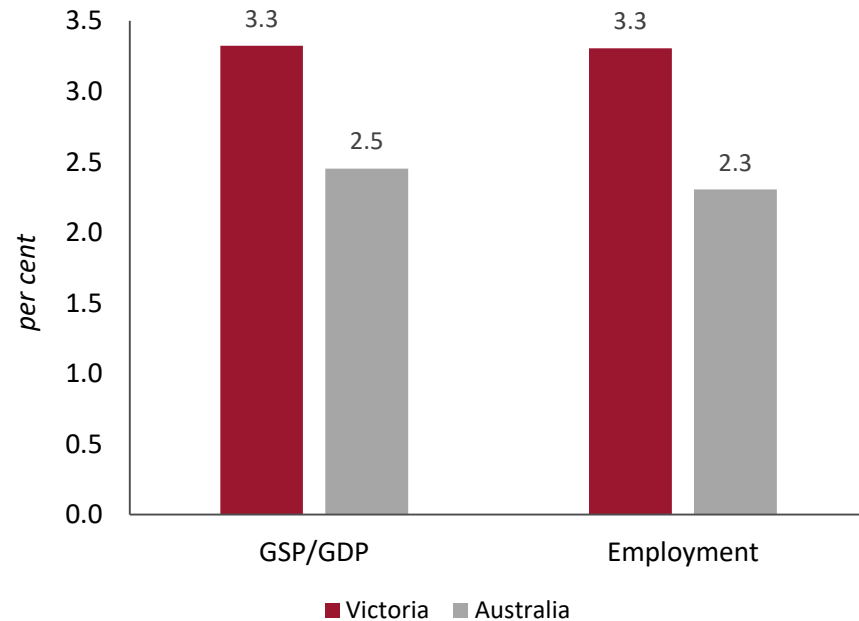


- Creating secure, decent jobs
- Taking care of those we love
- Looking after families
- Building strong, connected communities
- A strong recovery

A strong foundation

STRONG ECONOMIC AND JOBS GROWTH

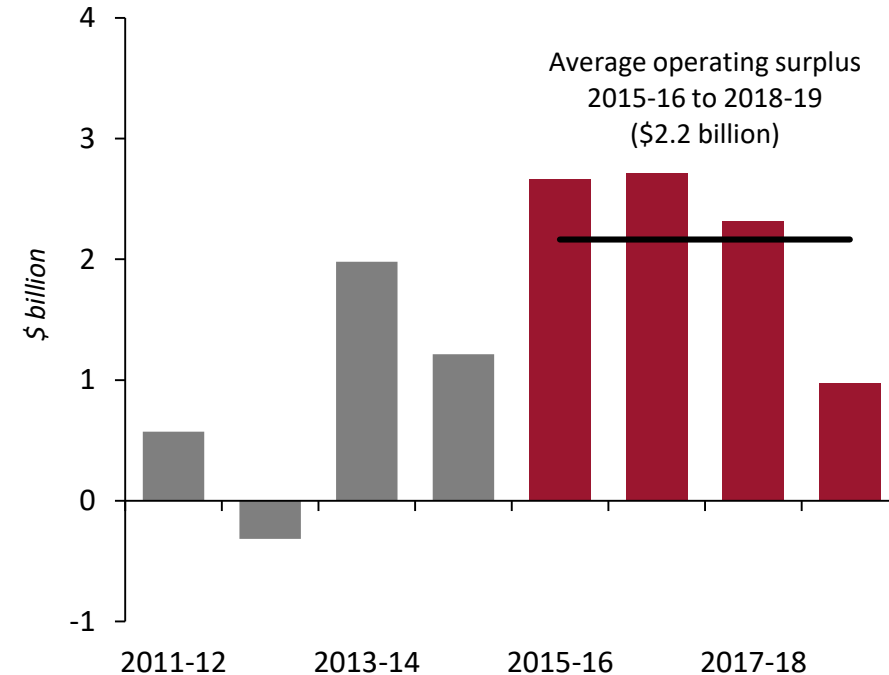
Historical growth in GSP/GDP and employment (five-year),
Victoria and Australia



Source: Australian Bureau of Statistics.
Note: Data are annual average GSP/GDP growth over the five years to 2018-19, and annual average employment growth from Nov 2014 to Nov 2019

