

# 1 9 9 8 - 9 9 B U D G E T S U M M A R Y

**Triple A in Every Way**

*“Putting families first.”*

# Table of Contents

	<b>Page</b>		<b>Page</b>
<b>Key Aggregates</b>	<b>1</b>	<b>Payments by Policy Area -</b>	
<b>Trends in Budget Aggregates</b>	<b>2</b>	<b>Health</b>	<b>9</b>
<b>Debt and Other Liabilities</b>	<b>3</b>	<b>Education</b>	<b>10</b>
<b>Where the Money is Spent</b>	<b>4</b>	<b>Social and Community Services</b>	<b>11</b>
<b>Budget Receipts</b>	<b>5</b>	<b>Police, Crime Prevention and Public Safety</b>	<b>12</b>
<b>Interstate Comparisons</b>	<b>6</b>	<b>Transport and Communication</b>	<b>13</b>
<b>Economic Overview</b>	<b>7</b>	<b>Housing, Water and Sewerage and the Environment</b>	<b>14</b>
<b>Key Economic Assumptions</b>	<b>8</b>	<b>Recreation and Culture</b>	<b>15</b>
		<b>Agriculture, Forestry and Fishing</b>	<b>16</b>
		<b>Mining, Energy and Construction</b>	<b>17</b>

# Glossary

n ***Total Expenses*** - total costs incurred, measured on an accrual accounting basis, in the provision of goods and services, regardless of whether a cash payment is made to meet the expense in the same year, in a later year, or at all.

The major categories of expenses include operating costs, maintenance of assets, depreciation and amortisation of assets, grants and subsidies provided to other entities and other expenses

n ***Net Cost of Services*** - total expenses less user charges revenue and other revenues retained by agencies (eg donations).

Represents the amount which ultimately has to be funded by the “public purse” in respect of the services provided in the year.

n ***Asset Acquisitions*** - an accrual concept which provides information on the total level of purchases of property, plant and equipment, being planned by the agency.

n ***Government Finance Statistics (GFS)*** - System used by the Australian Bureau of Statistics to classify Government financial transactions. Based on IMF standards. Measures transactions on a cash basis.

n ***Current Outlays*** - a GFS measure of total cash outflows less user charges. Provides information on the net cost, on a cash basis, of services provided.

n ***Capital Outlays*** - a GFS measure of total cash outflows on capital projects and capital grants. Capital outlays is net of asset sales.

n ***Receipts*** - a GFS measure of total cash inflows excluding user charges and asset sales. Major receipt items include taxes, fees and fines; dividends and tax equivalent payments from Government Trading Enterprises; Financial Assistance Grants and Commonwealth Specific Purpose Payments.

n ***General Government*** - the General Government Sector is one of the three categories used by the Australian Bureau of Statistics in classifying government agencies (the other categories being the Public Trading Enterprise Sector and the Public Financial Enterprise Sector).

The General Government Sector consists of those public sector entities which provide, in the main, goods and services outside the market mechanism as well as providing for the transfer of income for public policy purposes.

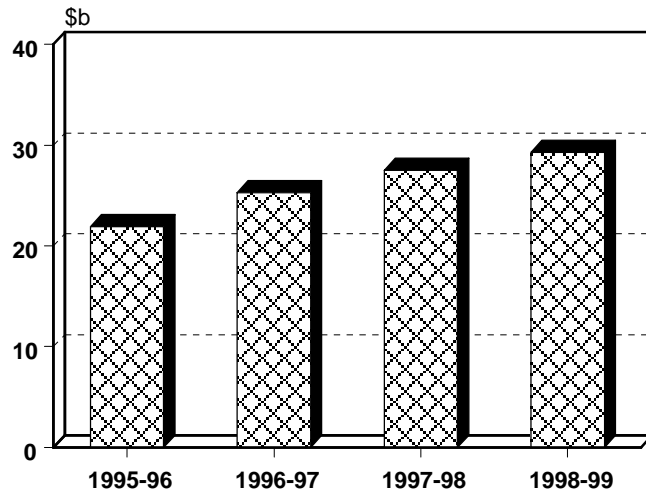
# Key Aggregates

## Summary of Major Budget Aggregates

	1997-98	1998-99	1999-00	2000-01	2001-02
	\$m	\$m	\$m	\$m	\$m
<i>Current -</i>					
Outlays	21,290	21,845	22,255	22,879	23,202
Receipts	23,350	24,203	24,882	25,828	26,623
<i>Capital -</i>					
Outlays	3,487	3,112	3,241	3,360	3,288
Receipts	1,011	798	828	862	819
<b>TOTAL</b>	<b>(416)</b>	<b>45</b>	<b>215</b>	<b>450</b>	<b>952</b>

## General Government Sector

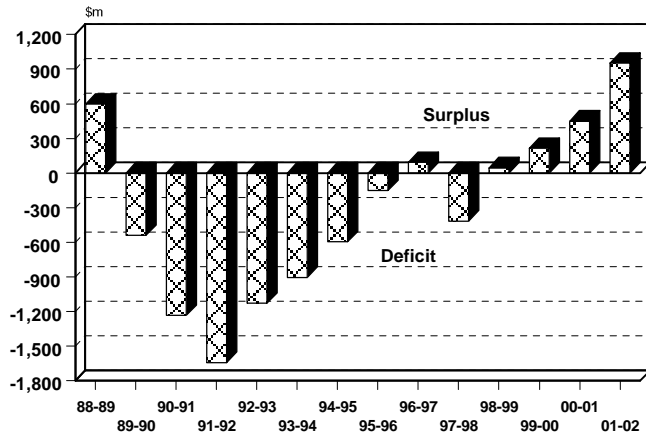
Trends in Net Worth



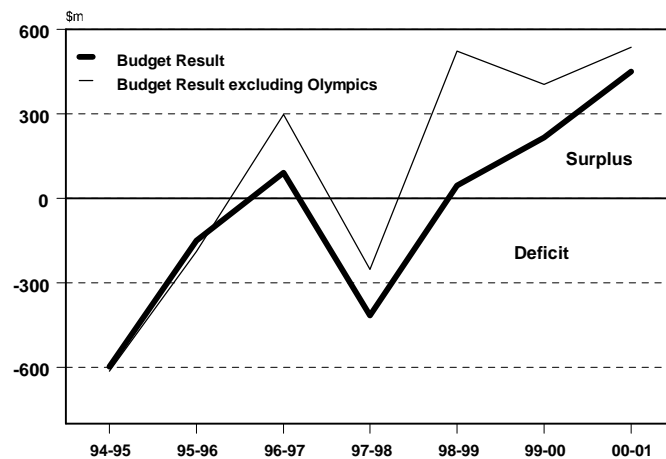
- n A surplus of \$45 million in 1998-99 on a Government Finance Statistics basis.
  - n A projected GFS surplus of \$215 million in 1999-2000 and \$450 million and \$952 million in 2000-2001 to 2001-02 respectively.
- This demonstrates that the Government has met its own targets for achieving sustainable surpluses by 1998-99.
- n A 1998-99 operating surplus of nearly \$2 billion on an accounting basis for the General Government Sector.
- This means an increase in General Government Sector net worth of nearly \$2 billion in 1998-99.
- n The 1998-99 Budget contains no new taxes or tax increases.
  - n The Budget provides \$380 million worth of tax cuts for first home buyers, families and land tax payers over the next four years.

