

# STATE BUDGET

## 2018-19



# BUDGET OVERVIEW

- The 2018-19 Budget is based on three clear principles:
  - cleaning up the financial mess left by the former government
  - keeping all the government's election promises
  - building a strong foundation for the future
- Focuses on creating more jobs, lowering costs and delivering better services

## KEY BUDGET INDICATORS

	2017-18 ESTIMATED RESULT	2018-19 BUDGET	2019-20 ESTIMATE	2020-21 ESTIMATE	2021-22 ESTIMATE
General government net operating balance (\$m)	-397	48	105	166	211
General government net lending (\$m)	690	-866	-714	-651	-928
General government net debt (\$m)	5 331	6 288	7 076	7 749	8 651
Non-financial public sector net debt (\$m)	12 889	14 284	15 409	16 020	16 971 <sup>(1)</sup>

(1) NFPS net debt is estimated to have been around \$15.5 billion based on projections in the 2017-18 MYBR

# MORE JOBS

- \$157.2 million payroll tax relief for small businesses over 4 years
  - Small businesses in South Australia with taxable payrolls below \$1.5 million will pay no payroll tax from 1 January 2019, providing savings of up to \$44,550 a year
- \$95.9 million in land tax relief over 2 years will be provided from 1 July 2020
  - Tax-free threshold will increase to \$450,000 up from the current level of \$369,000
  - 50,000 ownerships to benefit including around 8,000 that will no longer have a land tax liability
- \$202.6 million over 4 years in partnership with the Commonwealth Government to support the creation of an additional 20,800 apprenticeships and traineeships in South Australia
- Additional \$21.5 million over 4 years for the Event Bid Fund
- \$12.8 million over 4 years to establish 5 new trade and investment offices
- \$10 million in 2019-20 for marketing in key international and domestic markets
- \$5.2 million over 4 years to establish a South Australian Productivity Commission

