



Victorian budget: observations from outside the tent

**Danielle Wood, Grattan Institute
IPAA State Budget Briefing Breakfast
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Budget observations

A pre-election budget...

- Healthy headline figures – net operating surplus, net debt not above 6% GSP, AAA credit rating
- More on social/economic services – skills, education, health,
- More (lots more) on infrastructure

What has contributed to spending and revenue changes?

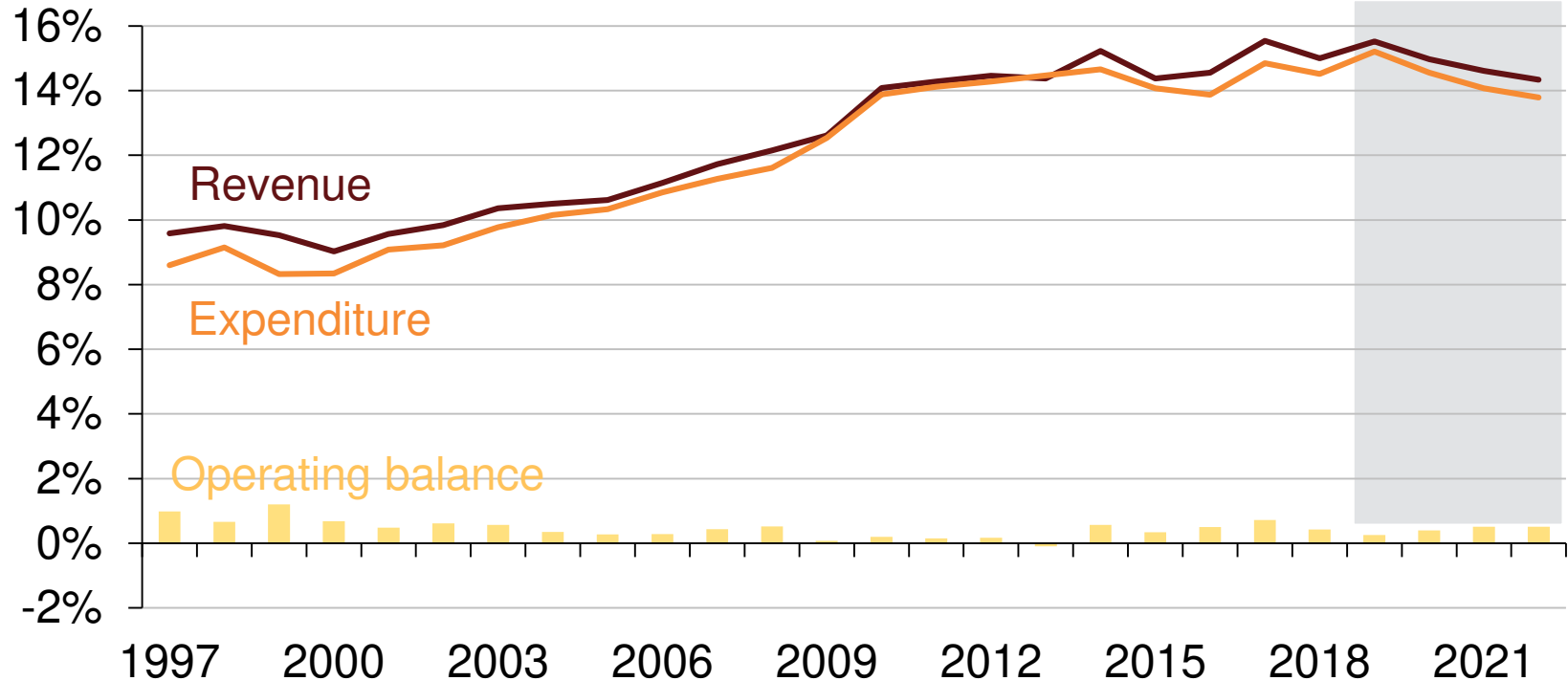
- Health spending (and many other types of spending) grown faster than GSP
- Revenue boom: property taxes and GST have grown as a share of the economy

Has government done enough for long-term budget sustainability?