# Trends in Budget Aggregates

General Government Budget Results, 1988-89 to 2001-02



Impact of Olympics on General Government Budget Result, 1991-92 to 2000-01



- n Current outlays up by \$555 million, or 1.2% in real terms in 1998-99.

This modest increase reflects the careful direction of spending to the Government's priorities of health, education, community services, transport and law and order.

- n Capital outlays fall by 10.8% in 1998-99, mainly reflecting the completion of the new RAS facilities at Homebush Bay and increased asset sales.

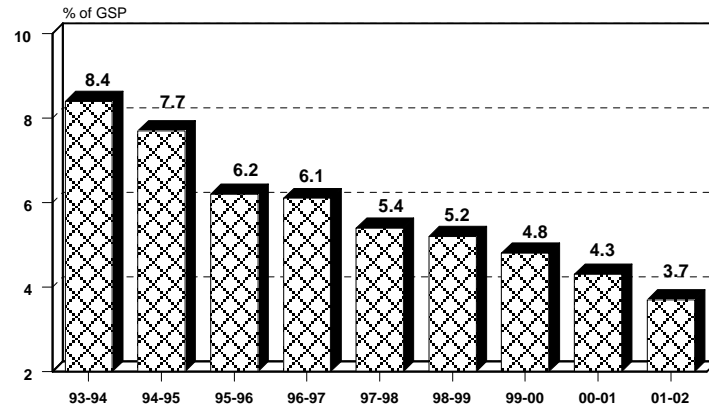
Capital payments excluding the Olympics and RAS increase by 2.9% in 1998-99.

- n Budget receipts will increase by 1.2% in real terms in 1998-99, but fall from 13.0% of GSP in 1997-98 to 12.7% in 1998-99.

# Debt and Other Liabilities

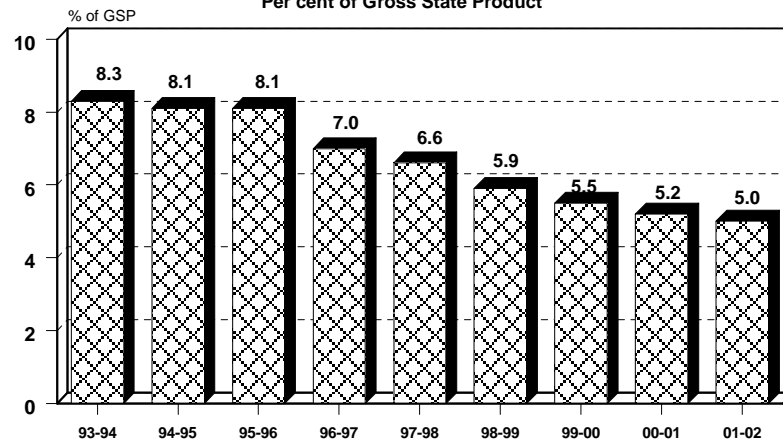
## General Government Net Debt

Per cent of Gross State Product



## General Government Budget-dependent Agencies(a) Unfunded Superannuation Liabilities

Per cent of Gross State Product



(a) Agencies funded directly from the Budget.

n **Standard and Poor's has recently affirmed NSW's AAA rating. This confirms that the Government's financial management strategies are based on prudent fiscal targets.**

n **General Government net debt has fallen by almost \$1.9 billion between 1995 and 1998.**

n **As a proportion of GSP, net debt levels are expected to decline from 8.4% in June 1994 to 3.7% in June 2002.**

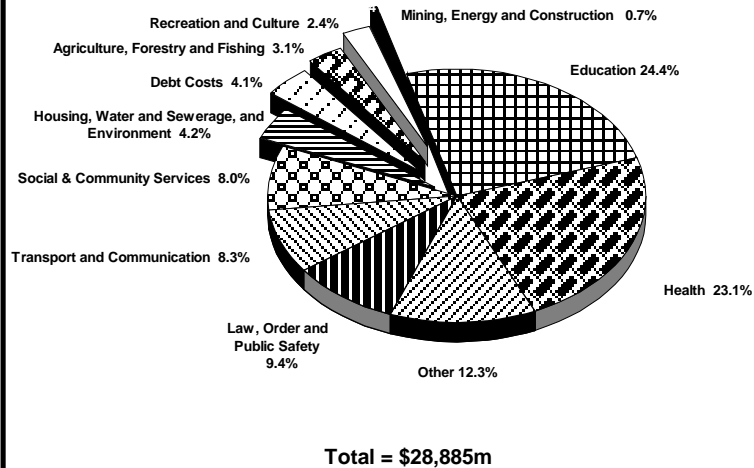
n **The proceeds of sale of TAB Limited will be used to further reduce net debt.**

n **Unfunded superannuation liabilities of Budget-dependent agencies have fallen by \$300 million between 1995 and 1998.**

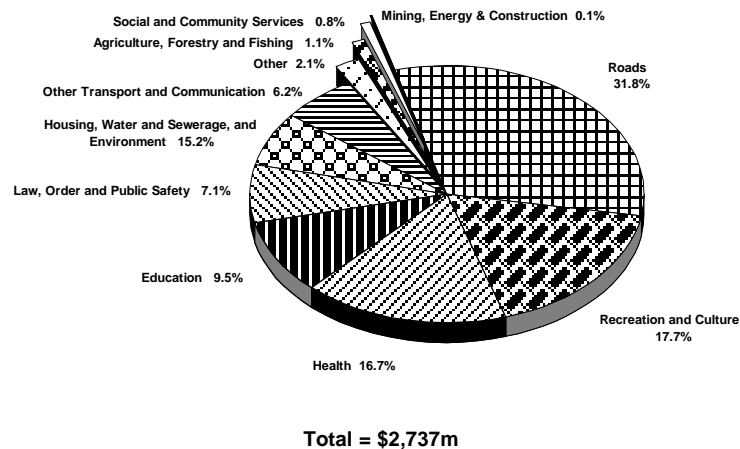
n **Unfunded superannuation liabilities as a proportion of GSP are expected to decline from 8.3% in June 1994 to 5.0% in June 2002.**

# Where the Money is Spent

**Total Expenses 1998-99 by Policy Area**



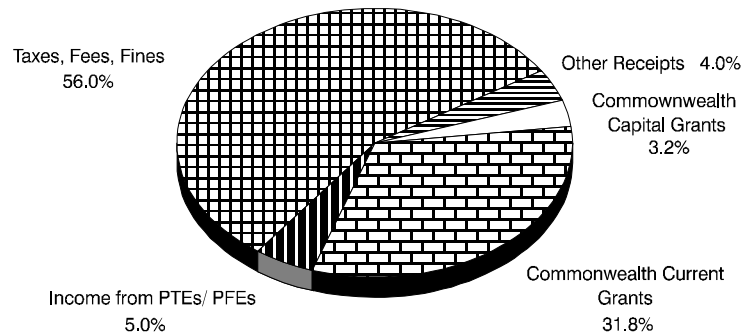
**Total Asset Acquisitions 1998-99 by Policy Area**



