

4 REVENUE AND EXPENSE ESTIMATES, 2003-04

Features

- The Fiscal Surplus is estimated to be \$6.9 million in 2003-04.
- Total revenue is estimated to be \$2 990.0 million in 2003-04, an increase of \$137.6 million or 4.8 per cent on 2002-03 budgeted revenue of \$2 852.4 million.
- Total expenses are expected to be \$3 005.8 million in 2003-04, an increase of \$154.0 million or 5.4 per cent over 2002-03 budgeted expenses of \$2 851.8 million.

INTRODUCTION

This chapter provides detailed information on the major categories of revenues and expenses within the General Government Sector. Details of the components of the net acquisition of non-financial assets and the impact on the Government's headline Budget measure, the Fiscal Surplus, is also provided.

OPERATING STATEMENT

The Operating Statement is designed to capture the composition of expenses and revenues and the net cost of the General Government Sector's activities within a fiscal year.

Table 4.1 details the General Government Sector Operating Statement for 2003-04.

Table 4.1: Operating Statement, 2002-03 and 2003-04

	2002-03	2003-04	
	Budget	Budget	
	Estimate	Estimate	Variation
	\$'000	\$'000	%
Revenue			
Grants and Subsidies	1 803 614	1 860 697	3.1
Taxation Revenue	480 928	533 051	10.8
Sales of Goods and Services	275 541	297 627	8.0
Interest Income	15 742	17 587	11.7
Dividend and Tax Equivalent Income	147 337	139 018	(5.7)
Other Revenue	129 199	141 987	9.8
Total Revenue	2 852 361	2 989 967	4.8
Expenses			
Depreciation	150 370	154 205	2.5
Employee Expenses	1 232 408	1 293 234	4.9
Other Operating Expenses	679 679	725 713	6.7
Nominal Superannuation Interest Expense	111 498	115 935	3.9
Other Interest Expense	82 926	68 891	(17.0)
Grants and Transfers	594 943	647 799	8.8
Total Expenses	2 851 824	3 005 777	5.4
NET OPERATING RESULT¹	537	(15 810)	
Less			
Net acquisition of non-financial assets			
Purchase of new non-financial assets	171 209	181 020	5.7
less Sale of non-financial assets	46 347	49 543	6.8
less Depreciation	150 370	154 205	2.5
Total	(25 508)	(22 728)	(10.9)
FISCAL SURPLUS¹	26 045	6 918	

Note:

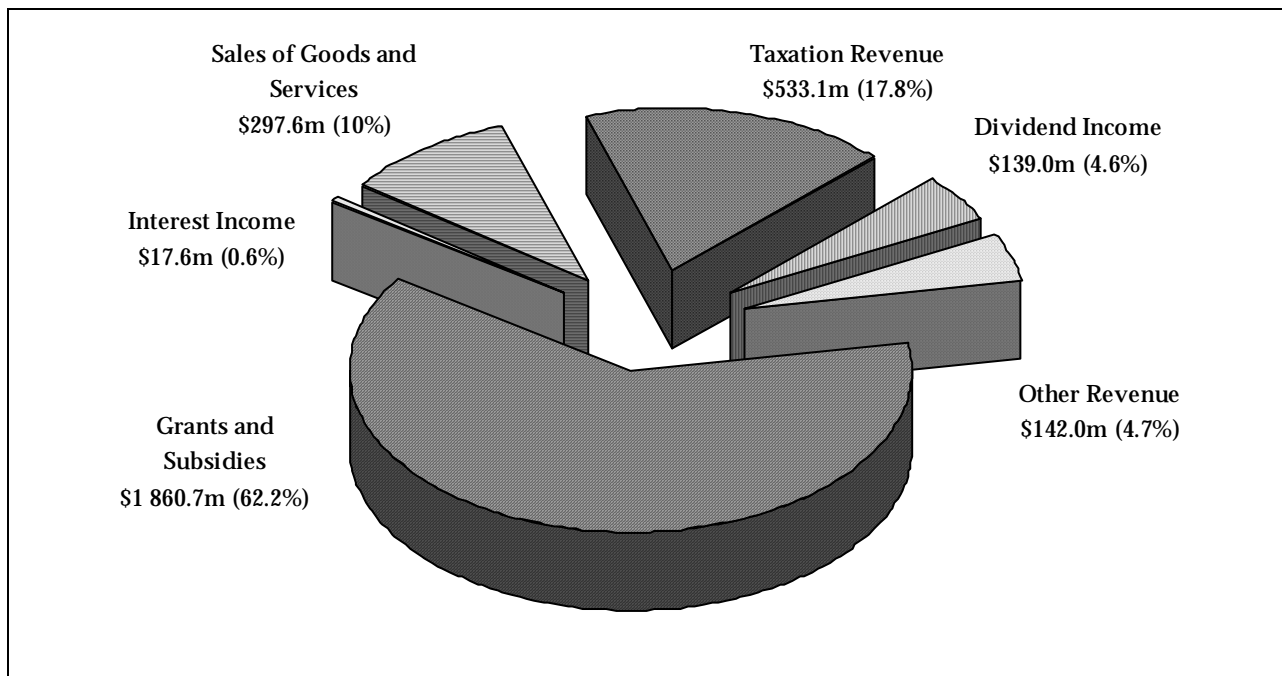
1. The estimated Fiscal Surplus outcome for 2002-03 is \$121.0 million. This surplus has resulted in a once-off build up of funds to be paid into the new Economic and Social Infrastructure Fund (ESIF), which is primarily budgeted for expenditure in 2003-04. Due mainly to this expenditure in 2003-04, substantial expenditure is occurring in 2003-04 from cash generated in an earlier year with the effect that the Net Operating Result for 2003-04 is estimated to be a deficit of \$15.8 million.

REVENUE

Total revenue is estimated to be \$2 990.0 million in 2003-04, an increase of \$137.6 million or 4.8 per cent on the 2002-03 Budget estimate of \$2 852.4 million.

Chart 4.1 shows the estimated total revenue in 2003-04 and a percentage breakdown of the revenue categories.

Chart 4.1: Total Revenue, 2003-04



The single most important source of revenue for the State is Grants and Subsidies. Grants and Subsidies consist primarily of revenues from the Commonwealth Government, through a range of general and specific purpose grants, and account for 62.2 per cent of the State's revenue in 2003-04. The remainder of the State's revenue will be derived by the State from its own sources, the major elements being Taxation Revenue (17.8 per cent), Sales of Goods and Services (10.0 per cent), Interest Income (0.6 per cent), Dividend Income (4.6 per cent) and Other Revenue (4.7 per cent).

Grants and Subsidies

Grants and Subsidies for 2003-04 is estimated to be \$1 860.7 million, an increase of \$57.1 million or 3.1 per cent on the 2002-03 Budget estimate of \$1 803.6 million. Detailed information on Grants and Subsidies is provided in Table 4.2.

Table 4.2: Grants and Subsidies, 2002-03 and 2003-04

	2002-03	2003-04
	Budget	Budget
	\$'000	\$'000
Recurrent Revenue		
General Purpose Payments		
GST Revenue ¹	1 199 500	1 299 700
Budget Balancing Assistance ²	52 700	9 300
Competition Payments	17 400	17 600
Total General Purpose Payments	1 269 600	1 326 600
Specific Purpose Payments		
Health and Human Services		
Blood Transfusion Service ³	1 855	....
Commonwealth-State Housing Agreement ⁴	17 741	22 259
Disability Services Grant	17 600	19 084
Health Care Grant	153 400	159 700
High Cost Drugs	4 850	5 950
Home and Community Care Program	15 860	17 303
National Child Care Strategy	217	217
Public Health Outcomes Funding Agreement	3 931	3 931
Supported Accommodation Assistance Program	6 798	7 016
Education		
Primary and Secondary Education	44 243	45 593
Technical and Further Education	22 235	22 790
Primary Industries, Water and Environment		
World Heritage Area	5 300	4 300
Police and Public Safety		
Natural Disasters Organisations	207	212
Finance-General		
Assistance for Concessions	5 531	5 853
Grant to the State for Local Government	47 000	49 031
Total Specific Purpose Payments	346 768	363 239
Total Recurrent Revenue	1 616 368	1 689 839