- Small surplus and plenty of downside property market risks
- No substantial savings measures
- No attempt to reform taxes while times are good

Another good news budget....

Victorian expenditures and revenues
per cent of nominal GSP



A range of pre-election goodies....

Skills

- \$304 million new TAFE and training places
- \$172 million for 30 priority TAFE courses and pre-apprentices free of charge
- \$100m capital works for TAFEs

Schools

- \$1.3 billion for 28 new schools and to upgrade 130 others
- \$288 million to support students with a disability

Health

- \$1.2 billion to build and expand hospitals
- \$2.1 billion to address demand pressures (including elective surgery waiting times)
- \$705 million mental health and addiction services

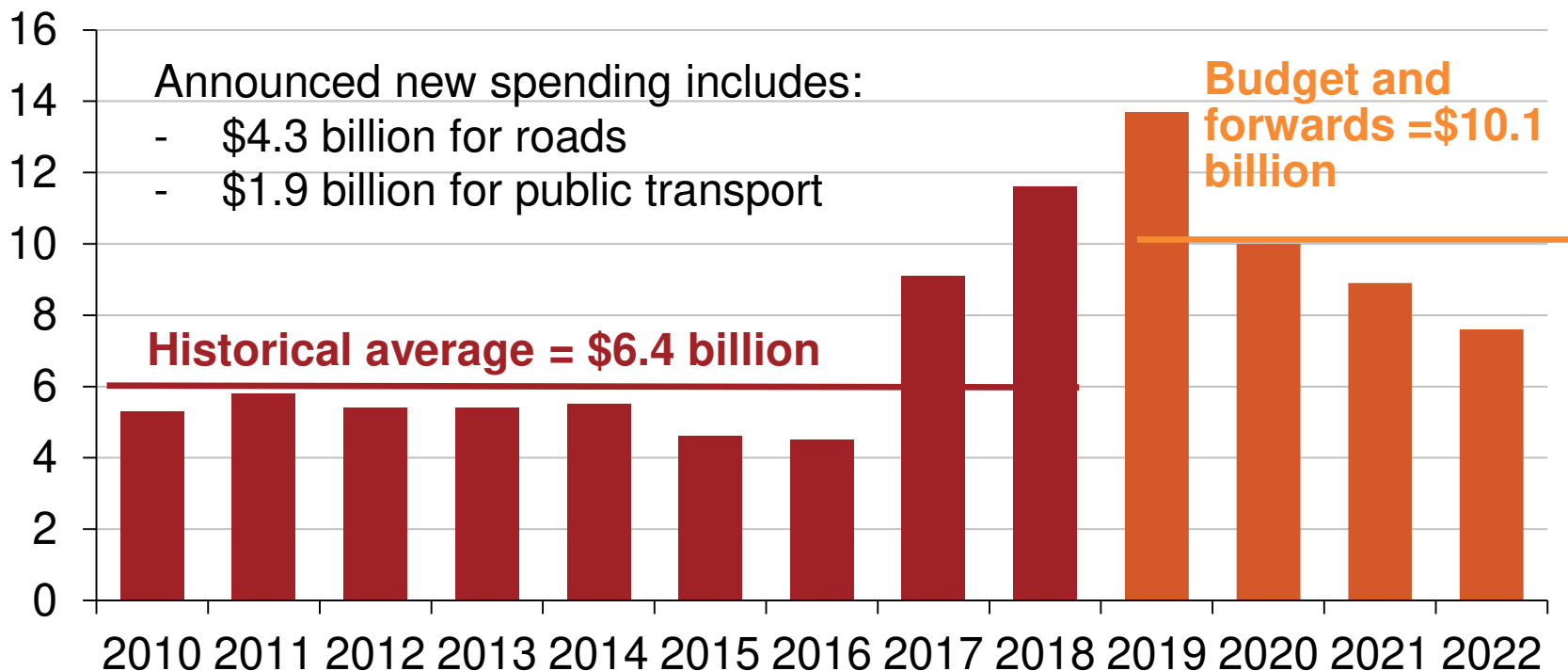
Tax