- n **Total expenses in 1998-99 are estimated at \$28,885 million, a slight decline on last year.**
- n **This reflects lower interest and superannuation expenses offset by growth in expenses in priority areas of health and education. Losses on public transport are also expected to decline, as transport reform initiatives take effect.**
- n **Since coming to office the Government has substantially boosted funding in a number of key priority areas. Expenses for the Health Department have increased by \$1.3 billion, or 25.4%, for the Department of Education and Training by nearly \$1.3 billion, or 24.6% and for the Police Service by almost 25%, or \$260 million.**
- n **Total asset acquisitions for 1998-99 are estimated at \$2,737 million, a slight increase on last year. This reflects completion of works on the new Showground at Homebush Bay, offset by commencement of other projects in key areas.**
- n **Major new infrastructure projects will commence in the areas of health, education, transport, community services and water conservation and management.**

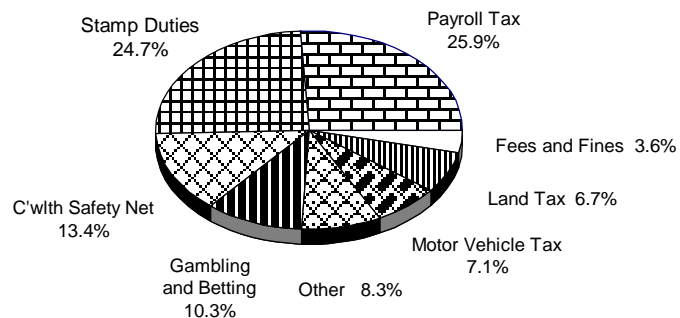
# Budget Receipts

**Budget Receipts, 1998-99**



Total = \$25,001m

**State Tax Receipts, 1998-99**



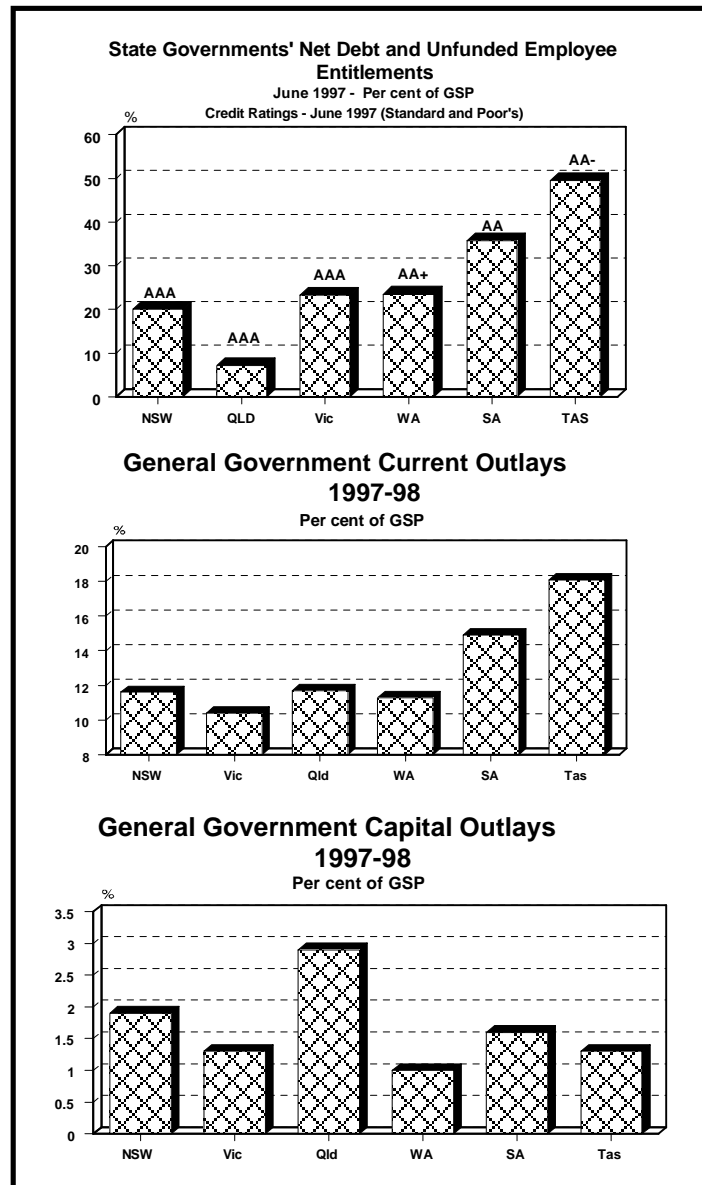
Total = \$14,000 m

- n Budget receipts for 1998-99 are estimated at \$25,001 million, a modest increase of \$640 million on last year.

The major components include Commonwealth grants - \$7,961 million; taxes, fees and fines - \$14,000 million; and PTE dividends and tax equivalent payments - \$1,250 million.

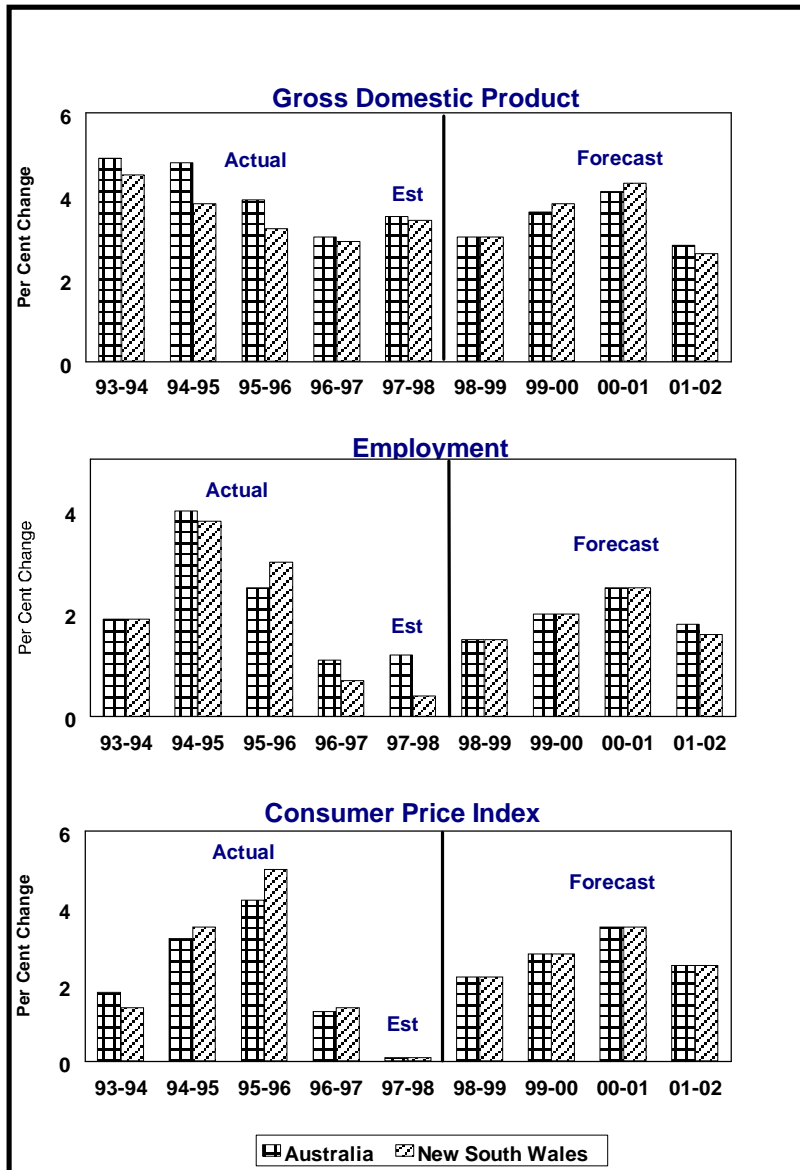
- n This Budget does not include any new taxes or increases in taxation.
- n Tax concessions are being provided to motorists by way of a staged program to remove the \$43 levy for outstanding third party accident liabilities. Indexation of land tax thresholds will provide relief to both home owners and investors. First home purchasers will benefit from an increased up-front discount on stamp duty and also from relaxed eligibility criteria for first home purchase.
- n NSW is fully committed to participating in a national tax reform agenda. All Australians are entitled to a tax system that is simple and fair and enhances government accountability.

