



**Victorian Budget**  
2023/24

# Doing What Matters

**Treasurer's Speech**  
Budget Paper No. 1

Presented by Tim Pallas MP  
Treasurer of the State of Victoria



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Authorised by the Victorian Government  
1 Treasury Place, Melbourne, 3002

Printed by Doculink, Port Melbourne

This publication makes reference to the  
2023/24 Budget paper set which includes:  
Budget Paper No. 1 – Treasurer's Speech  
Budget Paper No. 2 – Strategy and Outlook  
Budget Paper No. 3 – Service Delivery  
Budget Paper No. 4 – State Capital Program  
Budget Paper No. 5 – Statement of Finances  
(incorporating Quarterly Financial Report No. 3)

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ISSN 2204-9185 (print)  
ISSN 2204-9177 (online)  
Published May 2023

# VICTORIA

## BUDGET SPEECH

Delivered on 23 May 2023

by Tim Pallas MP

Treasurer of the State of Victoria

In accordance with section 28 of the *Charter of Human Rights and Responsibilities Act 2006*, I table a statement of compatibility for the Appropriation (2023-24) Bill 2023.

I move that this Bill now be read a second time.

We are here today on the lands of the Wurundjeri people and I wish to acknowledge them as Traditional Owners.

I would also like to pay my respects to their Elders, past and present, and Aboriginal Elders of other communities who may be here today.

The Andrews Labor Government is committed to Truth, Treaty and Self-determination for Victoria's First Peoples. Just as we support a Victorian Voice, we support the establishment of a Voice to our nation's Parliament.

Speaker, today I deliver the *Victorian Budget 2023/24*.

I do this amid a booming jobs market, a healthy economy and every sign this state has bounced back.

Victorians are filling theatres, footy grounds, bars and restaurants.

We're meeting friends, family and colleagues for coffees, birthday parties, concerts.

The Melbourne Comedy Festival, the Formula One Grand Prix, the footy – all back, all better than ever.

Last year, the Andrews Labor Government put forward a positive plan to keep building the hospitals, schools, roads and rail that our state needs now, and for the future.

It was a plan to Do What Matters.

Speaker, I'm proud to be part of a government that delivers on that plan.

In this Budget we will:

- Deliver on every commitment we made at the last election
- Build better hospitals
- Back our incredible health workers with thousands more nurses and paramedics
- Build new schools and expand Free TAFE

- Train thousands of workers so the SEC can provide cheaper, cleaner energy
- Reform taxes, including changes to stamp duty
- Help Victorians beat the rising cost of living
- And responsibly address our COVID debt within ten years, by 2033.

Speaker, the COVID pandemic sent shockwaves through economies big and small, right around the globe.

When it hit Victoria, we acted quickly.

On the advice of the Reserve Bank of Australia, we borrowed billions of dollars to prevent economic scarring that would have left a generation out of work.

We used the state budget to protect household budgets and businesses.

We borrowed \$31.5 billion to pay for the tools to confront the emergency – such as hospital equipment, testing centres and business support.

Before COVID, we had the sort of debt that you take on to build, to invest, to grow an economy for the future.

But with the pandemic emergency, we borrowed to keep Victorians safe.

These two different reasons to borrow will be understood by any homeowner with both a mortgage and a credit card.

We're not going to cut back the mortgage that's funding our Big Build. But we are going to pay off our COVID credit card.

We're not the only government in this position.

But we are the only government with a plan to manage it, with our *COVID Debt Repayment Plan*.

This will ensure we manage our finances responsibly, so we can keep investing in the health, education, cost of living relief, transport and infrastructure that matters to Victorians.

Our Plan is temporary, targeted and above all, responsible.

It will raise an equivalent amount of funds, including interest, to address \$31.5 billion of COVID debt over the next 10 years.

It includes **three elements**.

**Firstly**, the Government will do its bit, restoring the public service back towards pre-pandemic levels, while not affecting frontline workers.

We'll make savings across government, totalling \$2.1 billion over four years, with reduced corporate and back-office functions and less spending on consultants and labour hire.

**Secondly**, we know some did better out of the pandemic than others – and it's only fair that those that did well contribute to the repayment effort.

We'll introduce a temporary and targeted COVID Debt Levy with two components. It will end in ten years, in 2033.

We'll ask large businesses with national payrolls above \$10 million a year – around 5 per cent of Victorian businesses – to pay additional payroll tax.

We'll also lower the land tax threshold and add a modest fixed charge, with larger landholdings also paying an extra 0.1 per cent of land value – that is zero point one per cent. Family homes are not affected.

