

1. BUDGET OVERVIEW

1.1 From recovery to reform

Since the 2020-21 NSW Budget, handed down just seven months ago, the State's recovery from last year's recession – the deepest in almost 80 years – has far exceeded expectations. This outcome reflects the success of the NSW Government in safeguarding both the safety of citizens and the health of the economy, which has laid the foundations for the strong recovery.

Previous investment in critical services like public health, as well as a world-class digital government platform, have supported what is now considered the gold standard in contact tracing and containment of the pandemic. Getting the health outcomes right has meant the people of New South Wales have largely been able to continue their lives in a way that many around the world have not.

Confidence in the health system combined with economic stimulus have fuelled business and consumer confidence (the former having recently reached an all-time high, the latter having reached its highest level in over a decade) and generated significant momentum in the state's economy. As a result, the state's local economy is now larger than before the pandemic, an outcome achieved more than a year sooner than earlier forecast.

The State has recovered more than 300,000 jobs since the height of the pandemic in mid-2020. A return to full employment is now expected by 2024-25.

With the improved economic conditions, the State's operating position has strengthened. This Budget contains decreasing deficits over the next three years, with a surplus now projected in 2024-25. The return to surplus is being achieved without relying on new taxes and while maintaining world class services, supported by the Government's actions to support an open economy while at the same time containing expense growth.

Alongside an improving operating position, the Budget also forecasts a reduction in net debt relative to the 2020-21 Half-Yearly Review, confirming the State's strong financial foundations.

New South Wales remains the only state in Australia to have a triple-A credit rating from Moody's. With ongoing risks around the pandemic, the relative improvement in the fiscal position will ensure the Government is well placed to respond to any future need.

The 2020-21 Budget set out the roadmap for response, recovery and reform. This Budget aims to secure and build on the strong start to recovery, using the State's stronger financial position to plot the economic journey beyond the pandemic.

In the short-term, this Budget reinforces public health safeguards against the ongoing threat of COVID-19, continuing investment in vaccination, pop-up clinics, testing and contact tracing. It also continues to direct resources to areas that support and create private sector-led growth, as well as supporting people and businesses in New South Wales still adversely affected by the pandemic and other natural disasters, including bushfires, storms and floods.

In the medium-to-longer term, the Budget directs resources towards the State's services, families, and future economic growth and living standards through productivity and economic reform.

Box 1.1: Continuing response and recovery packages

Since the start of the pandemic the NSW Government has committed over \$29 billion in COVID-19 revenue and expenditure support. This is on top of the \$4.5 billion in bushfire recovery support over 6 years since 2019-20 and drought and water security measures to date of \$4.5 billion.

The economy will continue to be supported by stimulus measures in this Budget. Around \$6 billion is projected to be spent in 2021-22 across a range of new and existing initiatives:

- \$3.6 billion in infrastructure and capital maintenance comprising:
 - \$1.2 billion through the Jobs and Infrastructure Acceleration Fund
 - \$2.4 billion across new capital works upgrades and maintenance projects, including over \$360 million for the maintenance, upgrade and supply of new social housing
- \$1.7 billion to support business and the economy with measures including:
 - \$1,500 Small Business Fees and Charges Rebate
 - Jobs Plus Program
 - Dine & Discover NSW extension
 - CBD Dine & Discover Voucher for Fridays
- \$400 million in education and skills programs, which include:
 - Targeted Tutoring Program
 - Skilling for Recovery Program
- \$160 million for social and community support programs.

Early and decisive action to constrain wage increases for public sector workers in 2020-21 has supported the Government's efforts to balance short-term stimulus with long-term fiscal sustainability. With recovery well underway, this Budget can return wages growth to up to 2.5 per cent from 1 July 2021 for public sector employees, whose hard work has not gone unseen.

The NSW Government is building on the lessons from the COVID-19 pandemic to drive reform and set up an even stronger future for the people of New South Wales. The decade ahead will not look like the last. NSW Government policies and services will need to evolve in response to the enduring impact of the pandemic, as well as global trends such as digital transformation and environmental transition.

This Budget draws on two recent pieces of NSW Government analysis to inform investment decisions geared towards addressing long-term economic and demographic challenges: the *2021-22 NSW Intergenerational Report* and the NSW Productivity Commission's *White Paper* (refer to Box 1.3).