HISTORY OF STRONG SURPLUSES

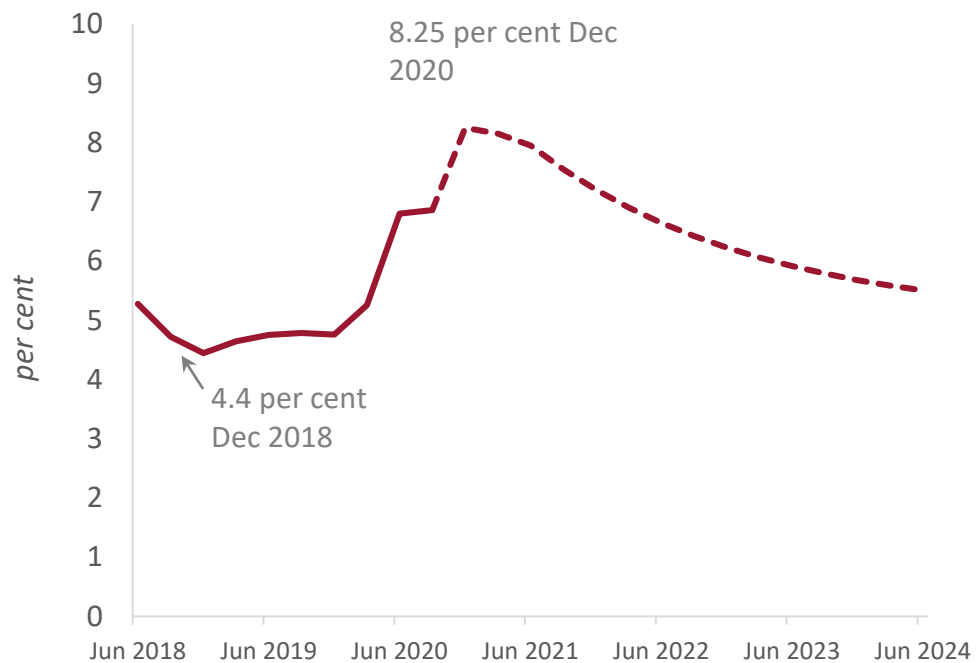
Historical general government operating result



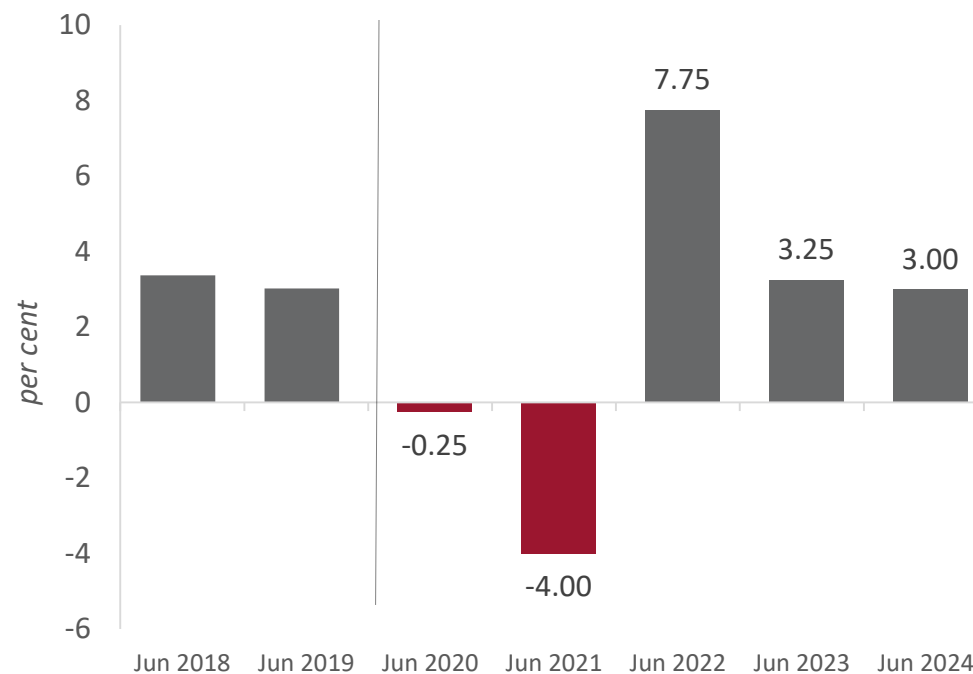
Source: Department of Treasury and Finance