Business profits are up 24 per cent over the past three years compared with the previous three. Land values have increased 84 per cent in the past 10 years.

We've structured the repayment plan in a way that's reasonable and proportionate to those with an ability to pay.

All up, the COVID Debt Levy will raise \$8.6 billion in COVID debt offsets over four years. It will end in 2033.

**Thirdly**, we'll use the growing Victorian Future Fund to help manage the COVID debt over the next ten years.

After this time, the state's balance sheet will be focused on productive investments such as infrastructure, which produce long-term economic benefits to the state.

Our plan will get Victoria's finances back on track by 2033 – to where they would have been without the pandemic.

Speaker, in the words of Ben Chifley, *'war costs do not end when fighting ceases'*.

Just as we took difficult decisions to protect Victorians through the pandemic, we are now taking responsibility for its fiscal legacy with our *COVID Debt Repayment Plan*. Kicking the can down the road is not an option.

Speaker, Victoria's economy is strong and growing, bigger now than before the pandemic.

It's forecast to grow further, by a healthy 2.75 per cent this financial year and an average of 2.4 per cent a year over the forward estimates.

This follows growth of 5.6 per cent last year, the highest growth of all states and territories – more than 50 per cent higher than the national growth rate.

The current jobs market is fantastic for workers, with more Victorians in employment than almost ever before.

Our 2020 target to create 400 000 new jobs by 2025 has already been smashed, with almost 440 000 jobs created in that time – two years ahead of our 2025 goal.

440 000 – these aren't just numbers on a page.

Every single one is a story of hope, of opportunity, of progress.

Unemployment is around the lowest it's been for nearly 50 years, and almost three full percentage points lower than the rate when we came to office.

This is no mistake. The Andrews Labor Government's investments have delivered the jobs we needed in the short term, and they're supporting our growing state into the future too. The number of women in work is near a record high.

Business investment is forecast to grow solidly this year.

Speaker I won't waste the Parliament's time demonstrating this city's merits over the second biggest city in the country, that one north of the Murray.

Suffice to say, Victoria is now home to the best student city in Australia and the friendliest city in the world, and has the country's most liveable city.

Across the world, countries are grappling with high inflation and rising interest rates, and Australia is no different.

Russia's invasion of Ukraine, and global supply chain disruptions have created shortages and driven up inflation.

But Victoria faces these headwinds from a position of strength.

Speaker, every budget is a document that recognises the challenges and opportunities of the times.

We know most of the heavy lifting in employment comes from small and medium businesses.

And we're keen to help this sector, and turbocharge job creation.

Stamp duty adds to the cost of buying commercial property – and we want to ease this burden for future buyers.

So, in this Budget we're committing to transitioning away from stamp duty in favour of an annual tax for commercial and industrial land.

This means businesses can invest where they want, when they want.

We estimate this reform will increase the size of the Victorian economy by up to \$50 billion in net present value terms.

In further tax reforms, we will abolish business insurance duty over a ten-year period – becoming the first state in Australia to do so.

And we will lift the payroll tax-free threshold from \$700 000 to \$900 000 from 1 July 2024, with a further increase to \$1 million from 1 July 2025.

This will save money for more than 26 000 small businesses, including 6 000 businesses that will stop paying payroll tax altogether – saving a small business with a \$1 million payroll \$14 550 per year.

These changes will save small businesses – with payroll of less than \$3.4 million in 2024-25 and \$3.6 million from 2025-26 – \$580 million in just the first three years.

Our Economic Growth package also progressively abolishes business insurance duty from 2024/25, saving businesses more than \$275 million in the first three years alone. Victoria will be the first state to remove this handbrake on business resilience, investment and growth.

Speaker, when comparing revenue between states, it's important to consider revenue from three key sources – royalties such as mining, Commonwealth grants and state taxation.

Victoria raises very little mining revenue, and our Commonwealth grants income has been consistently below our population share.

Nevertheless, I'm proud to say that, according to Australian Bureau of Statistics data for 2021-22, total revenue per capita was lower in Victoria than any other state.

After adjusting for measures in this Budget, Victoria will still be lower than NSW and all other states bar one.

With this Budget, we've now cut or reduced taxes and charges 64 times since 2014.

Speaker, we know the cost of living is tough and it's holding some families back, so we're helping where we can.

For too long, parents have sat around kitchen tables, doing complicated sums on whether it's really worth going back to work after starting a family.

And that's if you can even find a childcare place.

This has hurt family budgets, and it's hurt our state's bottom line too.

It's taken up to 26 000 women completely out of our workforce, and cost our economy billions a year in lost earnings alone.

We won't let that keep happening.