# LOWER COSTS

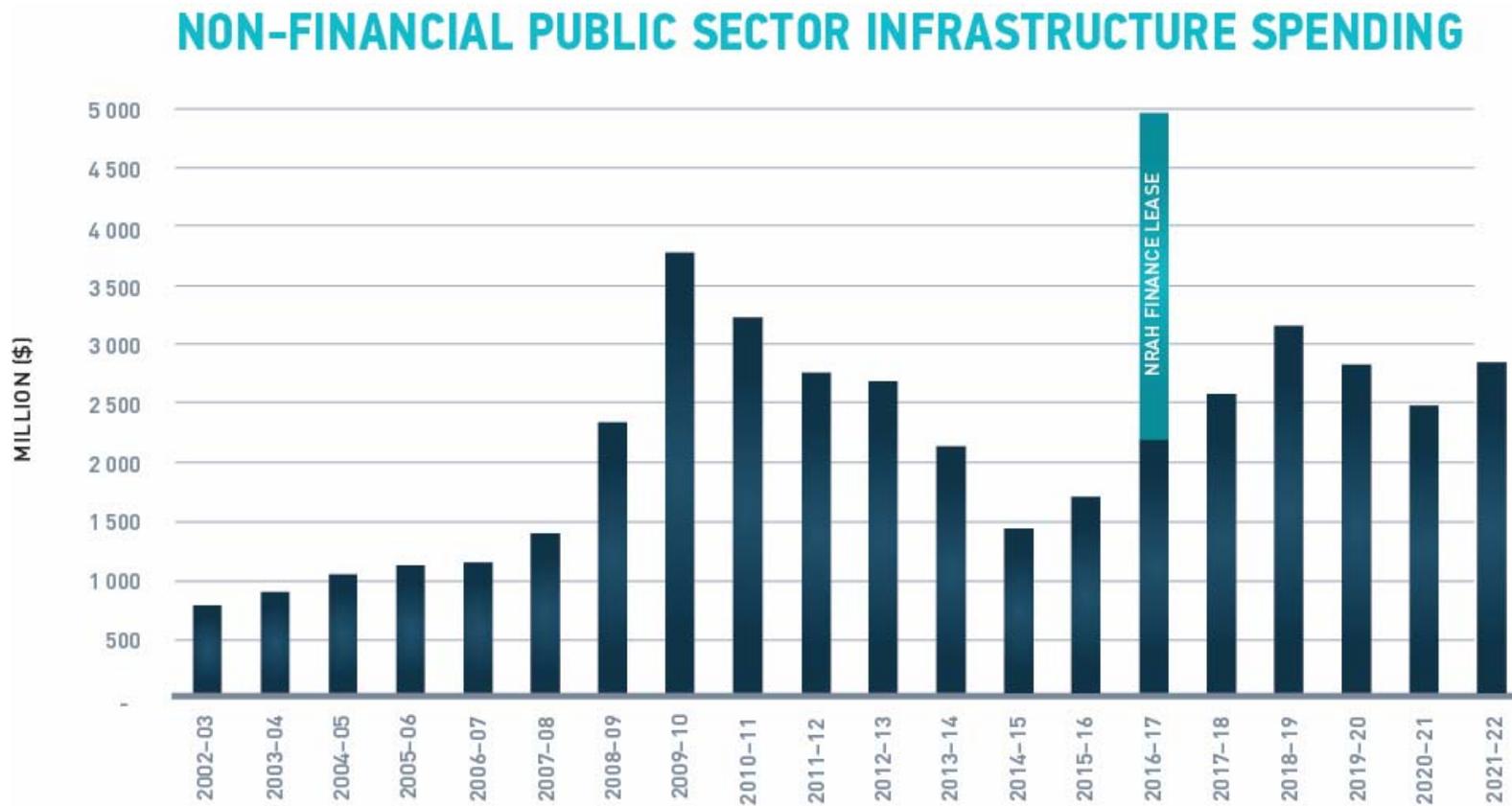
- \$360 million over 4 years through the introduction of ESL fixed property general remissions
  - This is a saving of around \$145 in 2018-19 for a median valued metropolitan residential house
  - Owners of over 650,000 properties will benefit from this relief
- \$184 million for comprehensive energy solution that includes a home battery storage scheme, new storage technologies scheme, consumer demand response trials and early works for an additional interconnection
- \$29.7 million over 4 years to increase the sports vouchers from \$50 to \$100 per eligible child per year
- \$15.4 million over 4 years in public transport fare reductions
- \$4.9 million over 4 years to abolish all fees payable for volunteer screening checks
- \$1.0 million for the establishment and operation of an independent inquiry into water pricing in South Australia
- Progressing the government's commitment to capping council rates and NRM levies

# INVESTING IN EDUCATION

- Largest investment in education by any government in the state's history – will spend \$515 million more in 2021-22 than Labor did in 2017-18
- More than \$1 billion is being invested into capital projects, including:
  - \$692 million over 6 years to upgrade a range of public and primary schools
  - \$361 million for two brand new birth to Year 12 schools for the metropolitan area delivered under a Public Private Partnership model and a new \$100 million school in Whyalla
- New measures include:
  - \$27.7 million over 4 years to commence work to move year 7 students into secondary school
  - \$20.9 million over 4 years to implement a comprehensive programme to improve literacy and numeracy outcomes
  - \$15.5 million over 4 years for a package of measures to address bullying, truancy and substance abuse
  - \$12.2 million over 4 years to increase focus on South Australian children learning a second language

# \$11.3 BILLION INFRASTRUCTURE SPEND

- \$576 million increase in infrastructure spending in 2018-19 compared to 2017-18



# INFRASTRUCTURE

- \$11.3 billion in investing expenditure over the next four years including:
  - \$578.1 million for the Gawler Rail Line Electrification project
  - \$389.2 million for the SA Water zero net electricity cost 2020 project
  - \$354.3 million for Pym to Regency Rd Section of the North-South Corridor
  - \$200 million for the duplication of the Joy Baluch AM Bridge
- \$109.7 million as part of the \$476.2 million investment over 5 years for the redevelopment at Lot Fourteen (former Royal Adelaide Hospital site), including for an Innovation and Commercialisation Precinct, commencing a National Aboriginal Art and Cultures Gallery, an International School of Culinary Excellence, an Australian Space Innovation Precinct and a Defence Landing pad
- \$169 million for the construction of 270 high security beds at Yatala Labour Prison and 40 new beds at the Adelaide Women's Prison
- \$315 million over 4 years to establish the Regional Roads and Infrastructure Fund as a dedicated funding stream for projects aimed at improving regional roads infrastructure
  - This will include maintenance critical in supporting regional communities as well as enhancing transport economic productivity and links to relevant industries
- \$20 million over 4 years to develop a masterplan for GlobeLink, which will investigate improvements to freight export infrastructure to increase access to export markets
- \$8.2 million over 4 years for the establishment of Infrastructure SA