Table 4.2: Grants and Subsidies, 2002-03 and 2003-04 (continued)

	2002-03 Budget \$'000	2003-04 Budget \$'000
Capital Revenue		
Specific Purpose Payments		
Health and Human Services		
Housing⁴	9 982	2 224
Education		
Primary and Secondary Education	6 368	6 411
Technical and Further Education	6 075	3 284
Infrastructure, Energy and Resources		
National Highway System⁵	18 340	14 696
Total Capital Revenue	40 765	26 615
Other Payments⁶	146 481	144 243
TOTAL GRANTS AND SUBSIDIES	1 803 614	1 860 697

Notes:

1. The increase in GST Revenue in 2003-04 is primarily due to an increase in the size of the GST Revenue pool, an increase in Tasmania's relative need for Commonwealth financial assistance as assessed by the Commonwealth Grants Commission and an estimated increase in the rate of growth of Tasmania's population.
2. Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA), the Commonwealth has guaranteed that the states will be no worse off as a result of the introduction of national tax changes. To meet this guarantee, the Commonwealth has agreed to make Budget Balancing Assistance payments to each state and territory as necessary, so as to leave them no worse-off than they would have been under the previous arrangements.
3. Commencing 1 July 2003, the Commonwealth Government will directly fund the costs associated with the supply of blood and blood products through the national funding pool. As such, the states will no longer receive a Specific Purpose Payment for the provision of this service.
4. The increase in revenue for the Commonwealth-State Housing Agreement primarily reflects a transfer of \$7.5 million from capital revenue to recurrent revenue. The transfer between revenue categories is the result of a change in Housing Tasmania's treatment of minor works expenditure, which now brings it into line with the accounting policy for the Department of Health and Human Services. The transfer also includes an increase in recurrent maintenance expenditure. However, this increase is partially offset by a decrease in the estimated level of funding to be provided by the Commonwealth under the Commonwealth-State Housing Agreement.
5. The decrease in funding for the National Highway System reflects the completion of a number of roads projects in the 2002-03 Roads Program. Commonwealth funding for the Roads Program is anticipated to increase in 2004-05 as a number of road projects have been approved but construction will not commence until 2004-05.
6. Other Payments includes Specific Purpose Payments that are paid directly to non-government organisations or are paid to these organisations from the Special Deposits and Trust Fund through agencies to undertake activities for external organisations.

Recurrent Revenue

Revenue from Commonwealth sources for recurrent purposes is estimated to total \$1 689.8 million, an increase of \$73.4 million or 4.5 per cent over the 2002-03 Budget estimate of \$1 616.4 million. This revenue is paid directly into the Consolidated Fund and consists of GST Revenue, Budget Balancing Assistance,

National Competition Payments to the State, and specific purpose revenue, which are tied to specific activities.

General Purpose Payments

GST Revenue

GST Revenue is estimated to be \$1 299.7 million in 2003-04, an increase of \$100.2 million over the 2002-03 Budget estimate of \$1 199.5 million. This increase is primarily due to an increase in the size of the GST revenue pool, an increase in Tasmania's assessed relative need for Commonwealth financial assistance as assessed by the Commonwealth Grants Commission and an estimated increase in the rate of growth of Tasmania's population.

Budget Balancing Assistance

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (IGA) agreed by the states and the Commonwealth in June 1999, the Commonwealth guaranteed that the budgetary position of each individual state or territory will be no worse off under the new arrangements than it would have been had the reforms not been implemented. To meet this guarantee, the Commonwealth has agreed to make Budget Balancing Assistance (BBA) payments to each state or territory as necessary. It is estimated that, in 2003-04, Tasmania will receive a BBA of \$9.3 million, a decrease of \$43.4 million on the 2002-03 Budget estimate of \$52.7 million.