We're delivering an ambitious overhaul of early childhood education and care, to help parents get back to work. We're giving more pre-schoolers access to early childhood education, along with free three and four-year-old kinder right across the state.

Our Free Kinder will spread opportunity equally for kids and it will save money for families – up to \$2 500 this year alone.

Early education has positive impacts on the rest of a child's life.

To harness this, we're building 50 government-owned and run Early Learning Centres across Victoria, to serve communities with the greatest need.

In other initiatives to ease cost of living, we're bringing in a fourth round Power Saving Bonus, with \$250 to help households pay their bills.

We're helping our servicemen and women with the cost of living, by introducing the Victorian Veterans Card.

This will give vets discounts on vehicle rego, and free fishing and boating licences.

And we're giving free car rego to our hardworking apprentices who rely on their vehicles for work, saving them up to \$865 a year.

Speaker, we know exactly how compassionate and capable our health service workers are.

But these dedicated workers need more than our gratitude. They need our support.

Last year we launched our *Pandemic Repair Plan* for more staff, better hospitals and first-class care.

This Budget provides a further \$4.9 billion to help our health system emerge strongly from the pandemic.

This brings our total additional health investment to more than \$54 billion since coming into government in 2014.

There's a saying that if you save one life, you're a hero. If you save a hundred lives, you're a nurse.

We're funding extra nurses for our hospitals, as well as making it free to study nursing and strengthening nurse-to-patient ratios.

We're doing design work to build and upgrade several major hospitals, including the Northern Hospital and West Gippsland Hospital.

We're also delivering eight powerful PET scanners to health services across the state, including to Ballarat Base Hospital and the Werribee Mercy.

Speaker, women and girls everywhere are still not having their health issues taken seriously, which means they wait too long for treatment.

Their health concerns are often ignored, misdiagnosed or diagnosed late.

We'll give women's health the funding it deserves, with \$63 million for 20 new women's health clinics, a dedicated Aboriginal-led women's health clinic and mobile clinics.

And we'll help more Victorian families access public fertility care, with \$50 million to fund up to 3 375 treatment cycles per year.

We'll fund thousands of extra laparoscopies to help treat endometriosis, which affects one in nine girls and women. These investments are part of our plan to transform women's healthcare, ensuring Victorian women can access the support and treatment they need and deserve.

Speaker, mental health is one of the greatest challenges facing Victoria right now.

This Budget continues our important work of rebuilding the state's mental health system from the ground up.

We're committing \$776 million to dedicated mental health services and better health in the workplace.

We're implementing every recommendation from the Royal Commission into Victoria's Mental Health System, as we promised.

This will take a decade, or more.

The Royal Commission found Victorians needed more mental health support closer to home, so we are delivering 50 new Mental Health and Wellbeing Locals across the state.

Twenty-seven of these services are already underway. This Budget delivers three more, and plans for a further 20.

Local Services help patients, but they'll also save us money.



Each ongoing service is expected to deliver over \$70 million in benefits throughout the next decade.

Across the past four Budgets, including this one, we've invested more than \$6 billion into a kinder and smarter mental health system, one that supports all Victorians.

Education changes lives. It opens doors. It grants a passport to the future.

This Government believes there is no better investment we can make – from kindergarten, to school, through to TAFE and uni.

That's why in this Budget we're building more kindergartens, and it's why we made kinder free for Victorian children.

Speaker, Victorian families deserve great schools for their kids.

This Budget provides \$2.1 billion to build new schools and maintain and upgrade existing ones.

This brings our total additional investment to nearly \$15 billion over the past nine years.

Parents of children with disability need our support – and one of their greatest challenges is finding before and after school care for their kids.

To help them, we're expanding the Outside School Hours Care program to 30 specialist schools, as part of a \$235 million package to support these students and their families.

Speaker, in this state, we have skill shortages in almost every industry.

That's why we've expanded eligibility for training subsidies, including for our popular Free TAFE program.

That means *more* Victorians can study for in-demand jobs like healthcare, mental health, construction, early childhood and hospitality.

Our TAFEs, once padlocked shut, are now open and filled with students, many of them studying for free.

Before this year, accessing a subsidised TAFE course – including Free TAFE – was harder for anyone with a higher education qualification.

But now we've thrown open the gates for these people, because we need more Victorians who are willing to build new skills.

We'll also change the once-in-a-lifetime limit to Free TAFE, so students can take multiple courses in priority training pathways.

This means, for example, that if you want to work in community services, you can study free at both Cert IV, and Diploma levels.

We'll also build and upgrade TAFE campuses across the state, so students can keep studying in inspiring and built-for-purpose facilities.

Speaker, we've built so many of the roads, rail, trams and trains our state needs.