The NSW Generations Fund, established in late 2018, has achieved particularly strong returns over the last 12 months. The NSW Government is updating legislation so future mining royalties, along with dividends from TCorp and State Owned Corporations are also invested into this fund. Reporting and debt retirement requirements are also being strengthened. These reforms will bear benefits for generations to come.

This Budget is being handed down while the pandemic endures. That means events could still unfold that change the economic or fiscal trajectory of the State. For that reason, the forecasts in this Budget contain the same elevated degree of uncertainty as the last Budget, which is a consistent pattern observed by governments around the world. The Government continues its efforts to actively reduce risks, including the recent opening of a mass vaccination centre in Sydney Olympic Park that can administer up to 30,000 vaccinations per week. Work is underway to open another centre in Newcastle in July, further boosting the vaccine rollout across the state.

1.2 Economic outlook

The New South Wales economy is continuing its strong recovery. The Government's effective management of the pandemic and unprecedented levels of stimulus, from all levels of Government and the Reserve Bank, have substantially mitigated the effects of the largest recession in almost 80 years. Official data shows the state's economy has rebounded back to the levels of activity seen at the end of 2019, prior to the arrival of the COVID-19 pandemic.

The timely removal of most social distancing measures, combined with effective monetary and government support programs for business and households, has significantly aided the strength of the rebound. Along with public confidence in the NSW health system to manage outbreaks of the virus without significant lockdowns, these factors have contributed to a recent record high reading for business confidence and an 11-year high for consumer sentiment.

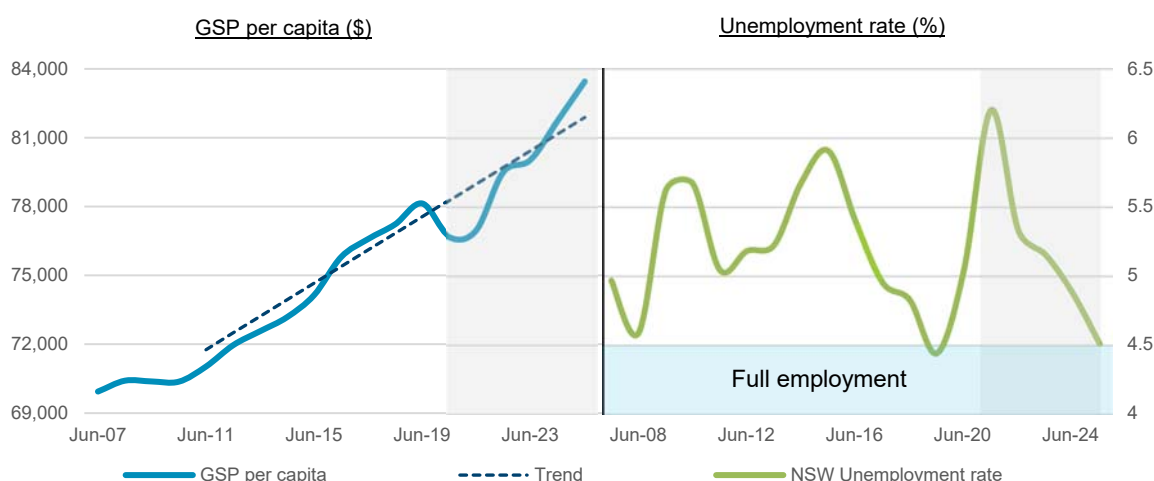
As the 2020-21 financial year comes to an end, the economy is forecast to have grown $\frac{3}{4}$ per cent in the year. This is a significant result compared to previous expectations. The state's unemployment rate has dropped sharply to just 5.3 per cent so far in the June quarter 2021, from a peak of over 7 per cent at the height of the pandemic.

A faster recovery is particularly critical because it limits permanent economic harm, such as an increase in the number of long-term unemployed. This outcome means the economy is well positioned to gradually return to full employment (assumed to be $4\frac{1}{2}$ per cent).

The assumptions in this Budget around the timing of the opening of the border and the resulting return of tourists, students and permanent migrants to New South Wales align with those of the Commonwealth Government. There will be a drag from the Commonwealth's delay in opening international borders to the middle of 2022 but this drag is not enough to completely undo the faster-than-expected recovery in the economy.

Given the stronger starting point, ongoing fiscal support and monetary policy support (keeping interest rates near record lows), the forecast is for economic growth to remain above trend for most of the forecast horizon. The NSW Government has committed \$6 billion in expenditure in 2021-22 to continue to support this recovery. These conditions will allow Gross State Product per capita to surpass pre-COVID trends, indicating a remarkable rebound in living standards.