# Interstate Comparisons



- n NSW, Queensland and Victoria are the only States with AAA credit ratings from Standard and Poor's.
- n NSW's financial position continues to compare favourably with other States. NSW net debt and unfunded employee entitlements are \$5,700 per person, compared to almost \$6,700 per person in Victoria.
- n NSW's net worth of \$66 billion at June 1997 is also significantly higher than Victoria's at \$20.8 billion.
- n NSW's net worth is expected to rise to \$68 billion at June 1998.
- n Current outlays in NSW for 1997-98 are 11.6% of GSP, below the national average and most other States.
- n Capital outlays in NSW for 1997-98 are 1.9% of GSP, slightly higher than the national average.

# Economic Overview

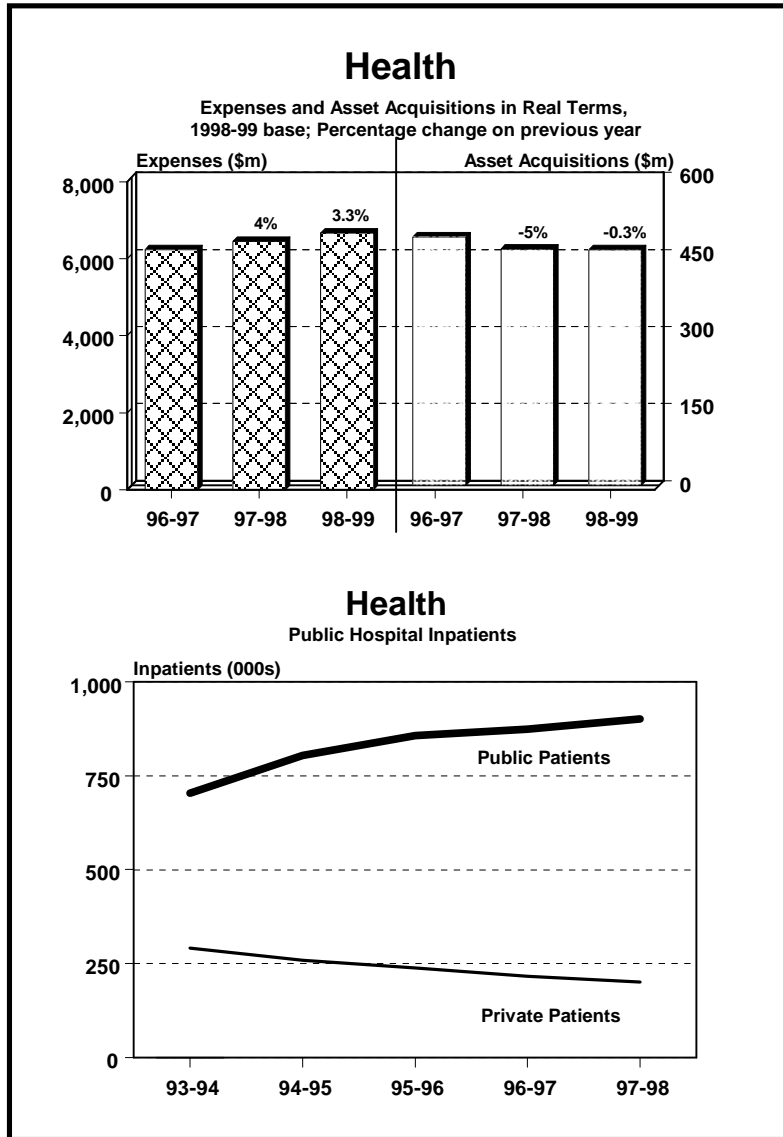


- n National economic growth accelerated from 3% in 1996-97 to an estimated 3½% in 1997-98 due to stronger growth in private consumption and dwelling construction, partially offset by weaker net exports.
- n The NSW economy is expected to grow by around 3½% in 1997-98, the same as the national economy.
- n Economic growth in NSW is forecast to slow slightly in 1998-99 to 3%, the same level as the national economy. Lower net exports (due to the Asian slowdown) will be offset by continued strong domestic demand.
- n Employment growth in NSW is expected to rise to 1½% in 1998-99.
- n Inflation was near zero in 1997-98 and is expected to remain moderate in 1998-99.
- n Both output and employment growth should regain speed in 1999-2000 and 2000-01.
- n World economic growth is expected to slow in 1998-99, with weak growth in Japan and other Asian economies, and slower growth in the USA.

# Key Economic Assumptions

- n **Private consumption in NSW is expected to increase by 2¾% in 1998-99.**
- n **Dwelling construction in NSW is forecast to rise by 7½%.**
- n **Business investment is expected to increase by about 8¼%. However net exports are likely to detract about 1 percentage point from GSP growth.**
- n **Consumer price inflation is expected to average 2¼%.**
- n **Wages growth is expected to be around 4%.**
- n **Short term interest rates are expected to remain steady throughout 1998-99, although long term bond rates may increase slightly.**
- n **Employment growth is forecast to rise to 1½% in 1998-99 both nationally and in NSW.**
- n **Major risks in the forecasts include -**
  - n **the possibility of a more severe and protracted Asian economic downturn than allowed for;**
  - n **the risk of overheating in the US economy which might be followed by a sharp financial correction;**
  - n **the vulnerability of the Australian economy to industrial conflicts; and**
  - n **the risks to business confidence from social and economic policy uncertainties in a national election year.**