# RESPONSIBLE SAVINGS

- Budget includes \$863.9 million of operating and investing savings by 2021-22 – \$715 million from previous government and \$148.9 million introduced in this budget
- \$170 million in 2018-19 for TVSPs – important to support agencies to achieve savings
- Savings delivered through:
  1. New approach to agency efficiencies
    - simplified form of zero based budgeting approach
    - stop funding wasteful or low priority programme and projects
    - no longer able to rely on 'salami slice' approach
  2. Willingness to consider outsourcing or commercialising where it is in the public interest to so
    - some services will first be given opportunities to reduce costs to be competitive with interstate peers
  3. Minor revenue measures – SAHT rent increase, liquor licensing fees, remove new mine rate concession, EPA cost recovery
  4. Agency specific savings in our election commitments:
    - Reducing ministerial office budgets and reductions in advertising and consultancy costs

# DISCONTINUED FUNDS & PROGRAMMES

- Economic Development Board
- Independent Gambling Authority
- Laptops for Students Programme
- Commissioner for Kangaroo Island
- Riverbank Authority
- Investment Attraction Advisory Board
- Health Industries Advisory Board and Grants Programme
- Tech in SA
- Fund My Neighbourhood Programme
- Northern Connections
- Southern Connections
- Unlocking Capital Fund
- Economic Investment Fund
- Small Business Development Fund
- Food Parks Business Attraction Fund
- SA Early Commercialisation Fund
- Renewable Technology Industry Development Programme
- Digital Game Development Programme
- Automotive Suppliers Diversification Programme
- Advanced Food Manufacturing Programme
- SA Premium Food and Wine Credentials Programme
- Energy Productivity Grants Programme – from 2019-20
- Mining and Petroleum Centre of Excellence Grant Programme
- Premier's Research and Industry Fund
- Strategic Industry Development Fund
- Future Jobs Fund
- Renewable Technology Fund
- Careers Services Programme
- Dob in a litterer
- Regional Community Capability Fund Scheme
- Synthetic Playing Surface and Women's Sporting Facilities Fund – replaced by new programme
- Retrenched Workers Programme
- Jobs First Employment Project Fund
- Personal Support Programme

# MORE TARGETED INDUSTRY ATTRACTION

- The previous government had around 30 separate Industry Assistance funding programmes
- We have discontinued a number of former government industry grant programmes
- We intend to have a more targeted focus on industry financial assistance and to grow the economy, focussing on the economic fundamentals of the state.
- Financial assistance to private sector entities will now be delivered through the following three new targeted funds:
  - Economic and Business Growth fund (\$100 million over 4 years)
  - Research, Commercialisation and Start-up Fund (\$27.9 million over 4 years)
  - Regional Growth Fund (\$150 million over 10 years)

# NFPS NET DEBT

## NON-FINANCIAL PUBLIC SECTOR NET DEBT – CHANGE SINCE MYBR (\$ million)

	2017-18 ESTIMATE	2018-19 ESTIMATE	2019-20 ESTIMATE	2020-21 ESTIMATE	2021-22 ESTIMATE
Estimate at 2017-18 MYBR <sup>(1)</sup>	12 782	13 979	14 495	14 916	15 541
Estimate at 2018-19 Budget	12 889	14 284	15 409	16 020	16 971
Change	107	305	914	1 104	1 430

(1) 2021-22 Estimate not published in MYBR

# SOUTH AUSTRALIAN ECONOMY

## KEY ECONOMIC INDICATOR FORECASTS

	2017-18 ESTIMATE	2018-19 BUDGET	2019-20 PROJECTED	2020-21 PROJECTED	2021-22 PROJECTED
<b>Australia<sup>(a)</sup></b>					
Gross Domestic Product (%)	2¾	3	3	3	3
<b>South Australia</b>					
Gross State Product (%)	2¼	2¼	2¼	2¼	2¼
State Final Demand (%)	3	2½	2¼	2¼	2¼
Employment (%)	2.1 <sup>(b)</sup>	1½	1	1	1
CPI (%)	2.2 <sup>(b)</sup>	2¼	2¼	2½	2½
Population (%)	0.6	0.8	0.8	0.8	0.7
Wage price index (%)	2	2¼	2½	2¾	3

