

Budget Document

Budget Summary 2000 - 01

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Treasurer's Foreword

The Carr Government's Budget for 2000-01 to 2003-04 shows how the Government is working hard for all of New South Wales. For the third year in a row, this Budget achieves five important results:

- Lower tax rates
- Additional, carefully directed spending on hospitals, schools, police and other vital community services
- A reduction in the Government's debt and liabilities
- A significant increase in the State's assets and net wealth
- Strong and continuing job growth.

None of these would have been possible without five years of sound financial management and five years of strong growth.

The hard work is paying off.

This year the Government is helping families to buy their first home with stamp duty exemptions valued up to \$6,000 and joint State-Commonwealth grants worth a further \$7,000.

This budget again sees the Government taking advantage of good economic conditions to pay down the mortgage so that no matter what the future holds - good or bad - the State's finances are up to the task.

Michael Egan
Treasurer



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The Budget Results

net lending result

- Budget surplus of \$659 million in 2000-01
- Budget surpluses each year to 2003-04
- Total surpluses of over \$3.5 billion in the four years to 2003-04

operating result

- Operating surplus of \$1,238 million in 2000-01
- Operating surpluses in each of the next four years to 2003-04
- Total Operating surpluses of almost \$8 billion for the four years to 2003-04

net financial liabilities - debt, unfunded superannuation and all other liabilities

- Down \$2,586 million in 2000-01
- Down \$5,172 million over the next four years to 2003-04
- Down \$12.5 billion from 1996 to 2004

net worth - total assets minus total liabilities

- General Government net worth up \$2,821 million to \$88,017 million in 2000-01
- General Government net worth up \$9,649 million over the next four years to 30 June 2004

cash result

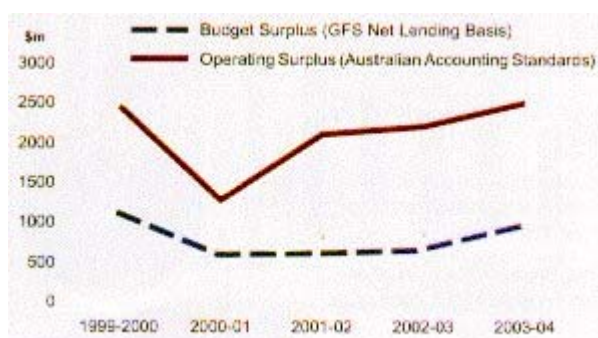
- \$393 million surplus in 2000-01.

The **net lending result** measures how much the Government has available in the Budget year to pay down the State's financial liabilities. It is the same measure as the Commonwealth Government's 'fiscal balance'.

The **operating surplus** measures the amount by which the Government's revenues exceed its spending on providing services. It includes the cost of wear and tear on physical assets - buildings, roads, bridges - but not the cost of acquiring new assets.

The **net lending result** includes the cost of buying new assets offset by the proceeds from the sale of old assets.

The **net lending result** shows a smaller surplus than the **operating result** because in each of the next four years, the Government is buying new assets at a greater rate than they are being depleted. That means that each year the State's stock of capital - schools, hospitals, roads - is being enhanced and along with it the future capacity to deliver government services.



The Budget Aggregates

total revenue

Total revenue to increase by 0.8 percent to \$30,456 million. This excludes a one-off increase from the equity restructure of electricity businesses that is being used to reduce General Government sector debts rather than for expenditure.

tax cuts

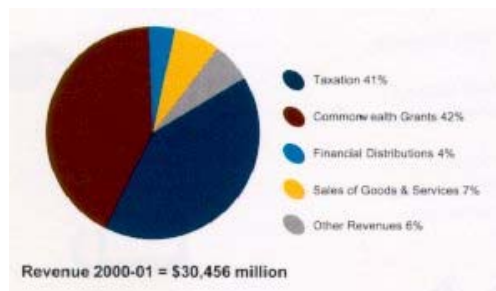
This Budget provides \$436 million of new tax cuts over the next four years;

The tax cuts in 2000-01 comprise \$127 million in new measures announced in the 2000-01 Budget and \$484 million in previously announced measures.