Coronavirus has had significant economic impacts

UNEMPLOYMENT RATE



REAL GSP GROWTH

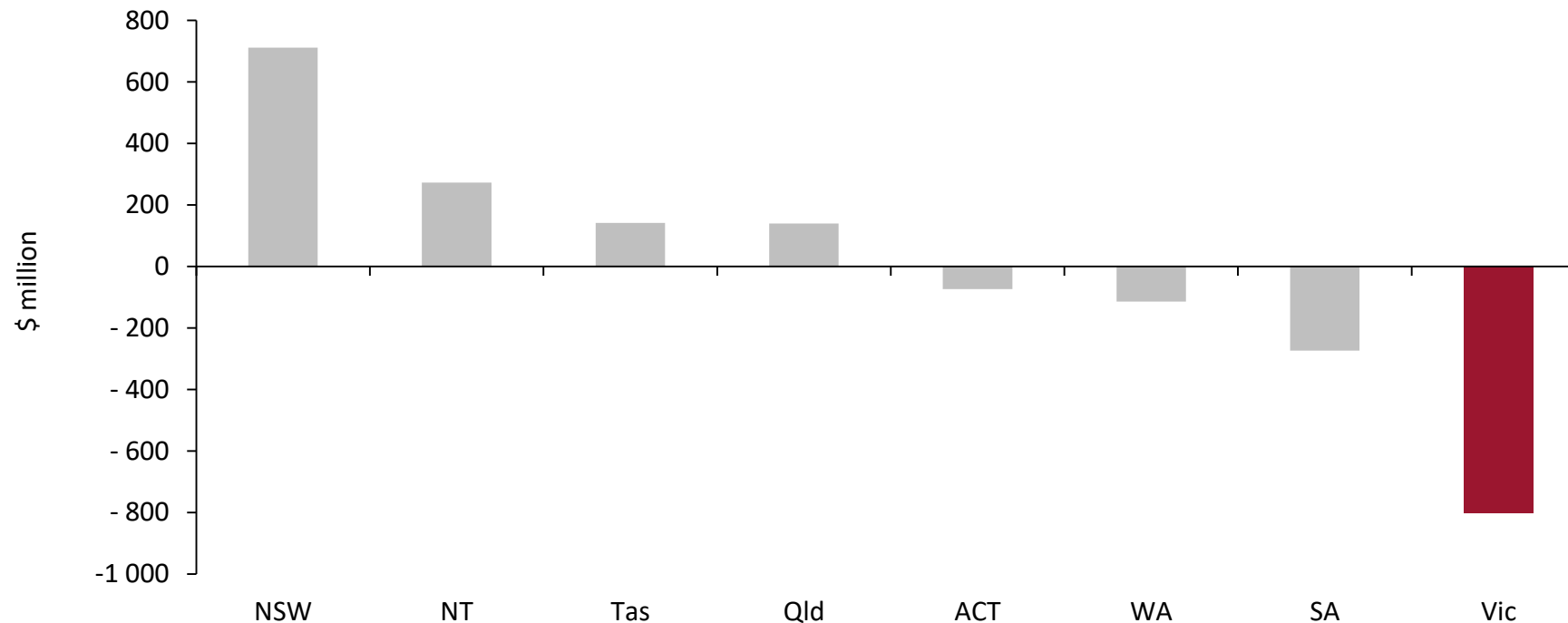


Sources: Australian Bureau of Statistics, Department of Treasury and Finance,
Note: Data are rolling 3-month average, seasonally adjusted. Peaks in unemployment rate are rounded to the nearest 25 basis points

Source: Australian Bureau of Statistics, Department of Treasury and Finance

Impact of Commonwealth Grants Commission's (CGC) 2020 Methodology Review

CGC'S ESTIMATED IMPACT OF REVISED GST DISTRIBUTION METHOD, 2020-21 (\$MILLION)



Source: Commonwealth Grants Commission

A fiscal strategy to support our recovery

The Government's plan for the medium term involves four steps:

- Step 1: creating jobs, reducing unemployment and restoring economic growth
- Step 2: returning to an operating cash surplus
- Step 3: returning to operating surpluses
- Step 4: stabilising debt levels

GENERAL GOVERNMENT FISCAL AGGREGATES

	2019-20	2020-21	2021-22	2022-23	2023-24
	<i>actual</i>	<i>budget</i>	<i>estimate</i>	<i>estimate</i>	<i>estimate</i>
Net result from transactions (\$b)	(6.5)	(23.3)	(13.1)	(6.7)	(5.9)
Net cash flows from operating activities (\$b)	(2.9)	(21.8)	(4.0)	(2.6)	(1.8)
Government infrastructure investment (\$b)	12.0	19.4	19.5	20.3	19.2
Net debt (\$b)	44.3	86.7	109.7	132.9	154.8
Net debt to GSP (per cent)	9.6	19.5	22.5	26.0	28.9