- Reducing payroll tax regional business to 2.425%

Infrastructure spending will remain high by historical standards

Victorian Government infrastructure investment

\$ billion



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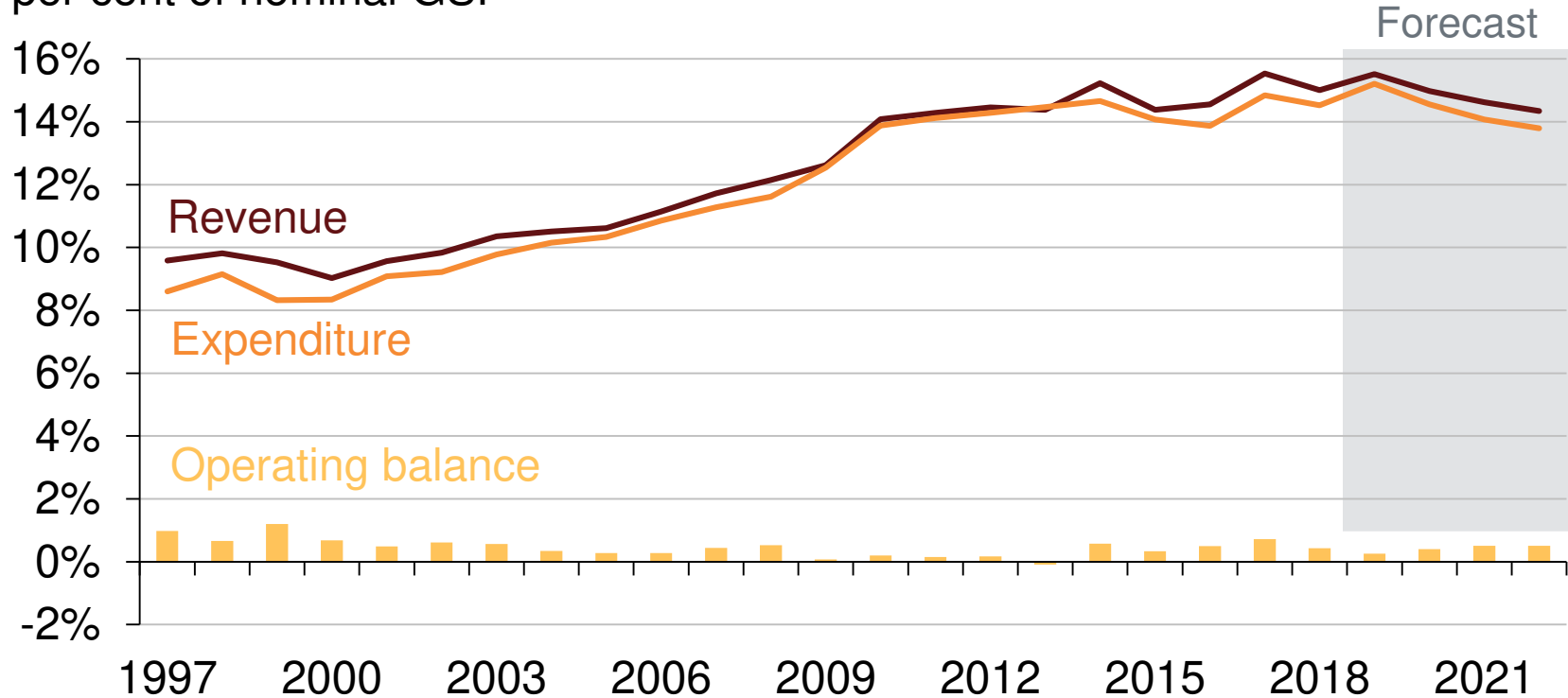
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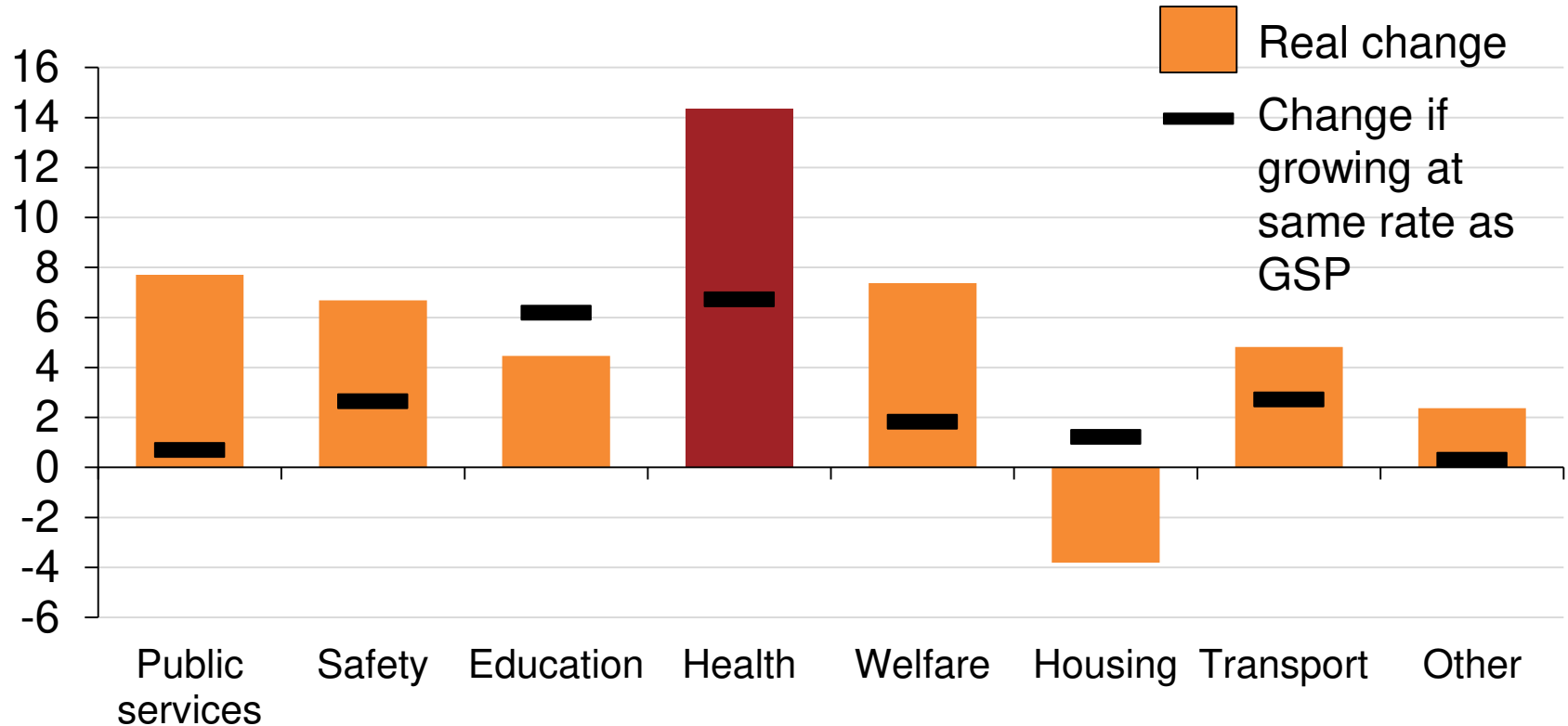
Why has size of government continued to grow?