GST

The GST package will have no net effect on the NSW Budget in 2000-01 and the forward estimates period. The GST will not produce any financial gains for NSW until 2007-08.

The GST package will change the composition of the State's income, with a large fall in tax revenue in 2000-01 replaced by a large increase in Commonwealth grants.



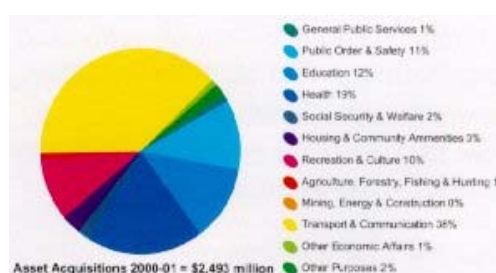
asset acquisitions

General Government asset acquisitions for 2000-01 are estimated at \$2,493 million.

The total State asset acquisition program for 2000-01 is estimated at \$5,283 million - \$45 million above the budgeted program for 1999-2000.

In the four years to June 2000, the total State capital program was \$18,253 million.

After the Olympics, in the four years to 2004, the capital program is projected at \$21,514 million - an increase of \$3,261 million.

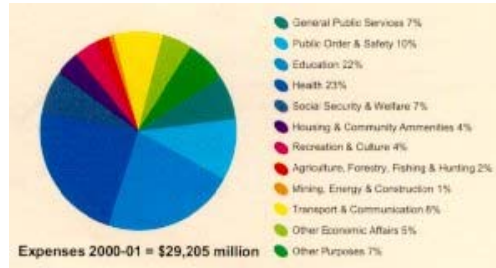


total expenses

Total expenses are expected to rise by 5.4 percent to \$29,205 million in 2000-01.

Nearly half this increase is due to one-off expenses including the introduction of the GST and from accounting for the gift of several Olympic venues to local government.

Excluding these one-off expenses, the increase in expenses is 3.4 percent in 2000-01 and an average of 2.3 percent in following three years.



Taking Nothing for Granted

NSW has enjoyed strong economic and job growth for more than five years.

The Government has taken the opportunity presented by good economic conditions to significantly reduce the State's financial liabilities.

The 2000-01 Budget continues the hard work of paying down the mortgage. This protects the State's finances from bad times in the future and equips them to make the most of good times.

net financial liabilities

- Reduced by \$7,339 million from 1996 to 30 June 2000.
- To fall another \$5,172 million by 2004.
- Cut by \$12,511 million in total 1996-2004.
- Falling from 18.1 percent of Gross State Product to 7.0 percent by 30 June 2004.



general government net debt

- More than halved in the eight years to 2004.
- Interest costs to fall from 8.1 percent of Budget receipts in 1996 to 3.0 percent in 2004.
- Annual interest costs to fall \$300 million by 2004 - from \$1,200 million in 1999-2000 to \$900 million.

unfunded superannuation liabilities

- To fall from \$13,654 million in 1996 to \$7,759 million in 2004 for the General Government sector.
- A total of \$830 million extra has been provided in 1999-2000 and 2000-01 to reduce liabilities

net worth

- To rise by \$2,821 million in 2000-01.
- Up \$9,649 million over the next four years to reach \$94,845 million in 2004.

Maintaining the Momentum on Job Growth

In the 1999-2000 Budget the Government announced \$2.6 billion of tax reductions to help ensure that New South Wales remains an attractive destination for business investment.

This Budget accelerates the pace of those tax reductions and includes two new initiatives.

Altogether the new tax cuts will cost \$436 million over four years.

- The rate of payroll tax will now fall from 6.4 percent to 6.2 percent from 1 January 2001, six months earlier than scheduled at a cost of \$63 million
- From 1 October 2000 stamp duty on general insurance, including household and some commercial policies, will be cut from 11.5 per cent to 10 per cent at a full year cost of \$36 million
- First homebuyers will receive up to \$6,070 in assistance under the new First Home Plus program that replaces the existing First Home Purchasers Scheme. The new program will cost \$230 million over four years and is expected to encourage more people to buy or build first homes.
- First Home Plus replaces the existing 50 percent discount on stamp duty on contracts and conveyances with a full exemption, substantially increases the maximum property values eligible for exemption, introduces a partial concession above the maximum property values eligible for a full concession and removes income eligibility criteria.

