

STATE BUDGET

2019-20

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State Budget remains in surplus as Marshall Government builds a stronger economy, invests in big job-creating infrastructure

The Marshall Liberal Government's second State Budget projects a modest surplus in 2019-20 and across each year of the forward estimates despite a significant write-down in forecast GST grant revenues.

The 2019-20 State Budget's net operating surplus of \$94 million in 2019-20 maintains the strong fiscal record of the Marshall Liberal Government whilst growing the economy and follows the estimated \$101 million surplus in its first budget in 2018-19.

This is in stark contrast to the \$313 million deficit left by the former Labor administration for 2017-18 and a sorry record of 7 deficits in 10 years.

Treasurer Rob Lucas said the 2019-20 State Budget was a responsible one that delivered on its promised tax cuts and a productive \$11.9 billion infrastructure pipeline over the next four years, despite a significant \$517 million write-down in GST revenues for 2019-20.

It also delivers an important \$104.5 million housing sector stimulus package to support the local construction industry, grow local jobs and help more South Australians – including first homebuyers – break into the property market. The package includes a preventative maintenance and upgrade program and a housing construction program managed by the South Australian Housing Authority as well as a new interest-free deposit gap loan of up to \$10,000 for low-income borrowers to be administered by HomeStart Finance.

"The Marshall Liberal Government's second State Budget is focussed squarely on building South Australia, through a significant pipeline of infrastructure projects that will not only transform the face of Adelaide and the regions but improve the day-to-day lives of South Australians across the state," said Treasurer Lucas.

"Despite a \$2.1 billion write-down in GST revenues over the four years from 2018-19 and a \$184 million write down in conveyance duty revenue over the same period, we won't be 'turning off the tap' on productive infrastructure which will create strong economic and jobs growth.

"We have committed \$5.4 billion towards the final section of the North-South Corridor project in partnership with the Commonwealth Government and a record \$1.1 billion over eight years for regional roads to, amongst other things, improve their safety at a time when far too many families are grieving the senseless loss of life on our roads. We are also delivering major congestion-busting projects across the metropolitan area to reduce travel times.

'We are investing to upgrade the Sturt Highway from Renmark to Gawler (\$87.5 million), the Barrier Highway from Cockburn to Burra (\$62.5 million), roads on the Eyre Peninsula, including the Eyre Highway from Port Augusta to the Western Australian border (\$125 million), while the Princes Highway will also be upgraded (\$250 million).

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“Our \$104.5 million housing sector stimulus package over the next two years responds to the immediate challenges facing the construction industry by driving building activity and will ensure more South Australians are able to achieve the great Australian dream of owning their own home.

“The package includes a \$21.1 million preventative maintenance and upgrade program in 2019-20 to improve up to 450 ageing Housing SA homes and \$21.4 million for a housing construction program to build around 90 new homes across the state.

“We will also create a new time-limited interest-free deposit gap loan of up to \$10,000, funded via a new Affordable Housing Fund and administered by HomeStart Finance, to help cover up-front costs associated with buying a home for lower income borrowers, particularly first home buyers. The interest-free deposit gap loans will be available from 1 September 2019 for two years.

“In total, the housing sector package is expected to see up to 170 new homes built and 290 households assisted into home ownership, including an estimated 120 purchases of established properties.”

The 2019-20 State Budget provides \$537 million into Health – including an additional \$451 million – over five years to maintain our commitment to deliver a better health system and improve health services for all South Australians.

“We have also provisioned \$550 million towards a new Women’s and Children’s Hospital, as well as \$69.1 million for the Government’s ongoing commitment to reactivate the Repatriation General Hospital site as a genuine health precinct,” said Mr Lucas.

“We are continuing our record funding for schools and vocational education and will deliver \$1.4 billion worth of capital projects, including building three new schools, and facility upgrades to transition Year 7 students to high school. We have also committed more than \$80 million to deliver high-speed internet to public schools across the state.”

TAFE SA will receive an additional \$25.2 million over four years, as the public training provider reforms its operations to be more competitive.

The 2019-20 State Budget funds major environmental protection initiatives, that will see precious coastlines restored and parks upgraded into thriving community precincts for nature-based tourism.

“We will invest \$52.4 million to protect and secure our vulnerable coastline, with \$28.4 million to save West Beach through a sand recycling pipeline, as well as sand dune restoration and revegetation to be undertaken in partnership with local councils and coastal community groups,” said Mr Lucas.

“An extra \$11.8 million will be spent on parks, including an upgrade of the Heysen Trail from Cape Jervis to Deep Creek, a new day visitor facility and a universally accessible walking trail at Deep Creek Conservation Park and more infrastructure at Glenthorne National Park. We have committed \$20 million towards the Granite Island Causeway to ensure it remains a premier tourism attraction.