National Competition Payments to the State

The *Agreement to Implement the National Competition Policy and Related Reforms* provides for the states and territories to receive general revenue grants, which reflect a share of the expected revenue gains to the Commonwealth arising from the implementation of National Competition Policy by the states and territories. It is estimated that, in 2003-04, Tasmania will receive \$17.6 million for this purpose, an increase of \$200 000 on the 2002-03 Budget estimate of \$17.4 million.

Specific Purpose Payments

The Health Care Grant is estimated to be \$159.7 million in 2003-04, \$6.3 million or 4.1 per cent greater than the budgeted amount of \$153.4 million for 2002-03. Negotiations with the Commonwealth on a new Health Care Agreement are not finalised and therefore the Budget estimate for 2003-04 assumes that the current arrangements will in effect be rolled over. The remainder of the recurrent specific purpose payments from the Commonwealth will total \$203.5 million (excluding the Health Care Grant) in 2003-04, an increase of \$10.1 million or 5.2 per cent on the budgeted amount for 2002-03 of \$193.4 million.

Capital Revenue

In 2003-04, capital revenue is estimated to be \$26.6 million, a decrease of \$14.2 million or 34.8 per cent on the budgeted capital revenue of \$40.8 million for 2002-03. The decrease is primarily due to a transfer by Housing Tasmania of \$7.5 million from capital revenue to recurrent revenue and a decrease in National Highway System funding due to the completion of a number of roads projects in the 2002-03 Roads Program.

Other Payments

In 2003-04, Other Payments is estimated to be \$144.2 million, a decrease of \$2.3 million or 1.6 per cent on the 2002-03 Budget estimate of \$146.5 million. The majority of this revenue from the Commonwealth is paid

directly to Government agencies and not paid into the Consolidated Fund. The Departments of Education (DoE) and Health and Human Services (DHHS) are the primary recipients of such Commonwealth monies. DoE receives approximately \$102.0 million of funding directly from the Commonwealth, of which \$91.8 million relates to grants for non-government schools. DHHS receives approximately \$14.9 million of funding directly from the Commonwealth, which mainly relates to subsidies for nursing home clients and radiation oncology services. These payments are reported as Specific Purpose Payments 'through the State'.

Detailed information in relation to Commonwealth revenues is provided in Chapter 10 of this Budget Paper.

Taxation Revenue

Total Taxation Revenue for 2003-04 is estimated to be \$533.1 million, an increase of \$52.2 million or 10.9 per cent on the 2002-03 Budget estimate of \$480.9 million. Details of the categories of Taxation Revenue are provided in Table 4.3.