Chart 1.1: The NSW economy is returning to full employment within the forecast horizon



Source: ABS 5220.0, 6202.0, 3101.0 and NSW Treasury

The forecast for 2021-22 is for economic growth of $3\frac{1}{4}$ per cent, which will lift the demand for labour and keep the unemployment rate close to 5 per cent. Solid economic growth is then expected over the following years, further lowering the unemployment rate to $4\frac{1}{2}$ per cent in 2024-25, a level that is consistent with estimates of full employment.

The ongoing nature of the pandemic means the economic outlook is subject to risks and these are outlined in detail in Chapter 2. The Commonwealth Government's assumed re-opening of international borders in mid-2022 presents a major uncertainty to the outlook.

With the recovery expected to continue at pace, and pre-pandemic economic challenges still remaining, it is appropriate for the Government to apply additional resources to shift the dial on the drivers of long-term economic growth – especially productivity and labour participation.

Box 1.2: New South Wales is open for business and investment

The economy has been at the forefront of the Government's response during the COVID-19 pandemic. The Government's determination to keep the economy open and focus on smart investments to achieve great health outcomes has contributed towards results that were recently inconceivable: the highest consumer confidence in over a decade and recent record high business confidence. All jobs lost in the early stages of the pandemic have been recovered.

The Government continues to deliver and is building on the existing measures in place to support businesses and create jobs.

- **International students** – a pilot plan is in place for the return of these students into New South Wales. This will see the arrival of 250 students per fortnight, increasing to 500 by the end of the year. With most spending by international students comprising of housing and general goods and services, these students have large multiplier effects that can greatly benefit the economy and help to create new jobs in the state.
- **Payroll tax relief measures** – continuation of the temporary reduction in the payroll tax rate from 5.45 per cent to 4.85 per cent for another year, together with a permanent increase in the tax threshold to \$1.2 million. As a result of this change, payroll taxpaying businesses could save around \$34,000 each year and around 3,500 more businesses are paying no payroll tax at all. This helps to free up cash flow, providing capacity to retain employees.
- **\$250 million Jobs Plus Program** – this attracts local and international companies into New South Wales and creates employment opportunities in the state. To date, the program is delivering around 280 jobs in the medical technology field. By June 2024, the program is expected to have supported the creation of up to 25,000 new jobs.
- **\$200 million to secure future major events** – this will help to rejuvenate the visitor economy, promoting New South Wales as the premier state to visit and do business. This will help to stimulate the economy and help to create local jobs.
- **Small business support** – new and existing packages have provided a range of relief in the form of rebates, grants and fee waivers, to reduce the cost of running a business and allow small businesses to grow.

1.3 An improved fiscal outlook

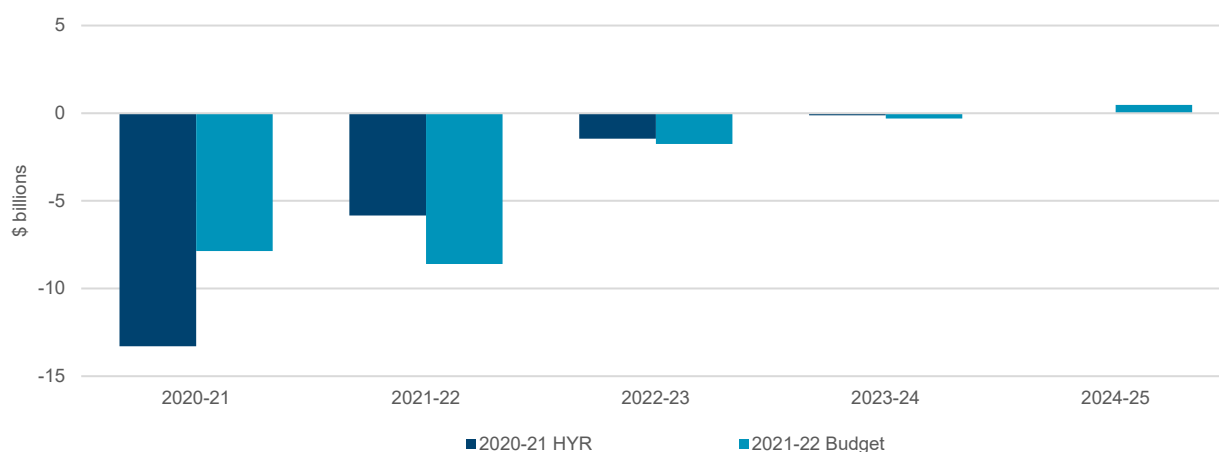
Table 1.1: Key Budget aggregates for the general government sector