Victorian expenditures and revenues per cent of nominal GSP



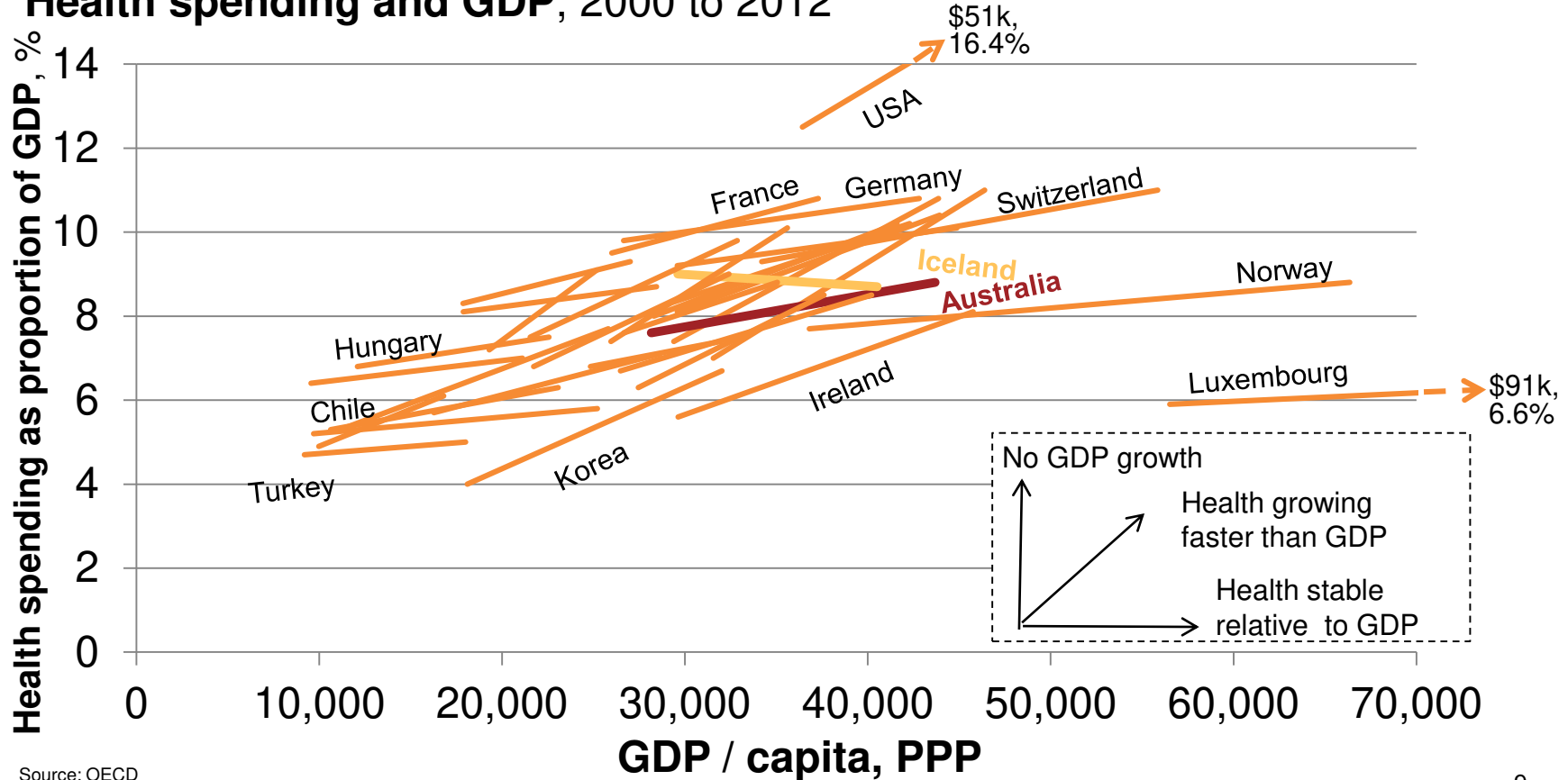
Change in Victorian government expenditure