Higher debt is manageable

INTEREST RATES ARE AT RECORD LOWS

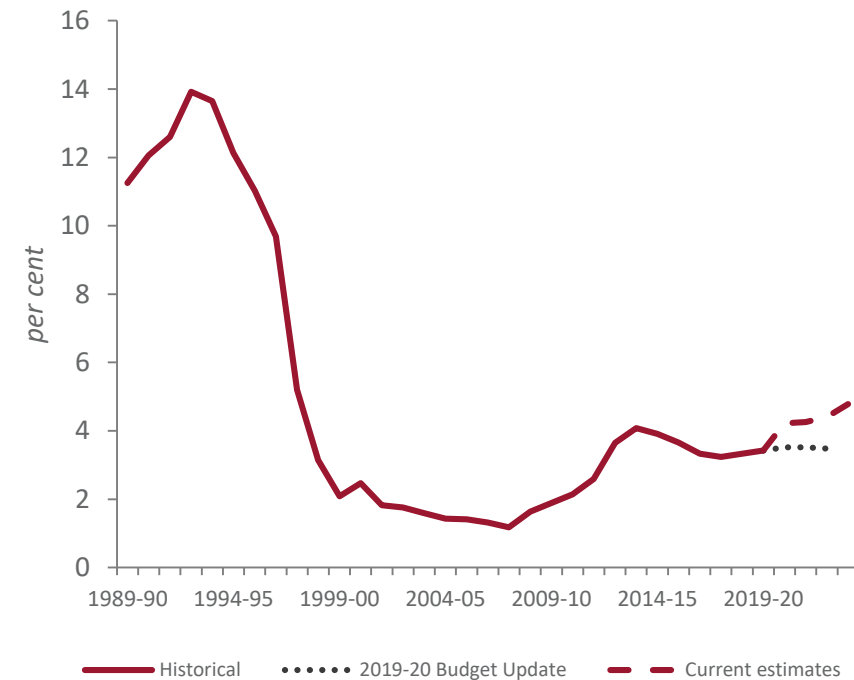
10-year Victorian government bond yields



Source: Treasury Corporation of Victoria

INTEREST EXPENSE REMAINS MANAGEABLE

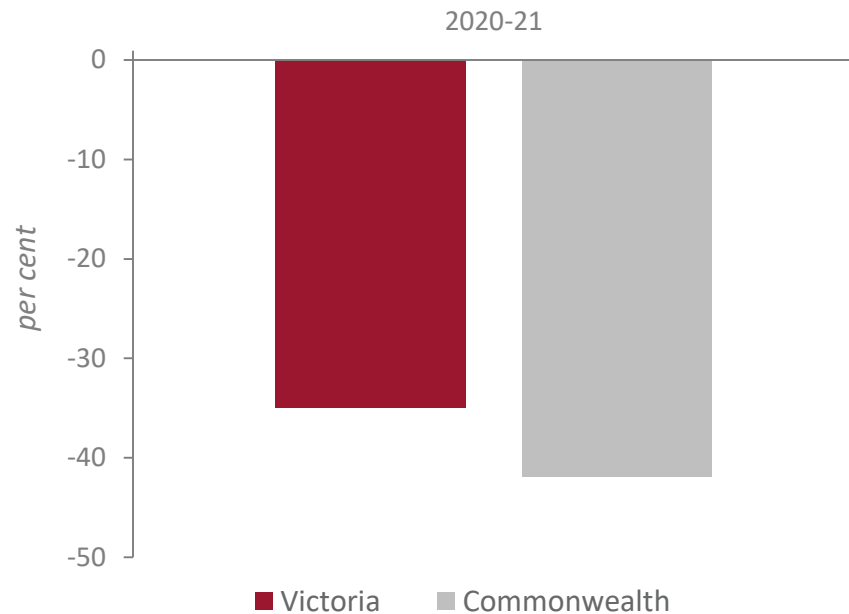
Interest expense to revenue ratio



Source: Department of Treasury and Finance

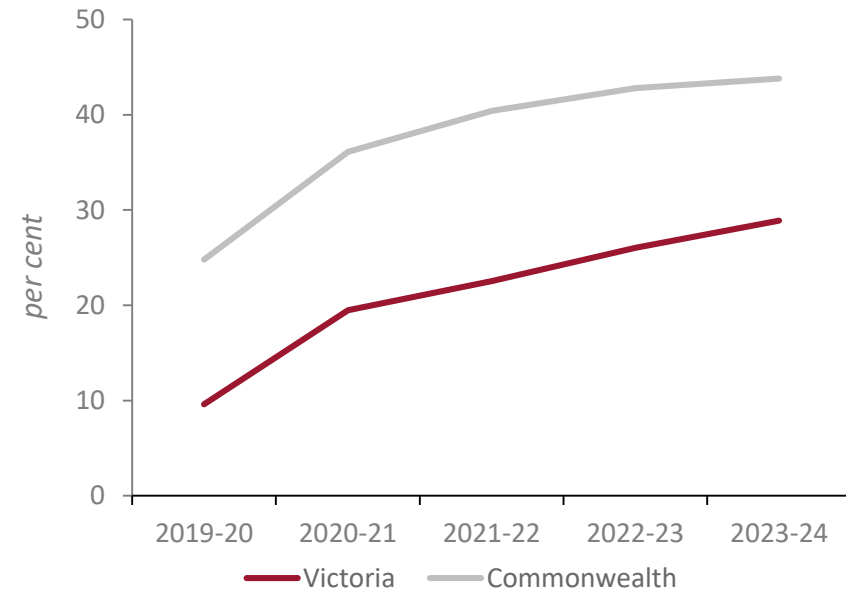
Fiscal approach is comparable with the Commonwealth