In addition the 2000-01 Budget contains \$63 million - a net \$38 million - of previously announced tax measures that come into effect from 1 July 2000.

- Scrapping the Greiner Government's \$43 registration levy on business vehicles at a cost of \$27 million a year.
- Scrapping of the surcharge on motor vehicle registration and transfer fees at a cost of \$36 million a year.

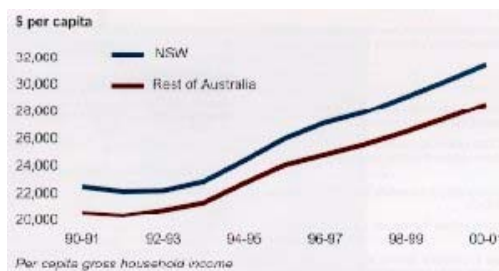
jobs for the future

In 1999 the Government launched its Jobs For The Future Plan that aimed to help create 200,000 jobs over four years.

By April this year 134,000 new jobs had already been created.

This Budget continues to support job creation with \$21.5 billion of new capital works scheduled in the four years after the Olympics - a \$3.3 billion increase on the four years leading up to the Games.

The Economy



New South Wales continues to enjoy higher per capita household income than any other state.

- We have the lowest unemployment rate in Australia, and the rate continues to decline.
- In the three months ending April 2000, the NSW unemployment rate, at 5.8 percent, is the lowest in ten years.
- The Consumer Price Index in Sydney has fallen from over 8 percent in the late 1980s to 2¼ percent in 1999-2000.

	Outcomes	Estimates	Forecasts	
	1998-99	1999-2000	2000-01	2001-02
Gross State Product	4.3	4¼	4	3½
State Final Demand	4.4	5¼	3¾	3
Employment	2.4	3¼	2¼	1½
Unemployment rate	7.0	6	5¾	5½
CPI (Sydney)	1.6	2¼	6	2¼
CPI (excluding GST)	(na)	(na)	3	2½
Wages	4.9	3¾	4	4

Sound economic performance is expected to continue in the next four years.

- Growth in Gross State Product is forecast to remain strong at 4 percent in 2000-01 and 3½ percent in 2001-02, following an estimated 4¼ percent increase in 1999-2000. New South Wales employment growth is expected to ease from 3¼ percent in 1999-2000 to 2¼ percent in 2000-01, but this is still significantly above longer term trends.
- The strong economic performance and employment growth will see the unemployment rate, which is already well below the national average, continue to fall. The average unemployment rate for 1999-2000 will be 6 percent and is forecast to fall to an average 5¾ percent in 2000-01.
- Inflation is forecast to increase to 6 percent in 2000-01, half of which is due to the one-off impact of the introduction of the GST, before falling to 2¼ percent in 2001-02, the same rate as the 1999-2000 estimate.

Developing Rural and Regional New South Wales

The State Government is working hard for all of New South Wales - working hard to provide country New South Wales with its fair share of Government services.

infrastructure spending:

People living outside Sydney, Newcastle, Wollongong and the Central Coast account for nearly 27 percent of the State's population.

In this Budget more than 35 per cent of all spending on capital works and road maintenance will take place outside of Sydney, Newcastle, Wollongong and the Central Coast.

That means country communities will get the benefit of \$2 billion of a total \$5.65 billion program in 2000-01.

And when you look at spending outside Sydney, the Budget provides the same fair share.

Forty-two percent of people live outside Sydney and they will receive 46 percent of spending on capital works and road maintenance this year - a total of \$2.6 billion.

working hard to improve education, health and transport:

A fair share of capital works spending this Budget means new or better schools for Bega, the Tweed, Dubbo, Nowra, Kiama, Scone, Lightning Ridge, Grafton, Tuncurry, Evans Head, Lake Munmorah, Mudgee, Brunswick Heads, Cessnock, Bogangar, Jerrabomberra, Gosford, The Entrance, Dorrigo and Hay.