Table 4.3: Taxation Revenue, 2002-03 and 2003-04

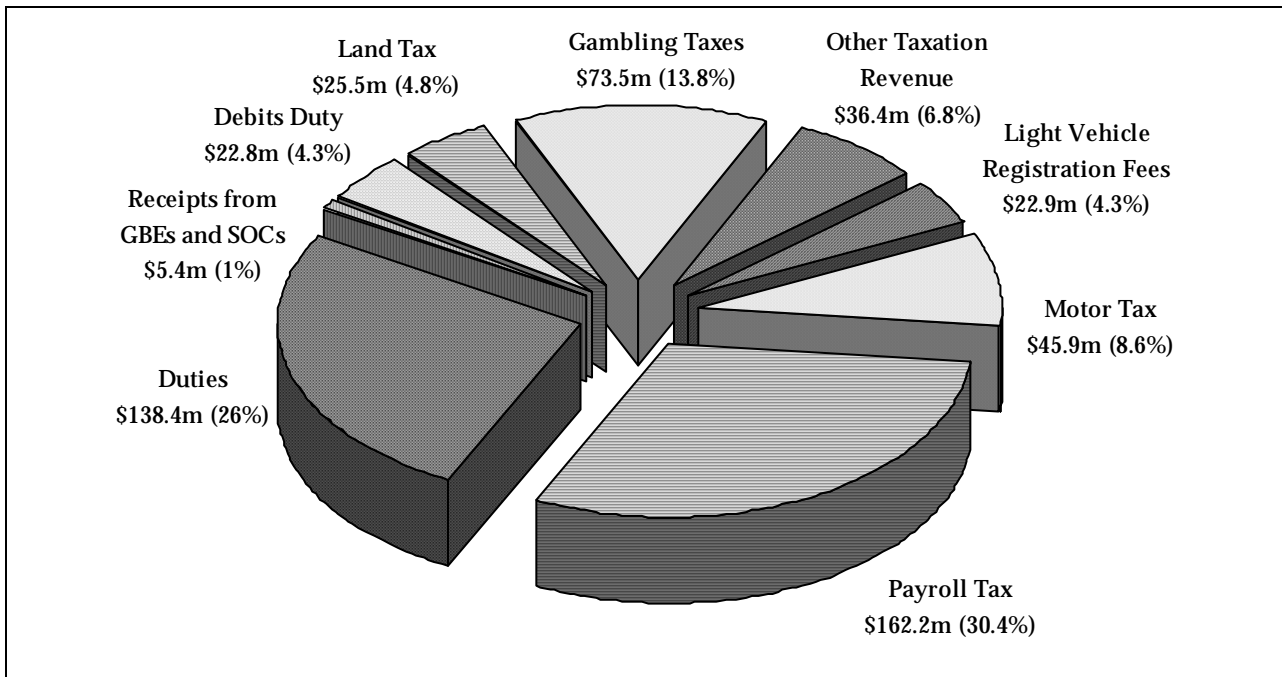
	2002-03	2003-04
	Budget	Budget
	\$'000	\$'000
Land Tax	24 990	25 547
Motor Taxation	43 466	45 910
Payroll Tax	146 585	162 248
Light Vehicle Registration Fees	22 380	22 917
Financial Transaction Taxes		
Debits Duties	21 512	22 769
Duties	116 245	138 409
Gambling Taxes		
Casino Tax and Licence Fees	47 031	50 853
Lottery Tax	20 490	22 344
Racing and Gaming Taxes	438	279
Receipts from GBEs, SOCs and State Authorities		
Guarantee Fees	4 721	5 425
Other Taxation Revenue	33 070	36 350
TOTAL TAXATION REVENUE	480 928	533 051

A summary of the expected 2003-04 revenue from major tax sources is as follows:

- Land Tax revenue in 2003-04 is estimated to be \$25.5 million, an increase of \$557 000 or 2.2 per cent on the 2002-03 Budget estimate of \$25.0 million. The estimated increase in 2003-04 reflects an increase in the aggregate land tax assessment over the 2002-03 Budget estimate;
- Motor Tax revenue in 2003-04 is estimated to be \$45.9 million, an increase of \$2.4 million or 5.6 per cent on the 2002-03 Budget estimate of \$43.5 million;

- Payroll Tax revenue in 2003-04 is estimated to be \$162.2 million, an increase of \$15.6 million or 10.6 per cent on the 2002-03 Budget estimate of \$146.6 million. The estimated increase in 2003-04 is the result of anticipated growth in employment in the payroll tax paying sector;
- Light Vehicle Registration Fees in 2003-04 is estimated to be \$22.9 million, an increase of \$537 000 or 2.4 per cent on the 2002-03 Budget estimate of \$22.4 million;
- Debits Duty revenue in 2003-04 is estimated to be \$22.8 million, an increase of \$1.3 million or 6 per cent on the 2002-03 Budget estimate of \$21.5 million;
- Duties revenue in 2003-04 is estimated to be \$138.4 million, an increase of \$22.2 million or 19.1 per cent on the 2002-03 Budget estimate of \$116.2 million. The estimated increase in 2003-04 is the result of an anticipated continuation of the high level of activity in the property market to at least mid 2003-04, which has resulted in increased property sales and prices;
- Gambling Tax revenue in 2003-04 is estimated to be \$73.5 million, an increase of \$5.5 million or 8.1 per cent on the 2002-03 Budget estimate of \$68.0 million. The expected increase is primarily due to increases in Casino Tax and Licence Fees of \$3.8 million, or 8.1 per cent, and Lottery Tax of \$1.9 million, or 9.2 per cent. The increase in Casino Tax receipts is mainly due to increased receipts from licence fees and video gaming machines as a result of the tax rates to apply under the new Deed of Agreement between the State and Federal Hotels;
- Returns from Government Business Enterprises, State-owned Companies and State Authorities from Guarantee Fees is estimated to be \$5.4 million, an increase of \$704 000 or 14.9 per cent on the 2002-03 Budget estimate of \$4.7 million, largely reflecting the Government decision in 2002-03 to include TT Line Company Pty Ltd in the guarantee fee regime (refer to Chapter 11 for more information on returns from Government Businesses and Authorities); and
- Other Taxation Revenue represents revenue raised by the State Fire Commission in accordance with the *Fire Service Act 1979*. In 2003-04, revenue raised by the State Fire Commission is estimated to be \$36.4 million, an increase of \$3.3 million or 9.9 per cent on the 2002-03 Budget estimate of \$33.1 million.