(a) Commonwealth Budget 2018-19

(b) Australian Bureau of Statistics actual outcome 2017-18

# 2018-19 BUDGET SUMMARY

- Cleaning up the financial mess left by the former government
- Returning to surplus in all years from 2018-19
- Keeping all the government's election promises
- Record infrastructure spend
- Building a strong foundation for the future by:
  - Creating more jobs in the state
  - Lowering costs for households and businesses
  - Delivering better services for South Australians
  - Financial responsibility

# STATE BUDGET

## 2018-19





*South Australian Government  
Financing Authority*

**Andrew Kennedy - Director, Treasury Services**

**Post Budget Funding Program Update  
2018-19**

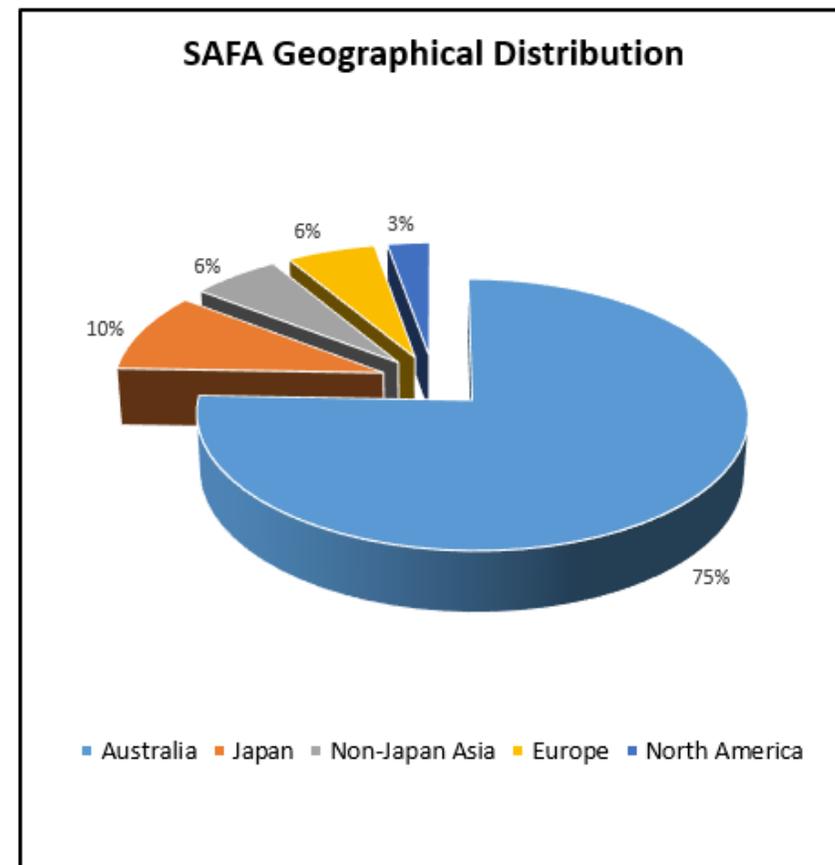
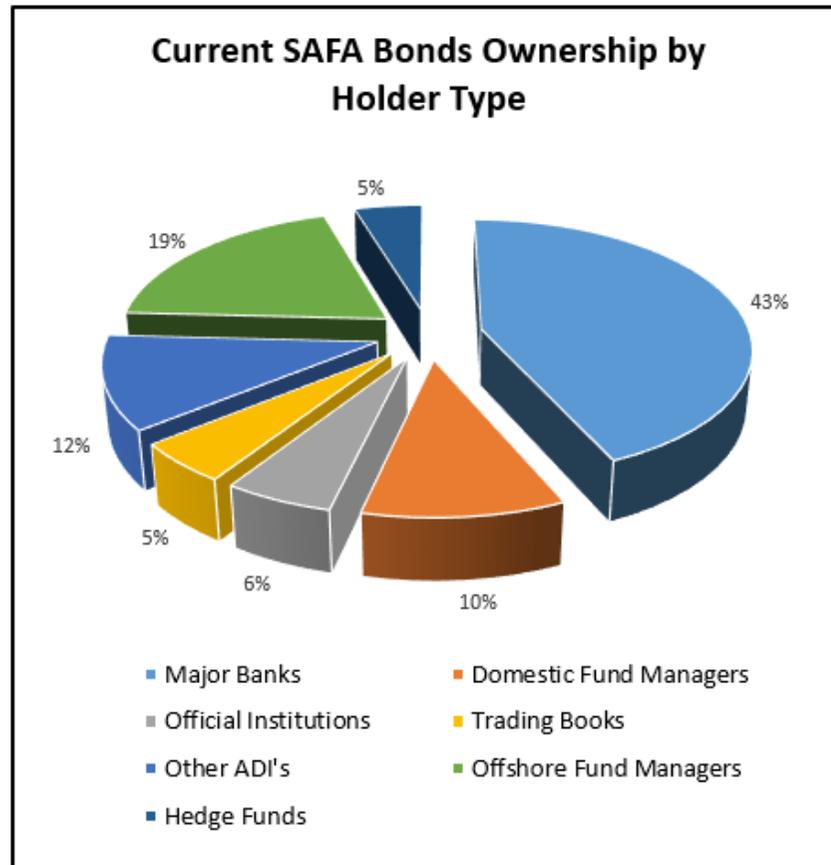
# SAFA'S indicative 2018-19 funding task