“Tourism marketing of South Australia will be bolstered with an additional \$33 million (in addition to the \$10 million announced in last year’s budget for 2019-20) from the Economic and

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Business Growth Fund to grow the state's \$6.8 billion visitor economy and create jobs, by attracting more international and interstate tourists."

The Economic and Business Growth Fund will also invest in a range of other sectors, including primary producers (\$7.5 million over three years to implement a red meat and wool industry growth program), \$6 million for the SA Film Corporation's Screen Production Investment Fund, and \$10 million over three years for an Accelerated Discovery Fund to support industry co-funded exploration activities driving new major minerals discoveries.

The \$551 million 10-year Adelaide City Deal between the Marshall and Morrison Liberal Governments and the City of Adelaide will ensure Lot Fourteen is a centre of entrepreneurial innovation that will transform South Australia's economic future.

Additional funding of \$588,000 over two years will support the establishment of international defence companies at Lot Fourteen, building on the \$1 million announced in last year's budget to support the Australian Space Agency at the site. Lot Fourteen will also be home to the SmartSat CRC, Mission Control and the Space Discovery Centre.

The 2019-20 Budget provides \$60 million over three years for construction of the International centre for Food, Hospitality and Tourism Studies at Lot Fourteen. A provision of \$150 million has also been made for the construction of the new Aboriginal Art and Cultures Gallery, in addition to \$3.8 million over three years to support the Adelaide Festival to continue to attract major performances.

The Government is building safer communities with funding for a South Australia Police Rapid Response capability to assist police safety resolve high-risk incidents, such as terrorist attacks (\$9.5 million over four years), a Fixed Threat Assessment Capability to mitigate the threat of mass casualty terror events (\$3.1 million over four years) and \$16.5 million to upgrade the Police Communications Centre.

"We are investing in new high-tech equipment for the Metropolitan Fire Service, including new state-of-the-art helmets and breathing apparatus units, while the SES will benefit from facility upgrades. An additional \$4.5 million over four years will ensure the Country Fire Service meets compliance standards under National Heavy Vehicle laws," said Mr Lucas.

The budget also provides an additional \$26.9 million over three years to Child Protection, to meet additional costs for a higher-than-anticipated number of children entering state care in 2018-19, and \$1.6 million to deliver a pilot for family group conferences to enable more children to remain in safe, family-based care arrangements.

"Under the former Labor government, a practice had evolved where notifications of children at risk were not investigated as a result of a lack of resources," said Mr Lucas.

"Since the Marshall Government was elected, calls are being answered, investigations are being undertaken and the Department is intervening earlier and where necessary to remove children from unsafe environments."

"This budget delivers around \$700 million in promised tax cuts over the four years from 2019-20, including the abolition of payroll tax for small businesses (\$191 million), \$90 million per year in Emergency Services Levy savings for households and businesses and land tax relief (\$146 million)," said Mr Lucas

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The 2019-20 Budget also provides further land tax relief of \$16.9 million through a phased reduction in the top land tax rate from 2020-21.

“Motorists will also save significantly on the cost of renewing their car registration with CTP Insurance premiums driven down upon the introduction of full-competition on July 1, with an average household with 2 vehicles set to save approximately \$200 a year.”

Net debt for the Non-Financial Public Sector is forecast to be \$19.9 billion by the 2021-22 financial year – an increase of \$2.8 billion on the estimated \$17.2 billion net debt in 2021-22 reflected in the 2018-19 MYBR. Net debt will then rise to \$21.3 billion in 2022-23.

Almost \$1 billion of the increase in net debt in 2022-23 is due to new accounting standards and is only presentational, which impacts all governments and the private sector from 2019-20.

The less buoyant revenue outlook and the government’s commitment to borrow to invest in productive infrastructure has given rise to higher net debt levels. This level of debt is considered sustainable given the economic infrastructure the Government is investing in and the relatively low cost of debt currently available.

Net debt – NFPS (\$m)	2018-19	2019-20	2020-21	2021-22	2022-23
2018-19 MYBR	14 182	15 358	16 117	17 156	n.a.
2019-20 Budget	13 547	16 713	18 154	19 949	21 271
Difference	-635	1 355	2 037	2 793	n.a.

The budget also commits \$75 million over five years to address critical housing needs for people in remote communities, \$6.7 million to support the state’s full transition to the National Disability Insurance Scheme and an extra \$1 million for the Office of the Director of Public Prosecutions for the prosecution of complex criminal cases.

This budget estimates economic growth in 2019-20 to be 2.5% which is higher than the 2% estimated for 2018-19. Employment growth for 2019-20 is estimated to be 1 per cent, which is the same as estimated at the time of the MYBR.

	2018-19	2019-20	2020-21	2021-22	2022-23
Gross State Product (%)	2	2½	2¼	2¼	2¼
Employment (%)	1¼	1	1	1	1