NET OPERATING RESULT AS A SHARE OF TOTAL REVENUE



Source: 2020-21 Commonwealth Budget; Department of Treasury and Finance

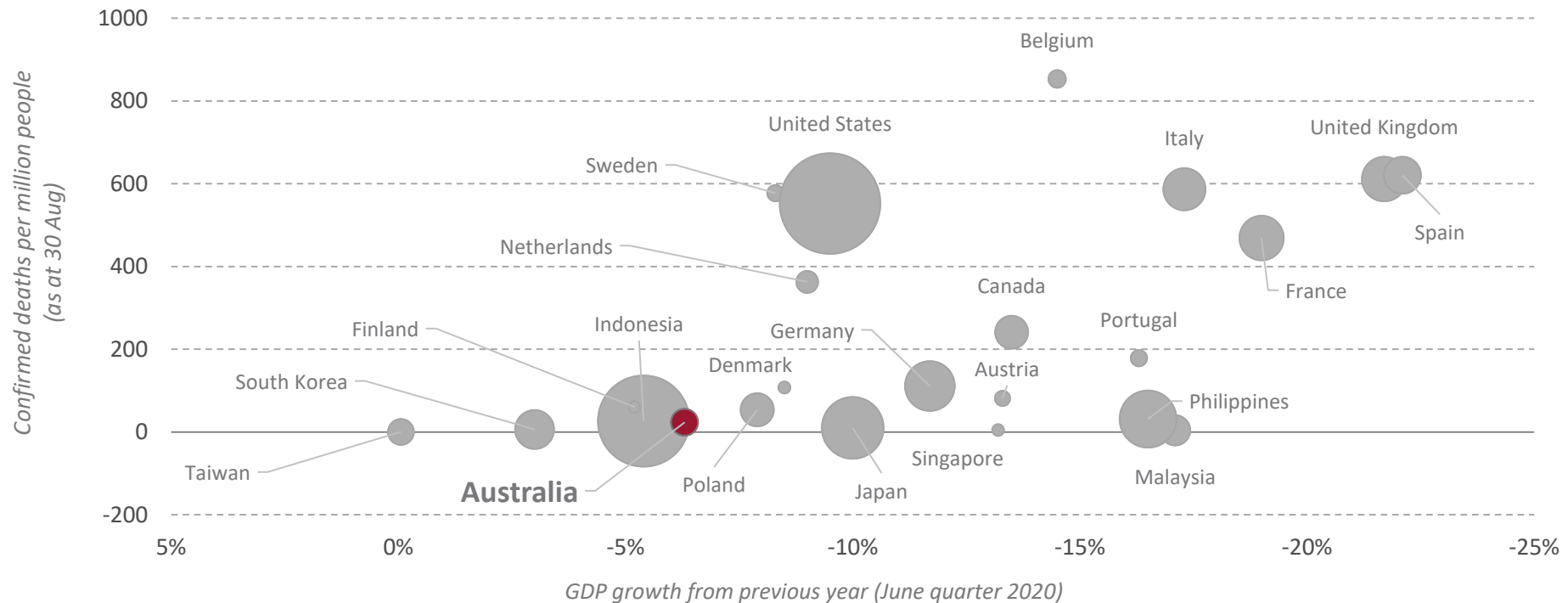
NET DEBT TO GSP AND GDP



Source: 2020-21 Commonwealth Budget; Department of Treasury and Finance

No trade-off between protecting lives and the economy

ECONOMIC OUTCOMES AND CORONAVIRUS (COVID-19) DEATHS



Source: European Centre for Disease Prevention and Control; Eurostat; OECD; World Bank; Australian Bureau of Statistics and individual statistics agencies.

Note: Bubble size indicates population size.