More than \$1.8 billion will be provided for rural and regional health services in New South Wales - a 45 percent increase in funding for regional rural health services since 1995.

A fair share of health spending means guaranteed funding increases to all Area Health Services to meet the growth in demand, particularly in traditionally underfunded regions of the Northern Rivers, Mid-North Coast and the Illawarra.

This Budget provides for the first stage of building or redeveloping of 20 hospitals in small rural towns with another 14 hospital upgrades in the planning stage.

Regional and rural communities will benefit from the \$1.6 billion record police budget. An estimated \$350 million will be spent on delivering police services to regional New South Wales this year.

This Budget will improve road and rail services across the State. It provides \$115 million for the Rebuilding Country Roads program, including \$29 million to replace timber bridges.

All Countrylink passenger rail services are to be maintained to 334 destinations, including Griffith and Broken Hill and \$170 million will be spent on improving rural rail lines. By December this year the Kandos-Gulgong via Mudgee line will be reopened at a cost of \$1.4 million.

working hard to improve country life:

The State Government will continue its strong support for farming families.

This Budget provides \$232 million to help secure the future of our valuable food and fibre industries.

To address the growing problem of salinity, the Government will provide an extra \$5 million this year. This budget enhancement builds on existing salinity-related expenditure, which last year amounted to \$30 million and this year will increase to around \$35 million.

Special help will be provided to the Western Division through West 2000 Plus - a new \$5.9 million program over three years.

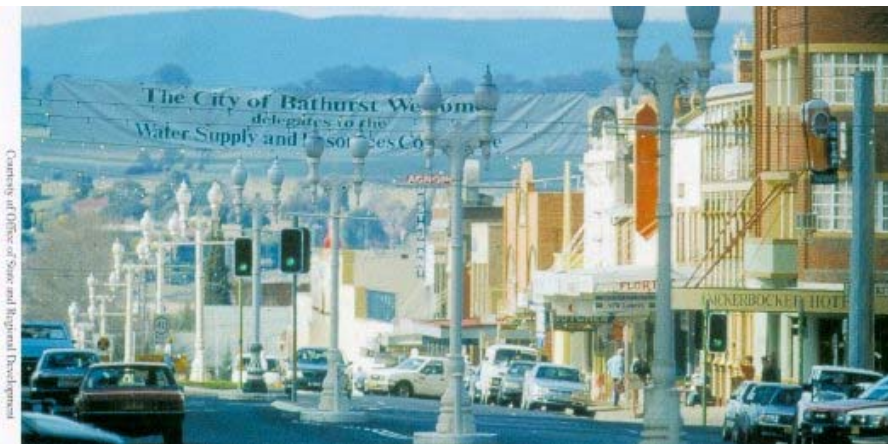
And the Government has responded to calls by Country Labor to set up a \$2.4 million rebate scheme to help farming families put rollover protection structures on their tractors.

To help improve access to day-to-day services the Government will announce details this year of a new \$3.5 million program to improve regional service delivery.

working hard to create jobs in regional new south wales:

The State Government is working hard to secure new job creating investment for country New South Wales. In addition to the Regional Business Development Scheme, set up to provide incentives to businesses relocating, this Budget provides support for a range of new and continuing programs.

The New Market Expansion Program will help country businesses find new markets for their products, the Townlife Development Program will provide special help for towns with less than 2,500 people, and the Illawarra and Hunter Advantage funds will help these key regions attract major new job creating industries.



Working Hard to Improve Education for all of New South Wales



The 2000-01 Budget includes a record \$7.2 billion for education and training.

This is a \$320 million increase on 1999-2000 and a \$1,439 million, or 25 per cent, rise on 1994-95. This is despite continuing Commonwealth funding cuts to public schools.

Spending on building new schools, redeveloping existing schools and capital spending on TAFE colleges will amount to \$299 million in 2000-01 as part of a \$1.1 billion four-year program.

The Budget also provides more money to implement the Government's pledges to provide more computers in schools, improve literacy and numeracy and encourage more apprenticeships.