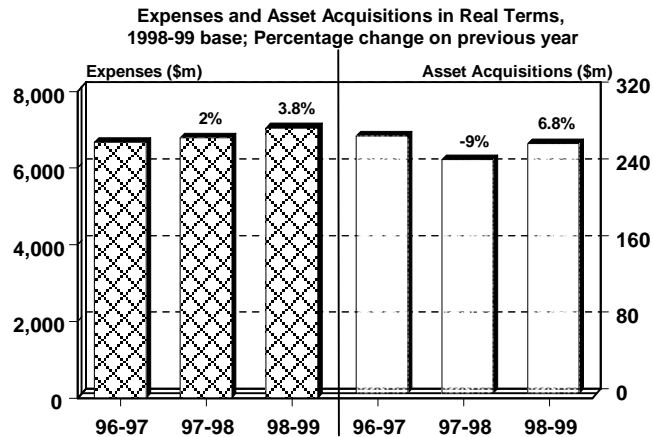
# Health



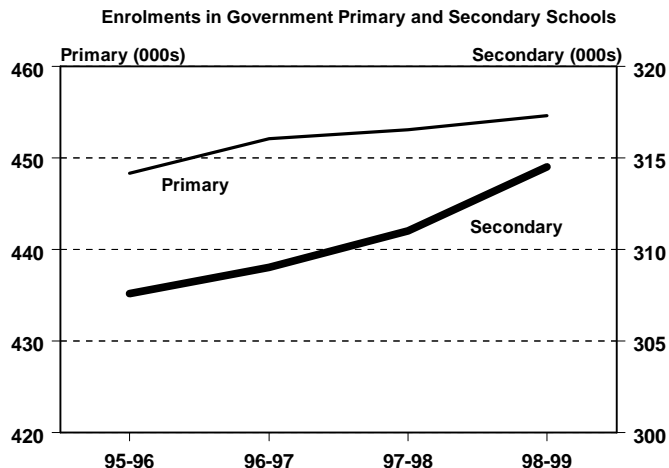
- n **Total expenses in this area will be \$6,664 million in 1998-99 - an increase of \$303 million over 1997-98. Asset acquisitions will be another \$459 million.**
- n **\$452 million for mental health. Improved services are being provided in rural areas, specialist services for children and adolescents and suicide prevention programs.**
- n **The Government's commitment to community health and public health services is maintained with expenditure of \$607 million projected in 1998-99.**
- n **\$458 million to be spent on capital projects including replacement of Hickman House at Wollongong Hospital (\$63 million) and redevelopment of Sutherland Hospital (\$79 million).**
- n **Other new capital works include Community Health Centres and a day surgery on the Central Coast (\$12 million), rebuilding of the Emergency Department at John Hunter Hospital and other works in the Hunter area (\$18 million), upgrading of Royal North Shore Hospital (\$18.5 million) and redevelopment of mental health facilities (\$23 million).**

# Education

## Education



## Education

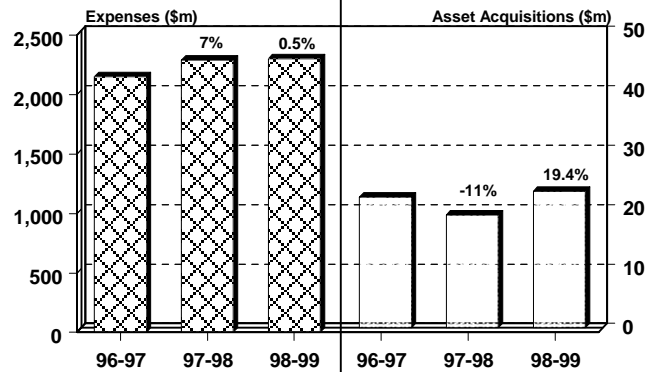


- n **Total expenses in this area will be \$7,048 million in 1998-99 - an increase of \$353 million over 1997-98. The asset acquisition program totals \$260 million in 1998-99.**
- n **\$6,442 million to meet expenses for the Department of Education and Training - an increase of \$322 million on last year.**
- n **In 1998-99 the State's teaching workforce will reach 54,777 - an additional 2,205 teaching positions since 1994-95.**
- n **\$55 million to continue the Back-to-School Allowance.**
- n **\$68 million for the school computer program. An additional 90,000 computers will have been provided to schools by the start of the 1999 school year and more than 15,000 teachers trained in classroom technology.**
- n **5 new schools and major upgrades at 13 schools.**
- n **14 major capital projects to begin at TAFE facilities.**
- n **\$15 million - \$25.1 million over 4 years - for major reforms to the Higher School Certificate.**

# Social and Community Services

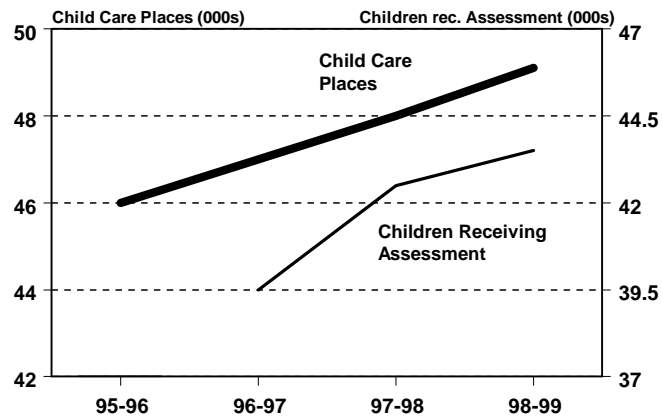
## Social and Community Services

Expenses and Asset Acquisitions in Real Terms,  
1998-99 base; Percentage change on previous year