Creating secure, decent jobs

Four pillars of our *Jobs Plan*

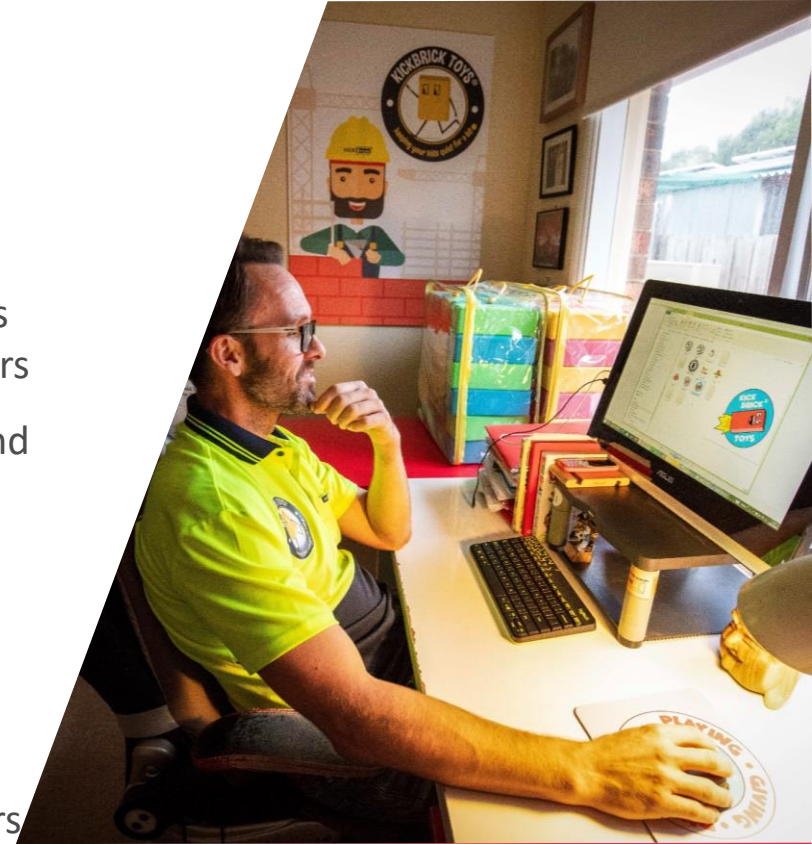
- ➔ Victorians at work – getting Victorians back to work
- ➔ Building opportunity – building our State as we rebuild our economy
- ➔ Supporting industry and growth – support for industries and leveraging our strengths
- ➔ Supporting every corner of our State – ensuring no community and no Victorian is left behind

The Government is setting an ambitious target to create **200 000 jobs by 2022** and **400 000 jobs by 2025**

Victorians at work

Getting Victorians back to work

- **\$1.0 billion** investment in the TAFE and training sector to give Victorians the skills to get back to work, including providing 80 000 new training places over four years
- **\$836 million** New jobs tax credit for businesses who rehire staff, restore hours and create new jobs
- **\$619 million** investment in Jobs for Victoria to maximise opportunities to help Victorians into work, including at least 10 000 work placements
- **\$64 million** for Digital Skills and Jobs program for Victorians looking for work
- **\$5 million** to develop a Secure Work Pilot Scheme that will provide sick and carers leave at the national minimum wage for casual or insecure workers in priority industries



Supporting women back into work

- **\$250 million** for the recruitment of more than 4 100 tutors across government and non-government schools for post-pandemic support
- **\$235 million** to build our Recovery Workforce to create new jobs across mental health, family violence, health and child protection
- **\$150 million** to support businesses to hire 6 000 women through wage subsidies, delivered through the Jobs for Victoria initiative
- **\$170 million** to make kinder free next year and **\$82 million** to increase the availability of before and after school care, supporting more women back into work
- **\$10 million** to help female startup founders access capital
- **\$5 million** for a dedicated stream of the Apprenticeship Innovation Fund to support more women into trades
- **\$5 million** to deliver the Women in Construction Strategy
- **\$2 million** Women in Transport program to provide training, scholarship and employment opportunities