Highlights of the Budget include:

- \$550 million Statewide school maintenance program over the next four years with \$145 million spent in 2000-01
- almost \$500 million over the next four years to provide 25,000 extra computers to schools and replace 90,000 existing computers. Nearly \$114 million will be spent this year
- almost \$450 million over four years for the further expansion of the State Literacy and Numeracy

Plan, with more than \$106 million to be spent in 2000-01

- \$1.5 billion will be spent in 2000-01 providing quality employment -related training through TAFE NSW, Adult and Community Education and schools. This includes \$15 million over four years to prepare individual school-to-work plans for all students in Years 9 to 12
- a further \$4 million in 2000-01 of payroll tax concessions to encourage employers, particularly in country areas, to employ apprentices
- \$17 million over four years to train 25,000 teachers in using technology in the classroom, with \$4 million to be spent in 2000-01
- nearly \$56 million in 2000-01 for the Back-to-School Allowance to help parents meet the cost of uniforms, shoes, books and other school basics.
- \$217 million - an increase of \$10 million on 1999-2000 - to start 46 new building projects including four new primary schools at Bogangar, Flinders (near Shellharbour), Glenmore Park and Jerrabomberra and four new high schools at Brunswick Valley, Mt Annan, Kellyville and in the Tweed.
- \$6 million in 2000-01 for schools' airconditioning including demountable classrooms
- \$82.1 million for TAFE capital works to start 33 projects including new facilities at Armidale, Bathurst, Dubbo, Ultimo, Moree and Wollongbar and major refurbishments at North Sydney, Miller (near Liverpool) and Blacktown.



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Working Hard for Better Health for All of New South Wales

The 2000-01 Budget provides the sixth consecutive substantial increase to the health budget.

Additional expenditure of nearly half a billion dollars will take spending on health services to \$7.4 billion - 6.9 percent more than 1999-2000.

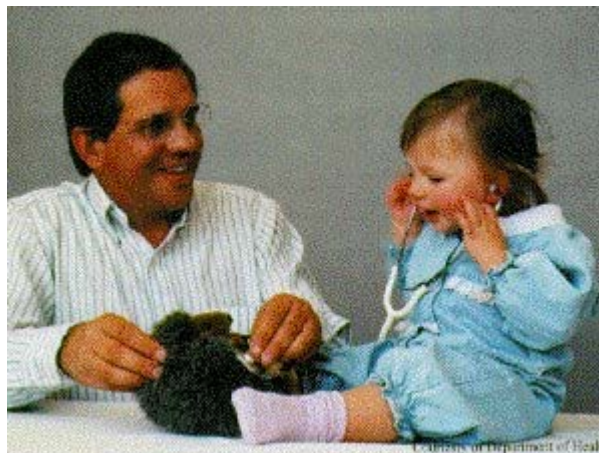
A further \$472 million is provided for capital works for new hospitals, including those recommended in the Sinclair report, and the continuation of building programs.

This is an increase of five per cent on last year's capital budget.

Spending on health has risen \$2.1 billion - 40.2 per cent - since 1994-95.

The Budget fulfils the first installment of the three-year guaranteed health budget with a \$414 million recurrent cash payment.

During the next three years health spending will rise to almost \$8.1 billion.



Highlights of the health budget include:

- Guaranteed funding increase to all area health services to meet growth in demand particularly in the regions of Northern Rivers, Mid-North Coast, the Central Coast, the Illawarra and South-Western Sydney
- \$107 million a year by 2002-03 for improving mental health services
- \$20 million a year by 2002-03 for dental health services
- \$5 million for extra medical research projects
- \$45 million over three years to relieve pressure on intensive care units and emergency departments
- \$45 million over three years to coordinate care for people with chronic conditions starting with heart disease, respiratory illness and cancer
- \$15 million over three years to better integrate general practitioners with hospitals
- \$1.5 million for locums for rural specialists

This year's new capital projects include:

- \$13.8 million for a linear accelerator and associated cancer treatment services at Cambelltown Hospital
- \$16 million for a new spinal medicine and 60-bed rehabilitation unit at the Prince of Wales Hospital
- \$5.8 million expansion to the rural health program which is building 20 hospitals and health facilities in small country towns
- \$6.3 million for the Central Coast Mental Health Strategy including the redevelopment of acute inpatient services at Gosford Hospital and the construction of a new mental health inpatient unit at Wyong Hospital
- \$3.7 million for upgrading the Tamworth Base Hospital's emergency department



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Social and Community Services

The 2000-01 Budget provides a record \$1,486 million for community and disability services.