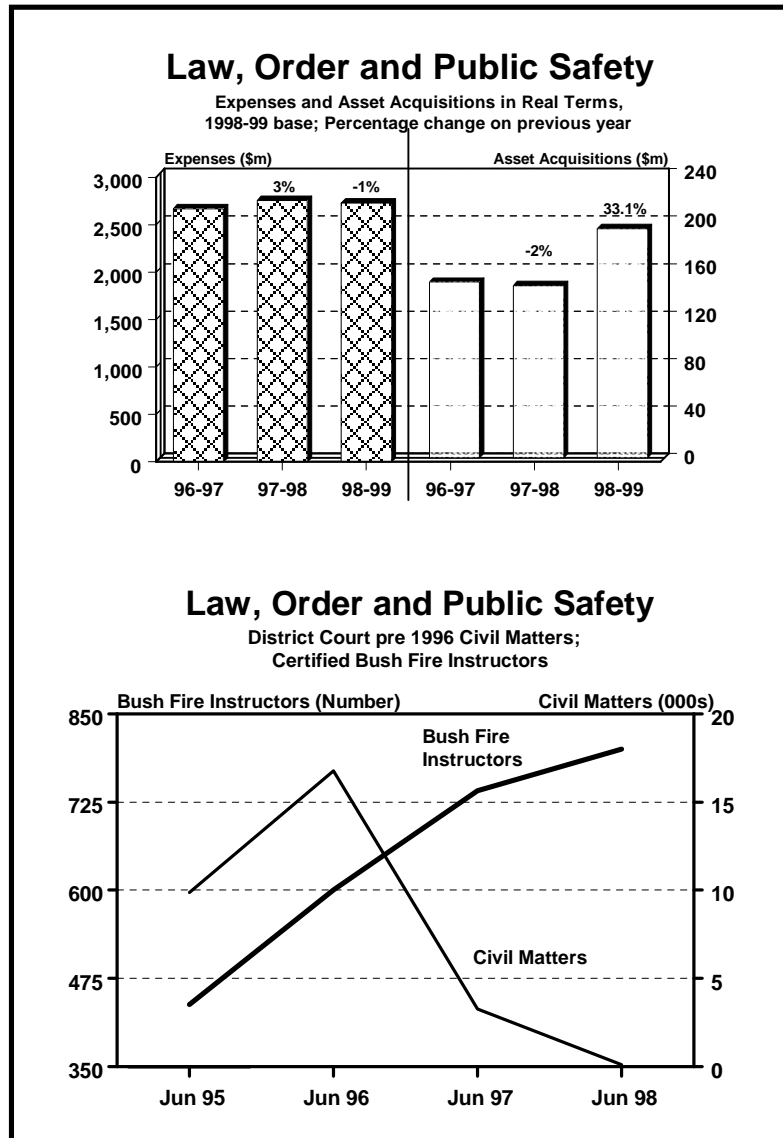
## Social and Community Services

Funded Child Care Places;  
Total number of Children Receiving Assessment



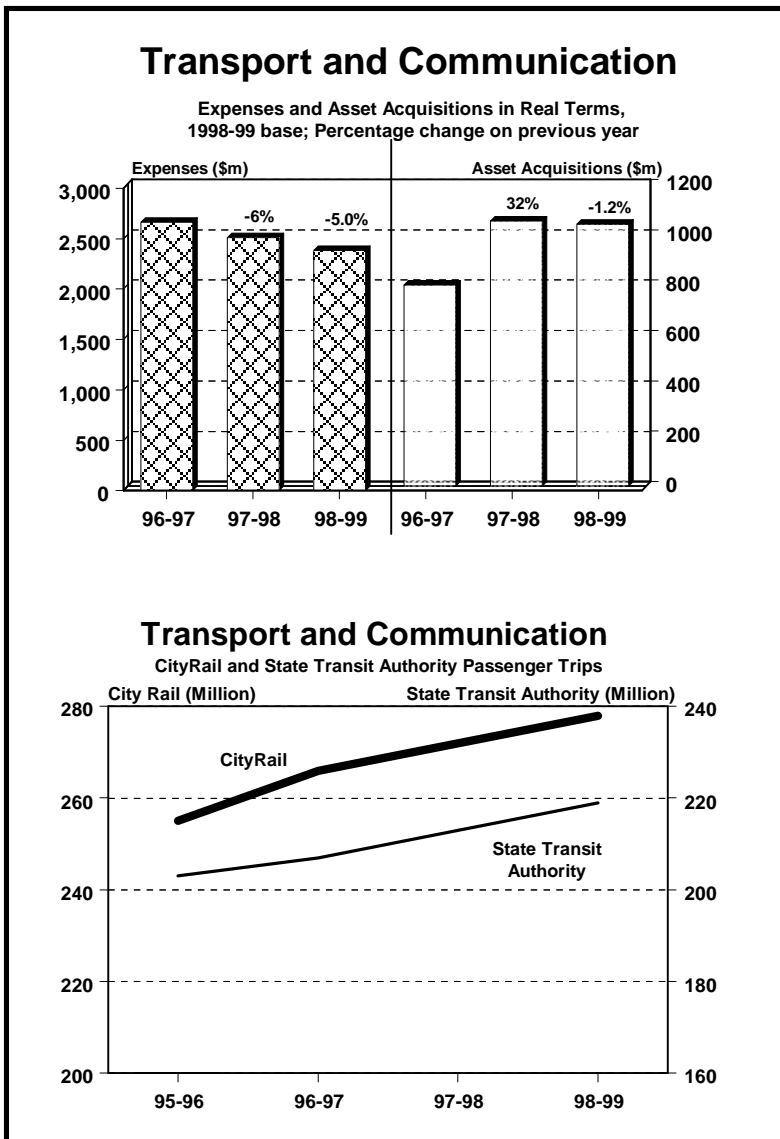
- n Total expenses in this area will be \$2,305 million in 1998-99.
- n Total expenses for the Department of Community Services of \$895 million - an increase of \$91.2 million on the 1997-98 Budget.
- n \$103.3 million for children's services. This will provide funding for 49,100 childcare places and 15,800 vacation care places - an increase of 2.3% and 5.3% respectively.
- n A 3.6% increase, to \$316 million, for support to families and children, including \$89 million for child protection.
- n \$266 million for the Home and Community Care Program, an increase of 5.9% over 1997-98.
- n \$461 million for accommodation and support services for people with disabilities.
- n \$3 million for the Department of Community Services 'Recovery Program'.
- n An additional \$4.6 million for the Post School Options program to assist disabled school leavers in 1998.

# Police, Crime Prevention and Public Safety



- n Total expenses in this area will be \$2,729 million in 1998-99. Asset acquisitions in this area will be \$193 million - up \$50 million on last year.
- n \$1,307 million for expenses of the NSW Police Service - up \$93 million on last year's Budget, excluding the once-off guns buy-back scheme.
- n \$8.6 million (\$32.9 million over four years) to improve the statewide "000" emergency communications network.
- n \$15.6 million for the upgrade of the Police computerised information system.
- n \$10.3 million for security arrangements related to staging of the Olympic Games.
- n An additional \$1.3 million (over three years) to the Police Integrity Commission to monitor initiatives related to the Police Royal Commission.
- n \$3 million to reduce court delays and backlog plus \$2 million to improve court security.
- n \$38 million for construction of correctional facilities. Works will commence on Goulburn Stage 2 (\$32 million) with continuing works on the John Morony Centre at Windsor (\$17.8 million) and redevelopment of Long Bay (\$37 million).

# Transport and Communication



n Total expenses in this area will be \$2,384 million in 1998-99. Asset acquisitions in this area will be \$1,041 million.

n \$330 million for rail projects, including -

n \$149 million for the New Southern Railway and East Hills Line;

n \$6.5 million towards the \$100 million Liverpool to Parramatta Transitway;

n \$31 million for the Flemington Junction grade separation project; and

n \$20 million towards a \$55 million program to improve security and safety on every CityRail station.