	2019-20 Actual	2020-21 Revised	2021-22 Budget	2022-23	2023-24 Forward Estimates	2024-25
Budget Result (\$m)	(6,916)	(7,865)	(8,604)	(1,755)	(306)	466
Per cent of GSP	(1.1)	(1.2)	(1.3)	(0.3)	(0.0)	0.1
Capital expenditure (\$m)	20,985	20,169	23,229	22,972	20,570	18,857
Per cent of GSP	3.3	3.1	3.4	3.3	2.8	2.5
Net debt (\$m)	19,261	40,622	63,258	80,609	94,340	103,863
Per cent of GSP	3.1	6.3	9.3	11.6	13.0	13.7
Net worth (\$m)	238,688	231,405	234,513	243,983	261,827	275,899
Per cent of GSP	37.9	35.9	34.5	35.0	36.1	36.4

Over the last 18 months, the Government has actively used its balance sheet to stimulate the economy and support the community. The previous Budget set out a fiscal strategy to return the budget to surplus by 2024-25 and to reduce net debt towards 7 per cent of GSP over the medium-term. This Budget confirms that strategy is on track.

As the economy now recovers, there is a significant uplift in the State's revenue projections across the four years to 2024-25. The State's expenditure is forecast to temporarily increase in the next year as the Government continues to support job creation, before moderating across the forward estimates as the economy recovers and stimulus measures are wound back. The overall result is an improving fiscal outlook, with a forecast return to surplus by 2024-25 of \$465.7 million.

Chart 1.2: Budget result: 2020-21 Half-Yearly Review compared to the 2021-22 Budget



The Government's pandemic response was possible because of the State's economic and fiscal strength going into the crisis. The State leveraged its fiscal capacity and balance sheet to meet the challenges of the pandemic, concurrently with the impact of drought, bushfires and the recent storms and floods. The Government delivered over \$150 billion in infrastructure in the period between 2011-12 to 2019-20.

This Budget continues the Government's approach to delivering infrastructure that supports jobs and improves lives in our cities and regions. The Budget contains a \$108.5 billion pipeline over the four years to 2024-25 (see Chapter 5 and *Budget Paper No.3 Infrastructure Statement*). With investments in schools, hospital redevelopments and the new Bradfield City Centre, the Government's infrastructure program will continue to support employment, economic growth, improved living standards and productivity.

The State is using its balance sheet to support the significant investment in infrastructure and the ongoing economic and health response to the pandemic. The State's net debt is projected to be 9.3 per cent of GSP as at June 2022, and peak at 13.7 per cent of GSP in June 2025.

The Government's fiscal repair strategy is well underway. This will help rebuild fiscal capacity and ensure balance sheet resilience. Through the growth of the NSW Generations Fund (NGF), improved revenue outlook, and the continuation of the Government's successful asset recycling program (e.g. WestConnex), net debt is expected to improve further, trending back down towards 7 per cent of GSP over the medium term.

The Government's investment strategy for the NGF has seen strong returns to date. It has returned 8.6 per cent since inception in late 2018, outperforming its long-run investment objective of CPI plus 4.5 per cent.

The NGF is now projected to grow to over \$90 billion by June 2031. Given the size and importance of the NGF, the Government is taking steps to strengthen the ringfencing of the fund and to improve its transparency and accountability (see Box 3.1 in Chapter 3).

Ensuring a sustainable debt position enables the Government to provide additional resources in priority areas such as targeted investments in frontline services, training and education, critical infrastructure, and other reforms as detailed below.

New South Wales is the only state in Australia to retain its triple-A credit rating with Moody's. This is reflective of the State's history of strong financial management and fiscal discipline. The Government will continue this approach and return its fiscal position to be consistent with a triple-A rating with S&P Global.

1.4 A Budget that builds on the State's success

To further build on the State's success and to drive further growth, the NSW Government is investing in measures that boost labour participation and productivity.