This is a \$162.8 million, or 12.3 percent increase on the 1999-2000 Budget.

Since 1994-95 funding has increased by \$601.3 million or 67.9 percent.



Courtesy of Department of Community Services

The Budget highlights include:

- \$110 million for child protection, a 17.7 percent increase;
- 16.3 per cent increase in Child and Family Services - up \$54.5 million to \$389.3 million;
- a \$20 million increase in foster care payments;
- a \$44.9 million increase in funding for disability services;
- \$21.5 million of growth funding for Home and Community Care to provide an extra 500,000 hours of care to 8,000 more older people and people with disabilities;
- \$100.3 million for child care and related services. This includes child care for rural families, including services for seasonal workers and farming, Aboriginal and remote communities;
- \$23 million to refurbish and maintain group homes, large residential units and other facilities for the disabled; and
- \$2 million for non-government organisations to buy disability accessible vehicles.

The Budget also provides \$63.1 million in electricity rebates for pensioners and financially disadvantaged people.

Working Hard to Improve Public Transport for all of New South Wales



The State Government is working hard to provide New South Wales with efficient and accessible public transport.

This year the total budget for the Department of Transport is \$1.87 billion.

Funding for rail capital works is up \$29 million - or six per cent - to \$466 million.

Rail maintenance funding this year to the State Rail Authority has also been increased by \$5 million to \$115 million.

Work continues on the Government's Action for Transport 2010 - a 10 year construction plan to improve transport networks across the State.

Nearly \$2,200 million will be spent in 2000-01 to build and maintain roads and improve road safety.

More than 60 percent of the budget for new road construction and road maintenance will be spent in rural and regional New South Wales.



Courtesy of Office of State and Regional Development

Key initiatives in this Budget include:

- Almost \$150 million in funding for major rail infrastructure projects under the Government's Action for Transport 2010 construction plan, including \$75 million for the 27 kilometre Parramatta Rail Link to Chatswood.
- Nearly \$85 million to upgrade CityRail stations across the network, including \$23 million for Easy Access improvements to make nine more stations accessible to people with disabilities, with planning funds for five additional stations.
- More than \$141 million to upgrade the NSW freight rail network, improving performance and boosting regional economies.
- Major improvements to buses, ferries and trains including more than 90 new buses for the State Transit fleet, two new Supercat ferries and \$25 million towards the construction of 81 new Millennium Train carriages.
- \$37.6 million will be provided to improve interchanges and commuter facilities.
- \$160 million to continue upgrading the Pacific Highway, including \$42.35 million towards the \$334 million Yelgun to Chinderah freeway in northern New South Wales.
- \$115 million to upgrade rural roads and bridges.
- Significant funding for major roads in regional areas including \$14 million for the North Kiama bypass, \$18 million for the West Charlestown bypass and \$9 million to upgrade the Great Western Highway at Faulconbridge
- \$169.4 million to support country rail lines.
- \$72.2 million to subsidise the carriage of freight by rail, primarily in rural New South Wales.

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Protecting the Community

This Budget works hard to improve policing for all of NSW with a record \$1.6 billion for new technology and smarter policing initiatives.

The \$149.2 million increase in the budget of the NSW Police Service since 1999-2000 will help to create a more efficient service and improve investigations Statewide.



Hi-tech policing features in this Budget with:

- \$1.2 million to enhance the Computerised Operational Policing system
- \$0.5 million for a computerised Criminal Suspect Identification System that enables police anywhere in NSW to view on a computer photographic images of suspects
- \$1 million for Live Scan digital fingerprinting equipment
- \$6.7 million for radio and telephone equipment

The Budget once again provides for an increase of 200 police, in line with the Government's commitment to make 2,110 more police available to the frontline by the end of 2003.