n \$2,085 million for the roads program, including -

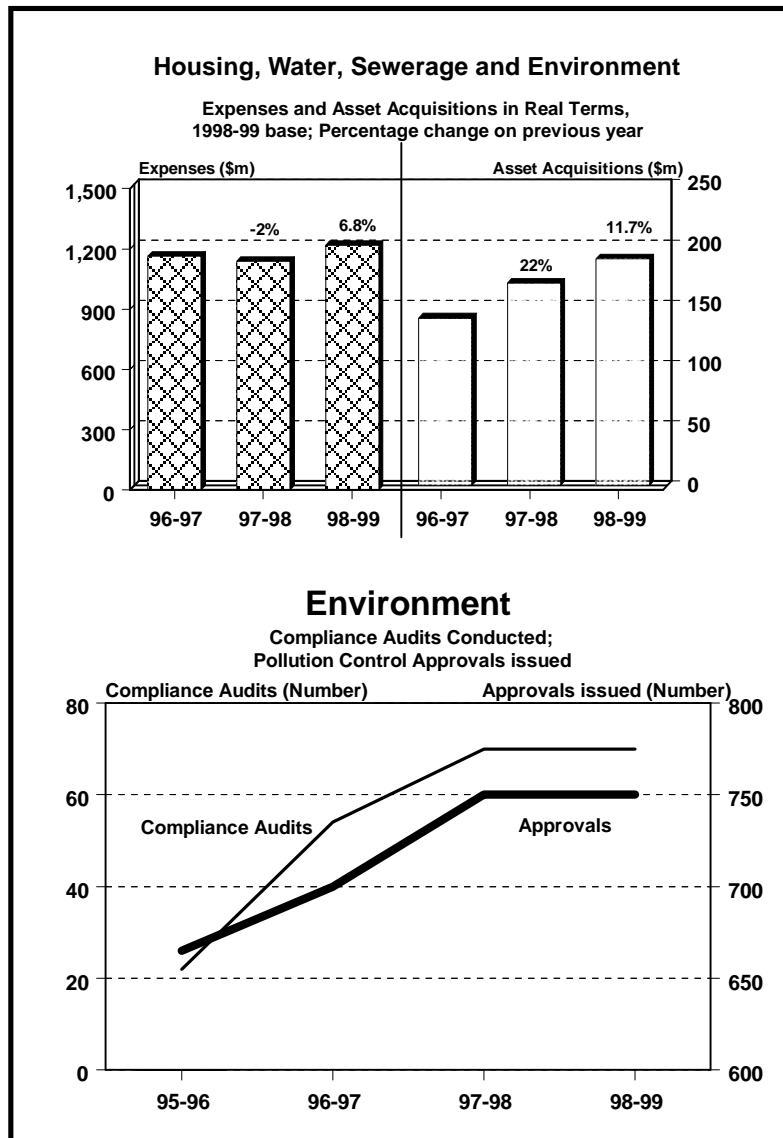
n \$145 million for Western Sydney Roads and Transport Program (total program \$610 million);

n \$160 million for the Pacific Highway;

n \$130 million for the M5 East project; and

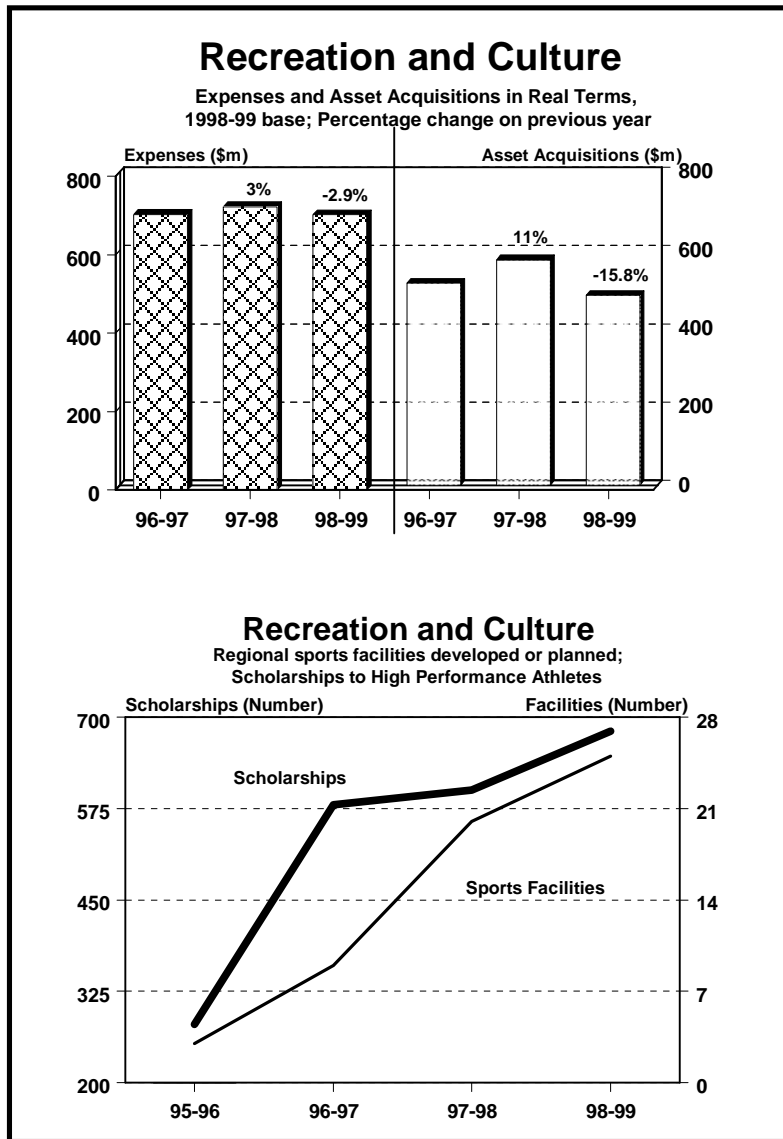
n \$12 million towards a \$129 million program to upgrade country timber bridges.

# Housing, Water and Sewerage and the Environment



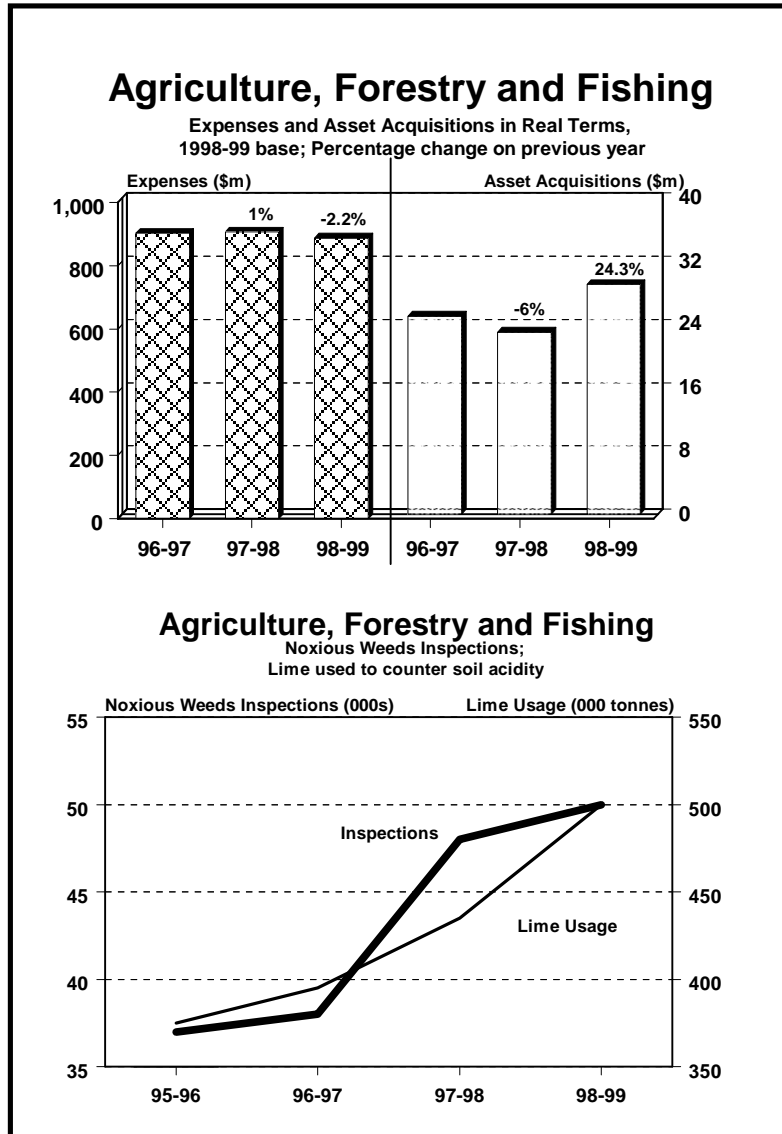
- n Total expenses in this area will be \$1,217 million in 1998-99, an increase of \$93 million on last year. Asset acquisitions in this area will be \$188 million.
- n \$50 million to meet commitments in delivering projects in backlog Water Supply and Sewerage Schemes in country towns.
- n \$58.3 million over 5 years (\$8.3 million in 1998-99) for the Hawkesbury Nepean Floodplain Strategy (includes payments in other policy areas).
- n \$117 million over five years (\$25.6 million in 1998-99) to implement the Government's water reform agenda (includes payments in other policy areas).
- n \$32.6 million on new Aboriginal housing and \$10.5 million to upgrade existing stock.
- n An additional \$6 million for initiatives in waste planning management.
- n \$15.2 million for grants for stormwater remediation projects.
- n An additional \$2 million for conservation of threatened species.