Box 1.3: Boosting productivity and the quality of services

As highlighted by the NSW Productivity Commission White Paper – *Rebooting the economy*, productivity growth is needed to repeat the strong growth seen in the past. Key measures were identified that would boost the NSW economy by 2 per cent. This Budget provides funding to implement some of these measures. Investment is prioritised towards a suite of initiatives that will help drive productivity growth and boost the quality of Government services.

Tax Reform

- **To tackle an inefficient property tax system**, a progress paper was released in June 2021 to continue engaging with the people of New South Wales to develop a proposal to replace transfer duty with a small annual property tax. The proposed reform has the potential to increase home ownership by 6 per cent and to add \$3,300 to average annual household income (see Box 1.5)
- **Incentives to increase the take-up of electric vehicles**, with a \$489.5 million package that phases out economically costly vehicle stamp duty on zero and low emission vehicles and gradually phases in a distance-based road user charge.

Planning Reform

- Additional \$9.7 million, along with the introduction of legislation, to implement the package of 29 recommendations from the NSW Productivity Commission's **Infrastructure Contributions Review**. These reforms will support the timely delivery of critical infrastructure as it is needed to meet population growth and unlock housing supply.

Education and Skills

- **\$196.6 million to implement the Curriculum Reform Program**, a program to create a new curriculum that will improve student performance and enhance future employment outcomes
- **\$124.8 million to attract and retain high performing teachers** under the Teacher Supply Strategy, to deliver a sustainable pipeline of teachers
- **\$24.6 million to support implementation of recommendations in the Gonski Shergold Review**, including pilot sites for the Institute of Applied Technology at three sites, and a pilot of a new Careers NSW platform which will partner with industry and young people to provide valuable and timely advice to match students with in-demand industries.

Energy and Resources

- **\$379.6 million to deliver the Electricity Infrastructure Roadmap**, including funding to establish for the Renewable Energy Zones across the State
- **\$171 million investment in electric vehicle charging infrastructure** over the next four years to ensure accessibility of ultra-fast chargers, especially on major commuter corridors and at regional tourist destinations
- **\$12.5 million to identify and adopt more efficient operating models for water provision in the regions**, focused on leakage reduction
- **\$10 million for a Bus Electrification Program strategic business case** that aims to transition all NSW buses to zero-emission buses.

Health

- **Increasing spend on Digital Health initiatives to over \$500 million** over the next four years, to enhance the care coordination across hospital and care settings, including Virtual Care, Telehealth and Single Digital Patient Record
- **\$109.5 million to develop 25 Child and Adolescent Mental Health Crisis Teams** ('Safeguards') across New South Wales to provide support services to children and adolescents with moderate to severe mental health issues
- **\$36.4 million for 57 mental health Response and Recovery Specialists** across regional and rural New South Wales to provide assertive outreach support for communities.

Whole of Government

- **An additional \$500 million for the Digital Restart Fund to continue driving investments in digital technologies** across the NSW Government, increasing total funding to \$2.1 billion
- **\$5 million to fund the Productivity Reform Program** to support the work of the NSW Productivity Commission to assist agencies with progressing White Paper reforms over the next four years
- **Lowering the cost for occupational licence holders that do business in multiple locations**, with \$2.5 million to support Automatic Mutual Recognition
- **Evaluating the relaxation of regulations established during COVID-19** and keeping the ones that work.

These measures are in addition to those arising from the Government's record infrastructure investment program and the productivity enhancing measures announced in the 2020-21 Budget, including:

- **Implementation of a suite of planning reforms** to deliver a more streamlined and timely planning system through the \$520 million NSW Planning Reform Action Plan
- **Establishing a new \$57.4 million Trades Skills Pathways Centre** to develop and pilot new flexible pathways into the trades and support the participation of mature aged workers and women
- **A permanent increase in the payroll tax threshold to \$1.2 million**, expected to save businesses a further \$744 million over four years from 2020-21 to 2023-24.

Continuing to keep New South Wales safe while accelerating our recovery

Safeguarding the health of our people

The past year has been a testament to the quality of the State's health system. It was extensively tested, and the performance was profound. This Budget invests further in our world class health system, continuing the measures that have been a proven success and implementing new initiatives to make it even better. This includes:

- \$340 million for personal protective equipment and associated storage costs to keep our frontline health workers safe
- \$261.3 million to support the COVID-19 vaccination rollout across the State, including increasing capacity and ensuring accessibility to eligible people
- \$200 million to support COVID-19 pop-up clinics, testing and contact tracing
- \$145.4 million to provide medical care to returning travellers in quarantine.