	2016-17 Actual	2017-18 Actual	2018-19 Estimate
Select Line (\$b)	3.75	2.00	3.90
Short term funding (\$b)	2.00	2.00	2.00
<b>Total (\$b)</b>	<b>5.75</b>	<b>4.00</b>	<b>5.90</b>
Applied as:			
SA Public Sector (\$b)	Nil	0.10	1.40
Refinancing (\$b)	2.00	4.00	4.00
Pre-funding and liquidity (\$b)	3.75	-0.10	0.50
<b>Total (\$b)</b>	<b>5.75</b>	<b>4.00</b>	<b>5.90</b>

# SAFA's projected debt profile

	Coupon %	2017-18 Actual \$b	2018-19 Estimate \$b	Change Estimate \$b
<b>Select Line fixed</b>				
6 Aug 2019	4.75	2.00	2.00	Nil
20 May 2021	5.00	2.00	2.00	Nil
22 Sep 2022	1.50	1.50	2.00	+0.50
20 Nov 2023	4.25	1.50	1.50	Nil
15 Aug 2024	2.25	1.50	2.00	+0.50
16 Apr 2025	2.75	1.25	1.25	Nil
20 Jul 2026	3.00	1.75	2.25	+0.50
20 Sep 2027	3.00	1.50	1.50	Nil
24 May 2028	3.00	Nil	2.00	+2.00
May 2030	New	Nil	0.50	+0.50
<b>Select Line floating</b>				
10 Dec 2018	BBSW+0.075	2.00	Nil	-2.00
24 Feb 2020	BBSW +0.20	2.00	2.00	Nil
<b>Total term debt</b>		<b>17.00</b>	<b>19.00</b>	<b>+2.00</b>
Short Term	Various	2.00	2.00	Nil
Other debt securities	Various	0.30	0.30	Nil
<b>Total debt funding</b>		<b>19.30</b>	<b>21.30</b>	<b>+2.00</b>

# SAFA'S debt ownership



# State credit rating

- S&P Global Ratings upgraded the long-term rating of South Australia (and SAFA) to AA+ from AA
- The upgrade was based on S&P's expectation that:
  - the government will achieve sustained operating surpluses; and
  - liquidity coverage will continue to improve
- The outlook was revised to stable from positive

# SAFA'S Mission Statement

*To deliver quality, cost effective financial services to State Government*

- Maintain and enhance access to financial markets
- The changing regulatory environment – what next?
- Alternative benchmarks and issuance
- Supply vs demand dynamics – has the landscape shifted?
- Geo-political risks – are markets pricing risk?
- Socially Responsible Investment – what does it mean for issuers and investors?
- Blockchain and other disruptive technology?



*South Australian Government  
Financing Authority*

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