# Recreation and Culture



- n **Total expenses in this area will be \$702 million in 1998-99. Asset acquisitions will be \$484 million - down \$84 million on last year - reflecting the completion of the new Showground at Homebush Bay.**
- n **\$479 million (includes payments in other policy areas) for Olympic and Paralympic projects including -**
  - n **\$65 million for the State's contribution to the construction of the Multi Use Arena.**
  - n **\$115 million on transport infrastructure.**
  - n **\$237 million on facilities and venues including \$19 million on the Olympic Stadium, \$54 million on the Media and Technical Villages and \$26 million on the Olympic Velodrome.**
- n **\$14.2 million for establishment of Jervis Bay National Park.**
- n **\$1.6 million for increased assistance to arts organisations, including \$1 million to upgrade key cultural facilities in regional areas.**
- n **\$6 million for local and regional sporting facilities and \$4.1 million for the Sydney International Athletic and Aquatic Centre.**

# Agriculture, Forestry and Fishing



n Total expenses in this area will be \$887 million in 1998-99. Asset acquisitions in this area will be \$29 million.

n \$25.4 million in 1998-99 for Forestry Industry Restructuring (a total of \$120 million over the period 1995-96 to 1999-2000 under the Forestry Industry Structural Adjustment Package, funded dollar for dollar with the Commonwealth).

n \$15 million - a total package of up to \$22 million - for additional eucalypt hardwood plantations.

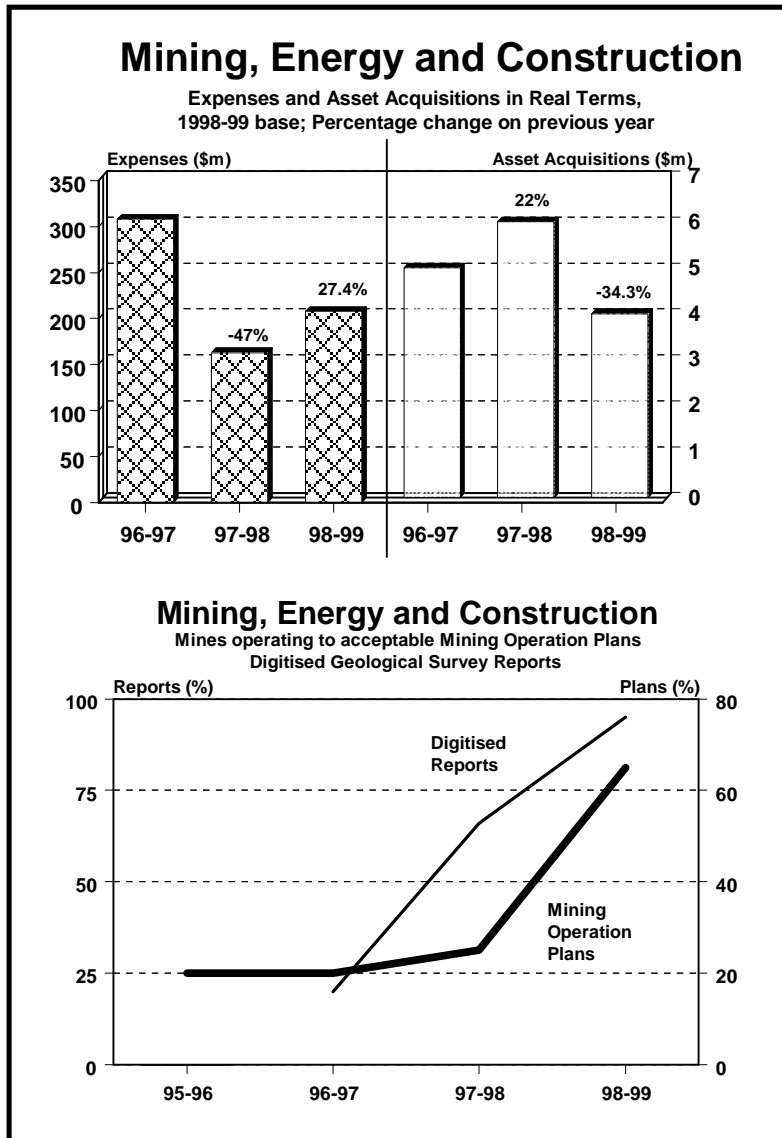
n \$17.3 million for the State's share of the Murray Darling Basin Agreement - an increase of \$2.5 million.

n \$7 million over 3 years - \$3.1 million in 1998-99 - for the Drought Regional Initiatives Program.

n \$5 million for the Native Vegetation Management Fund (year 2 of a 3 year \$15 million program).

n \$30.1 million for NSW Fisheries for conservation of the State's fisheries resources.

# Mining, Energy and Construction



n Total expenses in this area will be \$208 million in 1998-99. Asset acquisitions in this area will be \$4 million.

n \$80 million to be paid for coal compensation in 1998-99.

n An additional \$8.2 million over 3 years (\$2 million in 1998-99) to improve the safety of the mining industry.

n \$15.1 million for the Sustainable Energy Development Authority (SEDA) for the development, promotion and use of commercial applications of sustainable energy technology.

n \$20 million to promote energy performance contracts under SEDA's Energy Smart Buildings Program.

n \$1.8 million to the Department of Energy for various projects promoting research and development.

n \$5.2 million for the Discovery 2000 project to attract industry exploration and investment.