Accelerating our recovery

With the health response well supported to continue protecting the community, the Government is also investing in measures to accelerate the recovery already underway. Significant investments will be made into infrastructure and other initiatives to create jobs, drive economic activity, and build a better future. This includes:

- \$3.3 billion in new capital funding for 44 new and upgraded schools across the State
- \$2.7 billion to commence construction on the M6 Extension Stage 1
- \$2 billion to upgrade the Great Western Highway, co-funded by the NSW and Commonwealth Governments, to reduce congestion and deliver safer, more efficient and reliable journeys
- more than \$1 billion to activate Australia's first 22nd century city, Bradfield, including:
 - \$870 million estimated total capital expenditure for Stage 1 enabling works to construct critical infrastructure and foundations for the Bradfield City Centre to align with the development of the Western Sydney International (Nancy-Bird Walton) Airport and the Sydney Metro - Western Sydney Airport
 - \$47.8 million for the construction of a high-tech facility as Bradfield's First Building, housing shared-use equipment for research institutions and industry to collaborate
- \$168.7 million to continue planning, design and pre-construction of the Muswellbrook bypass, improving safety on the New England Highway and reducing travel times for long haul freight movements
- \$115.6 million for the construction of Henry Lawson Drive widening between Tower Road, Georges Hall and Auld Avenue, Milperra (Stage 1) to double capacity and reduce congestion and to continue the development of Stage 2 between Keys Parade and the M5 Motorway
- \$50 million to continue planning and development of the Parramatta Light Rail Stage 2, which would connect to Stage 1 and continue north through Ermington, Melrose Park and Wentworth Point to Sydney Olympic Park
- \$50 million for a new Dine & Discover voucher to be used on Fridays in the CBD, to increase activity in the CBD and support small businesses
- \$20 million to provide 200,000 accommodation vouchers worth \$100 each to encourage people back into the Sydney CBD.

Making New South Wales the best place to visit

Our communities help to make New South Wales be the best place to live and work. Our state should also be the best place to visit. This Budget puts resources into place to realise the vision and includes:

- \$119.3 million capital expenditure to create a cultural venue and public open space at the Registrar General's Building, consistent with the Macquarie Street East Precinct Review
- \$80.4 million capital expenditure for signature multi-day walking experiences, including the Great Southern Walk (Illawarra)
- \$60 million for the Creative Capital program to deliver new cultural infrastructure projects in Greater Sydney and regional New South Wales to boost community participation in the arts, along with cultural tourism
- \$59.9 million for upgrades at 12 country race clubs across regional New South Wales, to provide improvements to racetracks and additional capacity for stabling thoroughbreds
- \$50 million to support regional tourism with a \$30 million Regional Tourism Activation Fund and \$20 million with a Regional Events Acceleration Fund
- \$40 million to attract major blockbuster art and museum exhibitions to New South Wales, showcasing the world's finest cultural treasures in our world-renowned cultural institutions

- \$24 million to expand the State's Arts and Cultural Funding Program to incentivise innovation, vibrancy and creativity within the cultural sector. The uplift will focus on funding to small and medium arts companies, along with funding to enable additional regional touring
- \$15 million for a Cahill High Line inspired by the Manhattan High Line, temporarily transforming the Cahill Expressway into a contemporary landscape which will host a series of events and provide a viewing deck for New Year's Eve fireworks and Sydney Harbour until the opening of the 2022 Sydney Festival
- \$5 million to establish the contemporary Heritage Blue Plaques Program that will identify heritage sites for communities to appreciate and connect with their historic surrounds
- transformation of the Ultimo Powerhouse Museum, featuring the first dedicated design and fashion museum in Australia and an academy supporting 60 regional students to experience immersive education and exhibition programs.

Investing in families and their future

The strength of the State's finances has enabled the Government to provide significant support to individuals and families.