Since 2014, the Andrews Labor Government has been getting on with the Big Build: the Metro Tunnel, the Level Crossing Removals, the Suburban Rail Loop, the West Gate Tunnel, and the North East Link.

These projects are transforming the way we travel, and they're creating rewarding career paths for apprentices and trainees – who in turn supercharge the state's growth.

This Budget provides another \$7.3 billion to bring Victorians a world-class transport network.

We're getting on with the job of removing 110 level crossings by 2030 – 68 have already been taken away.

We're upgrading roads and intersections across the state.

We're going to give Melbourne's western suburbs the high-quality transport network they need.

We're increasing train capacity by up to 50 per cent on the Melton line, with a \$650 million upgrade.

We're making the Cranbourne, Pakenham, Frankston, Lilydale, Sunbury and Werribee Lines level crossing-free by 2030.

Speaker, 30 years ago our energy assets were sold outright – and these assets were run into the ground.

That privatisation failed us.

The Andrews Labor Government will bring back the SEC, and drive down power bills.

The SEC will increase renewable energy, reinvesting profits into Victoria rather than offshore.

In this Budget, we'll invest in the training we need for this workforce, with a new SEC Centre of Training Excellence.

And we'll fund six new Tech Schools across the state to improve students' hands-on learning in science and tech, to support the jobs of the future.

That's on top of ten Tech Schools we've already built since winning government in 2014.

The SEC will help deliver Victoria's nation-leading renewable energy targets – reaching 95 per cent renewable energy by 2035 and net zero by 2045.

This will drive the creation of 59 000 jobs and increase Gross State Product by about \$9.5 billion.

Speaker, in this Budget we're investing in Victoria's future.

This Budget invests a further \$12 million to continue supporting our growing mRNA industry in Victoria.

It will capitalise on our world-leading community of medical researchers, helping them to save lives with treatments that can be manufactured and sold from Victoria.

And this Budget continues to back Victoria's businesses to innovate and grow. We're establishing a new Industry R&D Infrastructure Fund and a Manufacturing and Industry Sovereignty Fund – creating partnerships to help businesses grow.

We're also boosting the Alice Anderson Fund – dedicating capital to supporting startups led by Victorian women.

And we're helping businesses go global through the *Boosting Victorian Exports* program, so they can reach international markets.

Speaker, as this nation heads towards a referendum, there has never been a better time to reflect on how we can better respect the aspirations of First Peoples.

A commitment to Aboriginal self-determination for Aboriginal people, with action on Voice, Treaty and Truth.

At close to half a billion dollars, this Budget is the largest whole of government Aboriginal Affairs investment on record – both for the Andrews Labor Government and in our state's history.

This includes funding for community-controlled organisations – because we know the best solutions are community-led.

We will also provide \$82 million for the First Peoples' Assembly of Victoria to enter historic Treaty negotiations.

This investment is a statement of the values of this Government – one that has shown the nation what it means to truly listen to Aboriginal people.

This is the next step as we walk together to a better future. Because a fairer Victoria starts with a better future for our First Peoples.

Speaker, regional Victoria is growing, with thousands of new residents generating record jobs.

When this Government first came to office, the regional unemployment rate sat at 6.6 per cent. It's now almost three whole percentage points lower.

We've supported regional business by cutting payroll tax rates for regional employers to just one-quarter of the metro rate.

This Budget invests over \$5 billion in regional Victoria, to support its success and tackle rising costs.

We're installing neighbourhood batteries in regional Victoria, to help push down power bills.

We're also upgrading schools around our state and investing in regional healthcare.

We've slashed the cost of train travel across the state, bringing regional fares into line with metro fares.

Because a trip from Ballarat to central Melbourne is just as important as a trip from Hawthorn.

This Budget commits to investing in another 23 new Victorian-made trains for our regional network.

From Morwell to Mallacoota to Murrayville, from Wangaratta to Warrnambool, we're continuing investments across our great state.

Speaker, in 2019, we moved to secure a long-term and sustainable future for Victoria's forestry industry – and for the Victorian workers who rely on it.

We put forward a 30-year plan to support the sector as it transitioned, backing long-term, sustainable jobs and giving local workers confidence about their future.

But since then, native forestry has been hit with increasingly severe bushfires, prolonged legal action and court decisions.

All of that has drastically cut the timber supply we can actually use.

Hundreds of workers across Victoria haven't been able to work a day in months.

It's not good enough for us to just cross our fingers and hope for the best. We need a plan to support workers and support jobs.

That's why we're stepping up to give these workers – and their communities, businesses, and partners along the supply chain – the certainty they deserve.