Real change in forward expenditure, 2015-16 to 2018-19, \$2017 billions



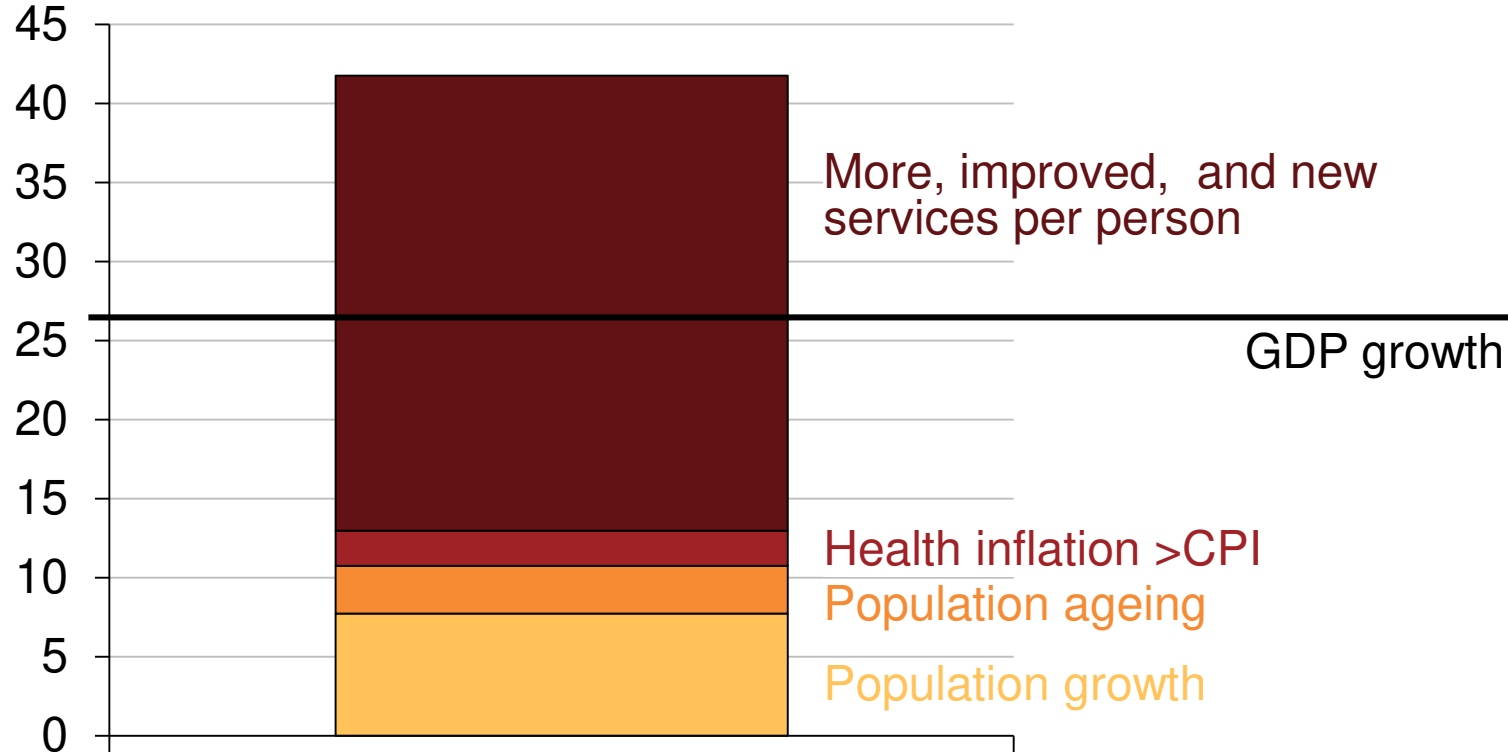
As all OECD countries got richer, they spent more on health (except Iceland)