Supporting families, including our most vulnerable

Support for families continues, particularly for the most vulnerable in our state. The Government is protecting the health and wellbeing of individuals, investing in measures to ensure appropriate care and services are available where and when they are needed. This includes:

- \$82.8 million to continue strengthening palliative care services, including improving community-based care, enhanced inpatient palliative care services in Western Sydney, and enhancements to the specialist palliative care workforce in regional and rural New South Wales
- \$57 million to build on the successful Together Home program which has assisted hundreds of rough sleepers or vulnerable individuals into accommodation
- \$34 million to transition 246 paramedics into intensive care paramedics, of which 203 will be in regional New South Wales
- \$33.9 million for the expansion of Staying Home Leaving Violence and continuation of Domestic Violence Pro-Active Support Services (DV Pass) to ensure victims of domestic and family violence are afforded the option to stay home safely with specialist case management support
- \$30 million over four years for social impact investments with a focus on women facing disadvantage and Indigenous youth
- \$12.2 million to fund Tresillian for a series of support measures to families experiencing difficulties in the critical first years of their child's life, including six Regional Family Care Centres, five 'Tresillian 2U' vans, and staffing for the Macksville residential unit
- \$12 million to promote adoption and guardianship for children in out-of-home care, through increased awareness, a dedicated taskforce, and greater support
- \$8.6 million to support community care for people with movement disorders, such as Parkinson's Disease, by delivering specialist nurses and allied health staff in 15 Local Health Districts. This package also includes funding for Parkinson's NSW to support its InfoLine service as well as additional teaching, training and capacity building
- NSW public sector employees' access to new types of leave in the event that they experience a pre-term birth or suffer the tragedy of a miscarriage.

Improving cost of living

For individuals and families more broadly, this Budget provides a range of new cost of living measures that build on the Government's current extensive support program.

Box 1.4: Supporting individuals and families with the cost of living

The NSW Government provides a wide range of support to individuals and families across the state. In 2021-22 over \$6 billion in new and existing rebates, concessions and cost of living measures are available to households to assist in reducing the impost of everyday living costs and encourage involvement in activities to support development and participation.

In this Budget, the Government is bolstering its existing support programs with a range of new and expanded measures including:

- **\$333.2 million** to continue the uplift in the Energy Social Programs (totalling \$1.3 billion over four years) which delivers six energy rebates and one crisis support scheme, to assist low-income households in meeting their energy bills
- **\$246.3 million** to extend the Regional Seniors Transport Card for an additional two years, providing eligible seniors living in regional New South Wales with \$250 each year for fuel, taxi travel, or NSW TrainLink tickets
- **\$150 million** to deliver the Free Preschool program for school year 2022 - to provide approximately two days of free preschool per week to all eligible preschool children
- **\$43.9 million** over two years to provide a \$100 Learn to Swim Active Pre-Schooler Voucher for children aged 3 to 6 years not yet enrolled in school to develop important water safety and swimming skills
- **\$14.2 million** for a Cost of Living program and campaign to increase public awareness of NSW Government support available to individuals and families.

Existing measures include support to not only save our citizens thousands of dollars each year, but also to contribute to the delivery of social outcomes, including:

- over \$60 million saved by drivers in Toll Relief this year with an average saving of \$347
- Active Kids providing savings through two \$100 vouchers to use towards sport and active recreation programs, with over 3.2 million vouchers redeemed since program inception
- Creative Kids providing savings through one \$100 voucher to help cover the cost of creative and cultural activities, with over 900,000 vouchers redeemed
- more than 120 million free or subsidised trips taken by students each year to travel from home to school or TAFE under the School Student Transport Scheme
- the Fee Free Vocational Education program saves students up to \$1,000 per course through 100,000 free TAFE and VET courses, including 70,000 courses for young job-seekers combining work and study through a traineeship, and 30,000 free TAFE places for mature-aged workers seeking to retrain or re-enter the workforce
- the Smart and Skilled program provides subsidised and fee free concessions to over 25,000 students commencing selected qualifications
- Start Strong allows over 44,000 eligible children to participate in over 600 hours of quality preschool education to ensure children are equipped with the social, cognitive and emotional skills they need to engage in learning.

The Government will also keep Opal fare increases to 1.5 per cent and continue to provide customers with the benefits of off-peak discounts and weekend caps introduced in 2020.

The Cost of Living 'One-Stop Shop' Service provided by Service NSW has undertaken more than 70,000 cost of living appointments since July 2018. With the average saving per appointment almost \$600, this means more money is being spent on the things that matter.

