

## **Barton Deakin Brief: NSW State Budget 2016-17**

**21 June 2016**

The New South Wales (**NSW**) Treasurer, the Hon Gladys Berejiklian MP, today delivered the 2016-17 NSW State Budget. This is the second Budget to be delivered by the Coalition in its second term.

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

### **Overview**

The NSW Government will deliver an estimated surplus of \$3.7 billion in 2016-17, up from \$2.5 billion delivered in 2015-16, with continuing surpluses over the forward estimates averaging \$2 billion each year. This figure is bolstered by net proceeds of \$6.6 billion through the Government's Asset Recycling program.

Total revenue in 2016-17 is estimated to be \$73.8 billion which is 2.3 per cent higher than total revenue in 2015-16 of \$72.1 billion. Revenue growth is forecast to be 4 per cent for 2016-17 and is expected to moderate to an average of 2.3 per cent over the Budget and forward estimates.

Total expenditure in 2016-17 is estimated to be \$70.4 billion which is \$0.7 billion or 1.1 per cent higher than total expenditure in 2015-16 of \$69.6 billion. Average expenditure growth is estimated to be 3 per cent for 2016-17.

The NSW Gross State Product (**GSP**) is forecast to grow by 3 per cent in 2016-17 and by 2.75 per cent in 2017-18. The increase in household consumption and dwelling investment also delivers a state final demand (**SFD**) of 3.5 per cent in 2016-17, moderating to 3 per cent expected growth in 2017-18.

Over 2015-16, 141,800 jobs were created across NSW, almost two-thirds of the jobs created nationally. Nearly half of all of all jobs created over the last year to April in NSW have been from regional NSW. The NSW unemployment rate has declined to 5.2 per cent with further falls forecast to 5 per cent over the next 2 years. Employment is forecast to grow by a rate of 1.75 per cent in 2016-17 and 1.5 per cent in 2017-18.

Government net debt is expected to be \$663 million or 0.1 per cent of Gross State Product (**GSP**) by the end of June 2016, reflecting the receipts from the long-term lease of TransGrid. Net debt is projected to increase to \$24 billion or 3.7 per cent of GSP by the end of the forward estimates.

According to the 2016-17 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. By the end of the forward estimates period, NSW net worth is estimated to increase by 30 per cent from an estimated \$187.4 billion at the end of June 2016 to \$246.9 billion by the end of June 2020.



## Infrastructure

The NSW Government plans to invest \$73.3 billion over four years in infrastructure.

NSW infrastructure investments planned for 2016-17:

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### Major projects and programs for passenger trains

- Sydney Metro Northwest - \$8.3 billion
  - Transport Access Program - \$280.3 million
  - Wynyard Walk - \$306 million
  - Automatic Train Protection - \$100.4 million
  - Next Generation Rail Fleet - \$130.4 million
  - Sydney Metro City and Southwest - \$1.4 billion
  - Rail Operational Centre - \$90.4 million
  - Existing Network Enhancements - \$406.6 million
- \$11 billion**

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### Major projects for urban roads

- WestConnex - \$16.8 billion
  - West Sydney Growth Roads Program - \$146.7 million
  - NorthConnex (M1 to M2) - \$3 billion
  - Easing Sydney's Congestion - \$246 million
  - Northern Beaches Hospital, Road Connectivity and Network Enhancements - \$500 million
- \$20.7 billion**

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### Major projects for buses and light rail

- CBD and South East Light Rail - \$2.1 billion
  - Bus Priority Infrastructure - \$233.8 million
  - 218 New Buses to cater for NSW Services – 108.4 million
  - Newcastle Light Rail - \$142 million
  - Parramatta Light Rail - \$64 million
- \$2.6 billion**

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### Major projects for ferries

**\$94 million**

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### Major projects for regional and interstate transport

- Pacific Highway - \$5.6 billion carried forward from 2013-14 Budget and \$201.5 million in 2016-17
  - Princes Highway - \$197.7 million
  - Central Coast Roads - \$149.7 million
  - Bridges for the Bush Program - \$ 63.8 million
  - Hunter Roads – \$74 million
  - Great Western Highway - \$88.3 million
  - Bells Line of Roads Corridor Improvement Program - \$8.4 million
  - Newell Highway - \$45.6 million
  - Journey Reliability - \$46.3 million
  - Grafton Bridge \$36 million
- \$6.4 billion**

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Details of the NSW Government's Infrastructure Investment can be read [here](#).



## Health

The Government is delivering a \$20.8 billion budget for health in 2016-17, including over \$5 billion in the next four years of investment in health infrastructure. The total capital works program for 2016-17 is approximately \$1.6 billion with a total value of capital projects starting in 2016-17 of over \$910 million.

Specific health programs for 2016-17 are:

- Inpatient hospital services - \$9.2 billion
- Outpatient services - \$2.8 billion
- Emergency care - \$2.7 billion
- Mental health - \$1.8 billion
- Rehabilitation and extended care - \$1.7 billion
- Population health and primary and community based services - \$1.5 billion

A further \$118 million will be incurred in 2016-17 to provide new drug treatments for chronic Hepatitis C as well as \$83 million for initiatives to deliver specialist domestic and family violence and sexual assault services.