Health spending and GDP, 2000 to 2012



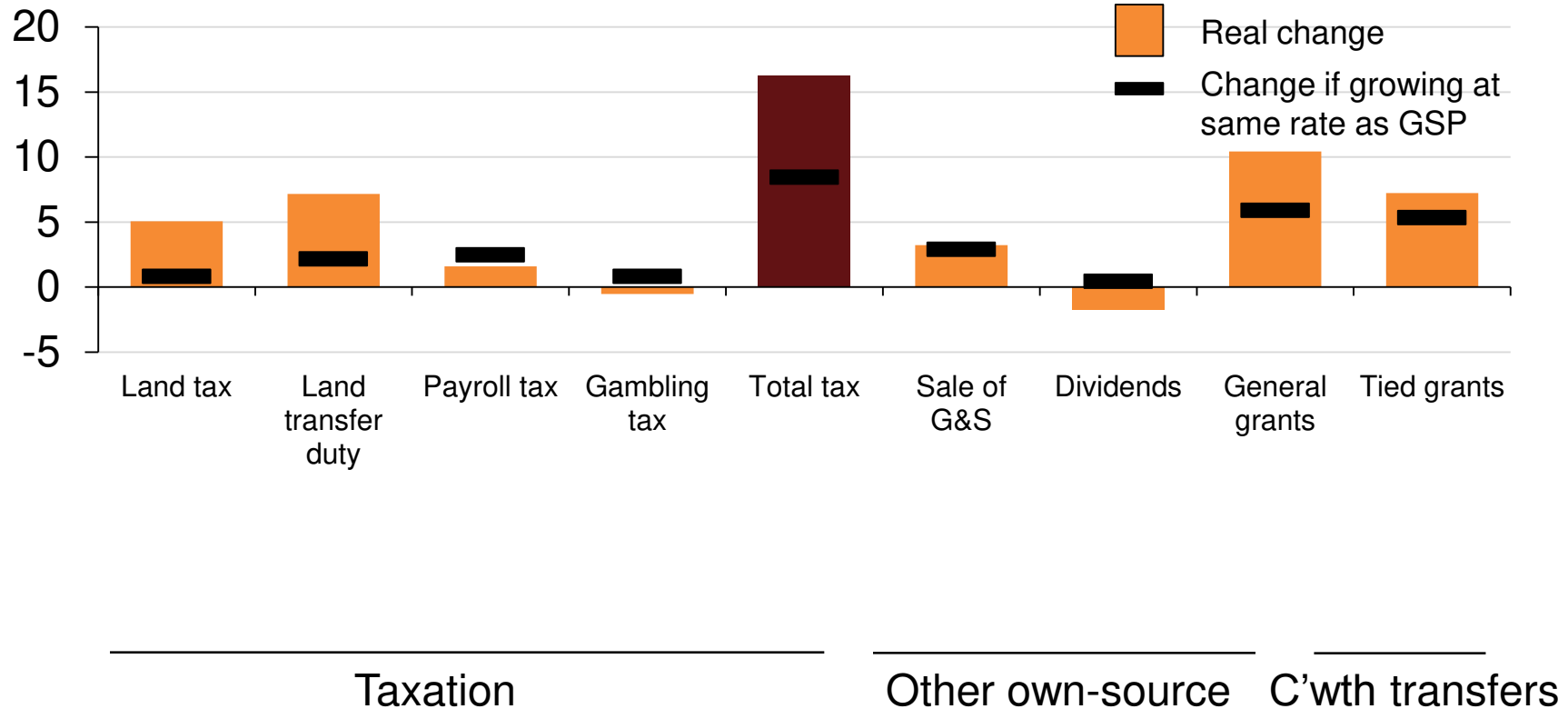
Policy choices, not population ageing, drives health spending increases

Real increase in health expenditure 2003-2013, \$2012 billion



Property taxes and GST have seen revenues grow as a share of the economy

Real change in forward revenue, 2015-16 to 2018-19, \$2017 billions



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