Building opportunity

Building our State as we rebuild our economy

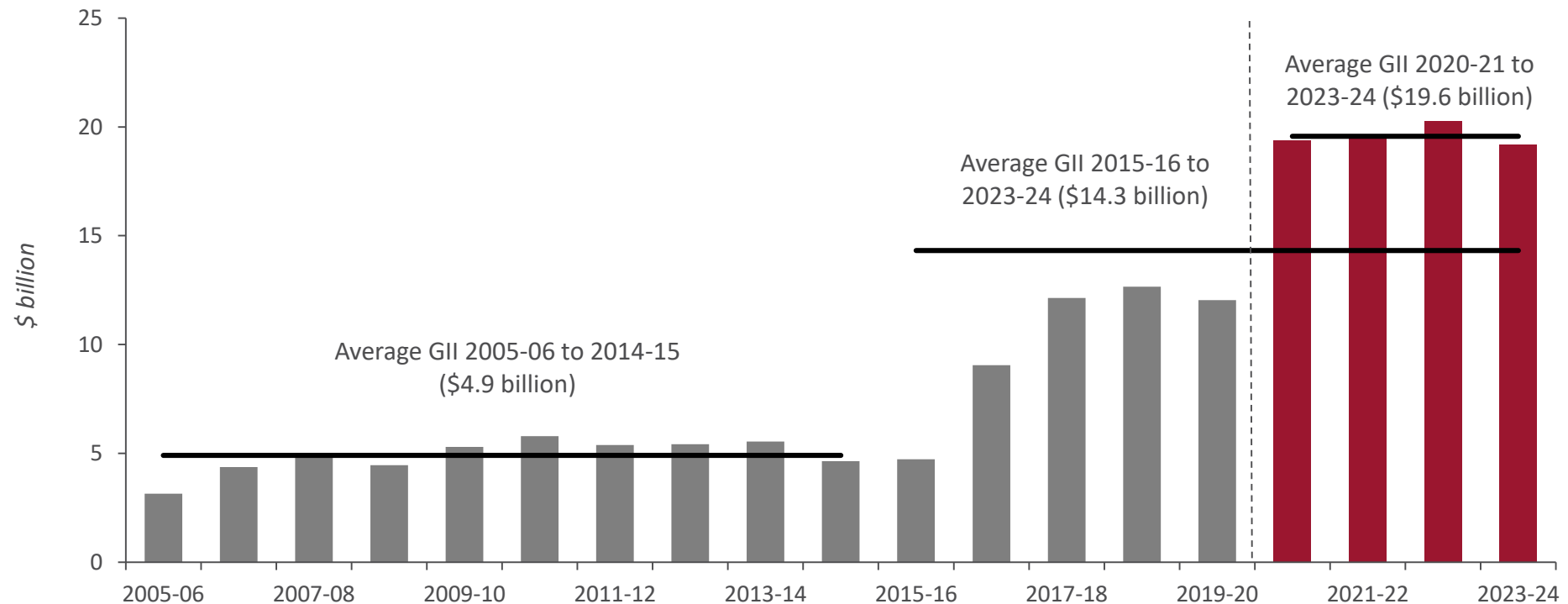
- **\$6 billion** Big Housing Build including **\$5.3 billion** to construct more than 12 000 new social and affordable homes and **\$678 million** to make housing more accessible and affordable and reform our planning system
- **\$2.2 billion** to kick-off initial and early works on Stage One of the Suburban Rail Loop
- **\$2 billion** towards Geelong Fast Rail, reducing travel times and supporting more passengers on our State's busiest regional rail line
- **\$1.9 billion** school building blitz, delivering great schools for tens of thousands of Victorian kids and creating thousands of jobs across the state
- **\$1.6 billion** to improve energy efficiency in homes and accelerate clean energy investment
- **\$1.6 billion** for road network and infrastructure initiatives, including over **\$850 million** for regional road maintenance and upgrades
- **\$1.5 billion** to procure 100 Next Generation Trams to be manufactured in Victoria and commence the establishment of a tram maintenance facility in Melbourne's north west
- **\$1.4 billion** funding to transform Melbourne's Arts Precinct



Continuing the Big Build

GOVERNMENT INFRASTRUCTURE INVESTMENT FOUR TIMES HISTORICAL AVERAGE

Government infrastructure investment (average) ^{(a)(b)}



Source: Department of Treasury and Finance

Notes:

(a) Includes general government net infrastructure investment and estimated cash flows 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.

Supporting industry and growth

Support for industries and leveraging our strengths

- **\$2 billion** Breakthrough Victoria Fund to drive investment in research, innovation and the next great breakthroughs over the next 10 years
- **\$350 million** for the Victorian Higher Education State Investment Fund, including funding for capital works, applied research and research partnerships
- **\$220 million** to further support the creative sector
- **\$210 million** to support the research and growth of our medical research organisations
- **\$189 million** funding to promote business investment in Victoria
- **\$120 million** to strengthen advanced manufacturing and support local industry
- **\$65 million** landmark agriculture strategy to develop, fund and deliver better infrastructure, new technology and greater energy efficiency on our farms
- **\$61 million** fund designed to unlock private capital for start-up businesses