Native timber harvesting in state forests will end next year.

But work has already started on a proper, managed transition.

We'll match some workers and their skills to jobs right across land management and critical forest bushfire response.

We'll retrain others to help them get jobs in growing regional industries – like renewable energy or construction.

And most importantly, we'll back workers and their families with the financial and mental health support they need throughout this transition.

Just as we've always done, we're being upfront with the industry – and putting in place a plan to support every worker and every business.

Because we'll never leave them to go it alone.

Speaker, when we have the great honour of sitting on these benches, it is all too easy for us to get caught up in the headlines.

It is important to remember why we're here. Today, I would like to quote care leaver David:

*"When I was 15, I was homeless and living in Residential Care.*

*My leaving care plan didn't really work out. I hadn't turned 18 yet and I'd stayed in nine hotels over six months.*

*In the end, I got so sick of moving hotels, I couldn't go to school anymore.*

*But then I linked with Compass and things changed."*

When David was linked up with Compass – a wraparound program for people leaving care – the connection was made that radically changed his path.

A path towards stable housing, and a sturdier future.

We know this program works.

For people like David, and so many others, to have the best possible shot at life.

And so, in this Budget, we have expanded this program by investing \$33 million to help young people exiting residential care, into housing and towards independence.

Speaker, we know that a stitch in time saves nine – and we also know that early action can save a lot of money and heartache down the track.

Our world-first Early Intervention Investment Framework embeds actions that offer life-changing results.

It's smart policy that saves money and helps people before they reach crisis.

This year, we'll invest more than \$675 million, our largest package on record, which will return \$1 billion worth of benefits over the next decade.

Year by year, our cutting-edge Early Intervention Investment Framework is growing, saving money for Victorians but most importantly, changing and saving lives.

Speaker, in late 2020 we set a four-step fiscal strategy to restore the state's finances after the pandemic:

- **Step one:** Create jobs, reduce unemployment and restore economic growth

Almost 440 000 Victorians have secured a job since September 2020 – 109 000 more than in New South Wales.

- **Step two:** Return to an operating cash surplus

We continue to deliver on this step in 2022-23 with a \$2.9 billion operating cash surplus.

- **Step three:** Return to operating surpluses

Our operating result is expected to be in surplus by \$1.2 billion in 2026-27 – representing an improvement of \$15 billion since 2021-22.

- **Step four:** Stabilise debt levels

Our *COVID Debt Repayment Plan* provides initiatives and a strategy to stabilise our debt so we can look toward the future.

As a state, we're very close to stabilising our debt profile, but we're not there yet.

I am pleased to say that this step is within reach.

It's the reason why this Budget is demonstrably pursuing an economic growth strategy, because a growing economy, with stabilised debt, will bring down the relative level of debt we must manage.

Put another way, once debt is stabilised, it shrinks relative to the size of a growing economy.

To those who criticise our debt, I would say it is easy to forget.

It's easy to forget the arrival of the pandemic and the grim possibilities ahead if we failed to act effectively.

We faced stark images from places like Italy and New York, of hospitals and morgues tragically overwhelmed.

We feared an economy in ruins, with our prosperity evaporating.

We feared a generation with no jobs and no hope, like we saw after the first World War.

Through all our fears, we never doubted the resolve of the Victorian people. There was no panic.

But these were real dangers. That's why the International Monetary Fund recommended governments borrow, to protect their populations.

Thanks to Victoria's robust economic strength, we were able to do this.

We did this to support our health system, to protect our jobs, to help households and to save the things that matter most to us all.

We used these funds to build a bridge over that catastrophe, to the other side.

And here, now, on the other side, we have high vaccination rates, record jobs and an economy that once again is flourishing.

We have packed events, we have busy calendars, we are working in record numbers, and we are planning for the future with full confidence.

We, as Victorians, were greater than the sum of our fears – because hope defeats fear, every time.

Now, we're ready to capitalise on our booming economy and repay the COVID borrowings that made our success possible.

Our responsible *COVID Debt Repayment Plan* will put Victoria on a sustainable path to grasp the opportunities ahead.

We'll do this for our young people, who've made enough sacrifices through recent years.

They'll inherit a thriving economy – a growing economy – in which they can focus on the future rather than the past.

And they will inherit a state with world-class health, education and transport systems.

This is a Budget that responds to our times – growing the jobs of the future and helping Victorians that need a hand.

This is a Budget that strikes the right balance – delivering our promises, while doing what matters.

This is the Budget we need for the future – for a state that is stronger, fairer and more compassionate than ever.

This is our promise – we won't let you down.

Speaker, I commend this Bill to the House.

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