Investing in our communities

This Budget also includes investment to enhance our communities. It puts in place important infrastructure upgrades to improve livelihoods, and also provides facilities to support people staying active and enjoying their local surrounds. This includes:

- \$205.1 million for the Multisport Community Infrastructure Fund that will support the development of local sporting facilities that can be used by multiple sporting codes, with a focus on increasing participation and maximising accessibility
- \$34.1 million to expand the Roads to Home Program to up to 10 Aboriginal communities
- \$18.6 million additional funding for the Community Building Partnerships program to promote increased investment in local communities
- expanding the Surf Club Facility Program, bringing the total funding over four years to \$16 million, to construct new and upgraded Surf Club facilities that are safe and inclusive.

Transforming New South Wales

The Government is in a strong position with the recent release of the *2021-22 NSW Intergenerational Report* and Productivity Commission's *White Paper*, both of which provide real insights into the areas of opportunity to transform Government services and stay ahead of emerging trends. This Budget invests in new initiatives and technologies to further drive productivity and improve services, including:

- \$719 million to complete the Critical Communications Enhancement Program that will expand and enhance the Public Safety Network and ensure there is radio coverage across the state for first responders
- \$139.3 million to deliver the Accelerated Infrastructure Fund 2, which will provide funding to councils in high growth areas to support construction activity and the release of new homes and employment areas in key greenfield sites
- \$35 million to deliver for an Entrepreneurship and Innovation Fund to promote new ideas, design and investment while creating sustainable jobs in targeted sectors, precincts and regional New South Wales
- \$24.6 million to continue to deliver the services of the Data Analytics Centre which provides cross-sector data-driven insights to inform policy decisions and citizen focused outcomes
- \$20 million to accelerate the delivery of strategic planning precincts to shape land use and rezoning outcomes
- \$19 million to provide an asset refresh to video conferencing and computer facilities in TAFE campuses across New South Wales, improving teaching delivery and student experience
- \$5.1 million to provide monthly home delivered books to children aged up to five years old to targeted communities, which has already demonstrated outcomes in improved engagement with reading
- recurrent funding for the Treasurer's Financial Literacy Program, which will encourage children to develop positive money habits and increase their financial literacy
- a Bushfire Response Research Development Mission and Emerging Industry Infrastructure Fund as part of a \$36 million investment into research and development, to plan, prepare and respond to bushfires in the state, aligned with the 2021 Accelerating Research and Development Plan
- ongoing funding to ensure TAFE NSW is resourced to deliver quality vocational education and training.

Importantly, the Government is also progressing its proposal to reform property tax, removing significant financial barriers to buying a home.

Box 1.5: Property tax reform

In November 2020, the NSW Government released a Consultation Paper outlining a proposal for a phased transition away from stamp duty. People buying a property would be able to choose between paying a large amount of stamp duty (and land tax where applicable), or alternatively to pay a small annual property tax based on unimproved land values.

The NSW Government is committed to making home ownership more achievable. Since the 1990s, average earnings have trebled, average home prices have increased around five times and average stamp duty on dwellings has increased more than seven times. Home ownership has declined from around 70 per cent of the private dwelling stock in the 1990s to around 64 per cent today.

The reform proposal is aimed at boosting home ownership, with a particular emphasis on first home ownership. Removing stamp duty, which is one of the principal barriers to home ownership, would lower the up-front cost of home purchases for all buyers. It would help to enhance household mobility, allowing more people to choose the right home for themselves and their families at every stage of life, without being penalised by stamp duty. And it would help to drive productivity growth, lifting the incomes of all residents of New South Wales. Over time, the reform could improve housing affordability, increase home ownership by 6 per cent, increase average household income by around \$3,300 and create 70,000 additional jobs.

From November 2020 to March 2021, almost 24,000 people engaged in the consultation process. More than three quarters of people responding to a survey believed that the current stamp duty system needs to be changed. The proposal resonated particularly strongly with first home buyers, and many expert groups responded positively to the proposal.

The existing systems of stamp duty and land tax are complex, and the property tax proposal introduces new concepts. Many submissions and comments made to the Government expressed concern, or requested more detail, about various aspects of the proposal.

On 11 June 2021, the Government released a Property Tax Progress Paper (available at www.nsw.gov.au/initiative/property-tax-reform) outlining the findings from consultation, and providing more information on the topics most frequently raised through consultation.

The Government is committed to putting forward the best possible model to create the most effective tax system for the people of New South Wales. Comments on the Progress Paper received before 30 July 2021 will help to inform the Government as it considers its next steps for property tax reform.