Supporting every corner of our State

Ensuring no community and no Victorian is left behind

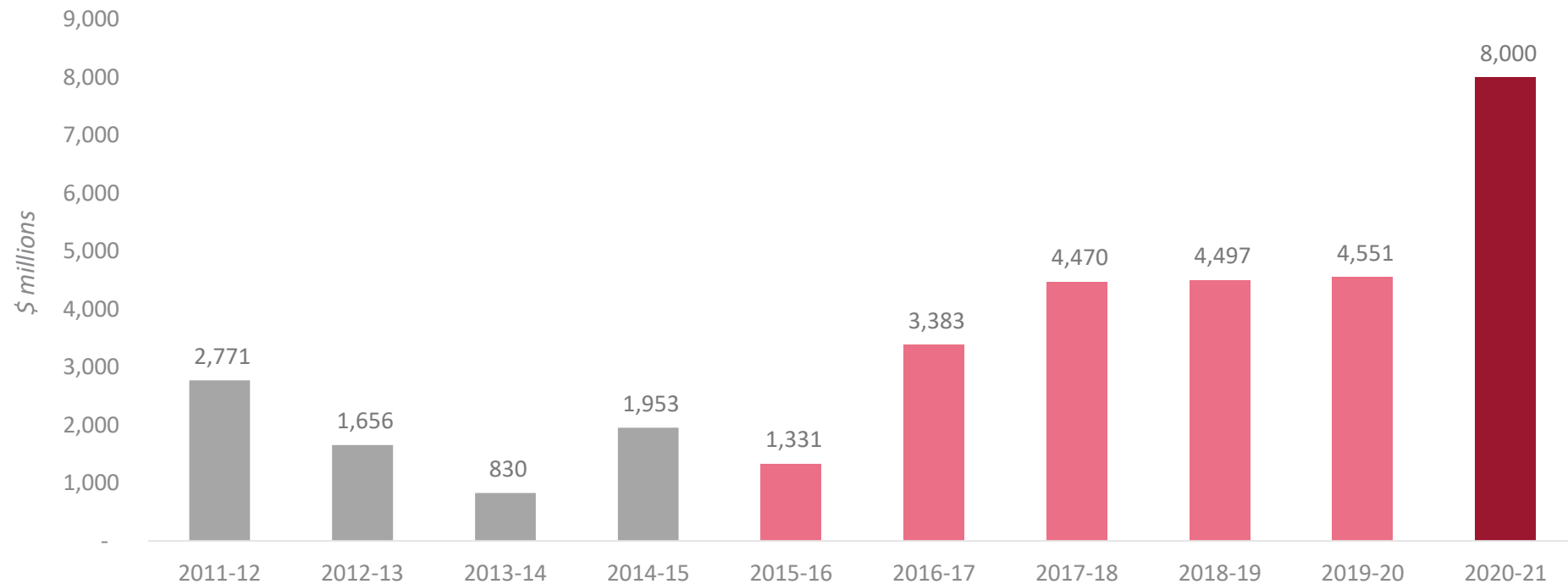
\$8 billion in our regional communities to make Victoria an even better place to live and work, including:

- **\$4.7 billion** invested in country road and rail upgrades, including **\$899 million** to improve track between South Geelong and Waurn Ponds and **\$660 million** to kickstart work on the next stages of the Shepparton and Warrnambool line upgrades
- **\$682 million** to drive cheaper, cleaner energy across our State as part of our \$1.6 billion package to improve energy efficiency in Victorian homes and accelerate clean energy investment
- **\$626 million** for the landmark Victoria's Digital Future Now initiative supporting industry and growth
- **\$465 million** to support our regional visitor economy, attract new tourists and support local jobs, including a new Victorian Regional Travel Voucher
- **\$385 million** to repair and upgrade 44 schools and 10 special schools in regional Victoria, and further funding for two new school campus developments as part of our school building blitz
- **\$156 million** for the Regional Jobs and Infrastructure Fund to back local priorities



Record investment in regional and Rural Victoria

INVESTMENT IN REGIONAL AND RURAL VICTORIA



Source: Department of Treasury and Finance

Taking care of those we love

\$9 billion investment in our healthcare system, including:

- **\$2.8 billion** to maintain hospital capacity and ensure the ongoing good health of Victorians after the coronavirus (COVID-19) pandemic
- **\$2 billion** to build new hospitals and upgrade existing ones including **\$384 million** to redevelop the Warrnambool Base Hospital
- **\$605 million** responding to the interim report from the Royal Commission into Victoria's Mental Health System
- **\$200 million** for the Metropolitan Health Infrastructure Fund to address infrastructure risks, reconfigure assets and meet critical service demand
- **\$120 million** Regional Health Infrastructure Fund to improve infrastructure across a range of rural and regional health services
- **\$136 million** for our vital ambulance services to respond to increasing demands
- **\$121 million** for Better at Home, increasing the delivery of hospital services in patients' homes



Looking after families

- **\$448 million** for energy efficiency upgrades to homes, including for 250 000 low income households and 35 000 social housing properties
- **\$302 million** to continue the roll-out of universal three-year-old kindergarten, including additional funding for the early childhood LOOKOUT program
- **\$170 million** to make kinder free next year and **\$82 million** to increase the availability of before and after school care
- **\$21 million** Get Active Kids Voucher Program which will provide \$200 vouchers to use toward memberships, uniforms and equipment for eligible Victorian children
- A once-off \$250 Power Saving Bonus to eligible households that have at least one JobSeeker, youth allowance recipient or pensioner
- Solar Homes will also be accelerated for an additional 42 000 solar rebates and Solar Homes battery program will be expanded with 17 500 rebates



A strong recovery

- **\$2.3 billion** to support Victorians with disability including **\$1.6 billion** to transform support for students with disability in Victorian government schools
- **\$1.3 billion** to protect and support children and their families
- **\$483 million** committed to responding to the 2019-2020 Victorian bushfires, including support for bushfire-affected areas and bushfire management initiatives
- **\$357 million** for the biggest ever investment in support for our Aboriginal communities
- **\$238 million** on Family Violence to continue implementing recommendations from the Royal Commission into Family Violence





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