## Education

The Government will spend \$13.7 billion on schools and early childhood education representing an increase of 7.5 per cent from the 2015-16 NSW State Budget. This includes \$942 million in additional spending on infrastructure over the next four years toward new schools, upgrades and improved facilities to respond to growing student enrolments.

Key spending measures in the education portfolio include:

- Schools Infrastructure Strategy to respond to the expected growth in government school enrolments - \$400 million
- Priority backlog maintenance needs in schools - \$330 million
- National Education Reform Agreement (Gonski) - \$367 million
- School staff salaries in response to a projected increase of around 10,000 student enrolments across NSW schools - \$100 million
- 'Quality Teaching, Successful Students' 2015 election commitment - \$38 million
- 'Supported Students, Successful Students' 2015 election commitment - \$50 million
- Assisted School Travel Program - \$15 million

## Justice and Police

The NSW Government will deliver a \$8.1 billion budget for the Department of Justice. Key spending measures include:

- Reforms to protect community safety, speeding up court processes and reducing reoffending - \$570 million
- New or upgraded police stations - \$57 million
- Prison Bed Capacity Program to provide 7000 additional beds - \$3.8 billion
- Countering Violent Extremism program - \$40.3 million



## Jobs and Investment

The NSW Government has met its election commitment to create 150,000 jobs. Over 2015-16, NSW has created 141,800 jobs. The NSW Government will invest \$100 million over two years for the new Smart, Skilled and Hired Program as well as \$97 million in 2016-17 for new TAFE facilities.

The following measures in the 2016-17 Budget support employment opportunities and job creation:

- Restructuring of the Jobs Action Plan from 31 July, to focus on businesses with 50 or fewer full time equivalent employees and increasing the payroll tax rebate from \$5000 to \$6000
- Small Business Employment Incentive Scheme - designed to encourage the nearly 650,000 small businesses in New South Wales that do not pay payroll tax to hire new employees and expand their business
- Jobs for NSW Fund - \$190 million
- Establishment of the Sydney School of Entrepreneurship, a collaboration between NSW universities and TAFE NSW which aims to provide an opportunity for students and the business sector to develop and implement new ideas that ultimately lead to start-up ventures

## Social Services

The NSW Government will deliver a \$6.3 billion budget for the Family and Community Services portfolio. Key spending measures include:

- NDIS implementation - \$1.3 billion
- Community Support for People with Disability, their Family and Carers - \$933 million
- Out-of-home Care for Vulnerable Children and Young People - \$370 million over four years
- Social Housing Assistance and Tenancy Support - \$812 million
- Doubling investment in specialist domestic violence initiatives to over \$300 million over the next four years
- Supporting additional Syrian refugee intake - \$146 million
- Tackling drug misuse - \$75 million
- 'Future Directions' in social housing to break the cycle of disadvantage through improved parenting, health, education, work and training - \$55 million

## Housing

- Greater Sydney Commission will receive funding over four years to support the planned growth in housing supply to assist the commission in metropolitan planning in partnership between state and local governments - \$41 million
- Housing Acceleration Fund (**HAF**) delivers infrastructure to support families to buy new homes – the NSW Government has reserved over \$966 million in the HAF since 2012
- Foreign investor surcharges on residential property transactions include:
  - A transfer duty surcharge of 4 per cent for new purchases; and
  - A land tax surcharge at a rate of 0.75 per cent from the 2017 land tax year, with no tax free threshold, including on a principal place of residence



## Planning & Environment

The 2016-17 Budget allocates \$1.6 billion toward the Planning and Environment portfolio.

- Local councils expect to deliver essential infrastructure to support new housing development under the Local Infrastructure Growth Scheme as a part of the State Priority to increase housing supply - \$60 million
- Local authorities expect to upgrade local infrastructure and create high-quality urban environments within nominated Priority Precincts - \$40 million
- Renewable energy and energy efficiency programs - \$158 million
- Public parklands, zoos and gardens throughout the State for community enjoyment, scientific research, education, sport, recreation, leisure and cultural experiences - \$111 million

## Industry Skills and Regional Development

The NSW Government Budget delivers \$3.6 billion for the Industry, Skills and Regional Development cluster. Key spending measures include:

- Financial support toward the energy needs of 800,000 eligible NSW households - \$259 million
- Local Land Services to deliver quality services to farmers, land holders and the community across rural and regional NSW - \$159 million
- Farm Innovation Fund concessional loans to assist primary producers to prepare for future droughts - \$80 million
- Assisting NSW households with the costs of potable water supply - \$165 million
- Securing Broken Hill's water supply - \$140 million

## Further information

A joint media release from Premier Baird and Treasurer Berejiklian regarding the 2016-17 NSW Budget is available [here](#).

For further information

- The 2015-16 Budget Papers and portfolio media releases are available at <http://www.budget.nsw.gov.au/>
- The Treasurer's budget speech is available [here](#).
- The 2015-16 half-yearly budget review released on 31 October 2015 is available [here](#).
- Barton Deakin's Brief on the 2015-16 NSW State Budget can be read [here](#).
- Previous budget papers can be viewed [here](#).
- Barton Deakin's Budget Briefs page can be accessed [here](#).

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