The Budget also contains \$10.6 million in 2000-01 for the Department of Corrective Services to provide more inmate beds in response to increased frontline police numbers.

Nearly \$4.5 million has been provided to the Department of Juvenile Justice for drug action initiatives including counselling, job training and drug rehabilitation programs for young offenders.

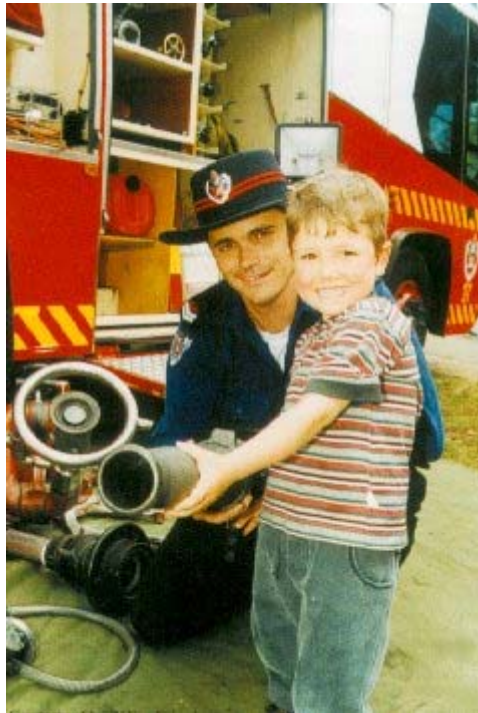
The Budget provides for the further implementation of the Government's \$176 million response to the Drug Summit. Expenditure on programs to prevent or deal with drug use is estimated at around \$500 million in the Budget period.



The Rural Fire Service will receive \$4 million over three years to refit its vehicles with sophisticated

protection systems and fire proof blankets.

A further \$2.1 million will be spent on the latest protective clothing and safety equipment.



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Working Hard to Protect the Environment for all of New South Wales

The State Government is working hard to secure the preservation and protection of the natural environment across New South Wales.

Increasing and improving the national park estate, improving air and water quality and addressing the nationally important issue of dry land salinity are among the Government's priorities.



Key Budget initiatives include:

- A record allocation of \$223 million to the National Parks and Wildlife Service, representing a 135 percent increase since the 1994-95 Budget.
- An extra \$20 million in new funding for Environment Protection Authority work on scientific research, air quality monitoring, waste management and radiation control.
- \$13.8 million will go toward reducing air and noise emissions and to minimise their impact on the community.
- Nearly \$13 million for environmental grants from the Environment Trust.
- \$44.2 million will be spent on waste minimisation and management including \$36.6 million to support the Waste Planning and Management Fund.
- \$13.6 million for the acquisition of land in regional New South Wales for new national parks and reserves and additions to existing parks and reserves.
- An extra \$5 million to build on the \$35 million allocated to other existing salinity-related projects. The funds will be used for projects such as salinity hazard mapping, pilot planting programs and further research and extension support.
- \$6 million over the next three years (including \$2 million in 2000-01) to combat the problem of soil acidity including acid sulfate soils.
- The State Government is developing new markets and investment in forestry to address greenhouse, salinity control, land repair and mine site rehabilitation. This work involves local councils, the private sector and farmers.



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Olympics and Paralympics



The Government pledged that the Olympic and Paralympic Games would be completely paid for up front, with not one single cent of debt for this or future generations to pay.

The 2000-01 Budget honours that pledge in full.

This Budget covers all of the costs of the Olympic and Paralympic Games.

The final payment on the last of the permanent Olympic and Paralympic venues will be made in May 2000.



The net cost to the Government of venue construction is \$1,642 million.

The Budget also makes ample provision for all of the remaining Olympic related expenses including security police and emergency services, public transport, health care and management of Sydney Harbour and other waterways.

For further information about the New South Wales Budget Papers, contact the New South Wales Treasury, Governor Macquarie Tower, 1 Farrer Place, Sydney 2000 or Email to [Francess Lavorato](mailto:Francess.Lavorato@NSW.Treasury), NSW Treasury.