Chart 4.2: Taxation Revenue, 2003-04



More detailed information in relation to State taxation revenue is provided in Chapter 5 of this Budget Paper.

Sales of Goods and Services

Revenue from Sale of Goods and Services is estimated to be \$297.6 million in 2003-04, an increase of \$22.1 million or 8 per cent on the 2002-03 Budget estimate of \$275.5 million. Table 4.4 provides a breakdown of Revenue from the Sale of Goods and Services.

Table 4.4: Revenue from Sales of Goods and Services, 2002-03 and 2003-04

	2002-03 Budget	2003-04 Budget
	\$'000	\$'000
Departmental Fees and Recoveries		
Economic Development	3 496	1 100
Education	8 356	8 556
Health and Human Services	16	16
Infrastructure, Energy and Resources	10 263	9 501
Justice and Industrial Relations	7 915	8 105
Police and Public Safety	643	294
Premier and Cabinet	2	2
Primary Industries, Water and Environment	24 460	25 138
Tourism, Parks, Heritage and the Arts	385	385
Treasury and Finance	329	339
Total Departmental Fees and Recoveries	55 865	53 436
Other Sales of Goods and Services	219 676	244 191
TOTAL SALES OF GOODS AND SERVICES	275 541	297 627

Departmental Fees and Recoveries

Revenue from fees and other charges levied for services provided by agencies in 2003-04 is estimated to be \$53.4 million, a decrease of \$2.5 million, or 4.5 per cent, on budgeted revenue of \$55.9 million in 2002-03. The decrease in revenue from these sources is largely attributable to a decrease of \$2.4 million in the revenue of the Department of Economic Development due to the continued reduction in the size of the Tasmanian Development and Resources Loan Portfolio.

Other Sales of Goods and Services

Revenue from Other Sales of Goods and Services in 2003-04 is estimated to be \$244.2 million, an increase of \$24.5 million or 11.2 per cent on the 2002-03 Budget estimate of \$219.7 million. This category represents revenue raised by General Government departments, authorities and other bodies through a range of fees, charges and recoveries, including revenue raised by the Department of Health and Human Services (DHHS) from inpatient fees, outpatient fees and private patient fees; revenue raised by the Department of Tourism, Parks, Heritage and the Arts from its tourism wholesale business, tourism commissions and park entry fees and donations; and revenue raised by TAFE Tasmania.

With the introduction of accrual budgeting in the 2003-04 Budget, a detailed examination has been undertaken in relation to revenues raised by the General Government Sector. This examination has allowed for a better identification and estimation of General Government revenue items and is the most significant factor contributing to the increase in 2003-04 revenue estimates compared to the 2002-03 estimates. Other factors contributing to the increase in Other Sales of Goods and Services include:

- higher than anticipated revenue of approximately \$7.0 million for DHHS from inpatient fees, outpatient fees and private patient fees;
- additional revenue of \$1.3 million for the Department of Education from various programs including the Tasmanian Government Schools International Program and the Teachers' Registration Board;
- additional revenue of \$540 000 for Marine *and* Safety Tasmania from commercial vessels and an increase in the number of registered recreational vessels; and
- an anticipated increase in revenue of approximately \$370 000 for Inland Fisheries Service from commercial activities.

Interest Income

Revenue from Interest Income is estimated to be \$17.6 million in 2003-04, an increase of \$1.9 million or 12.1 per cent on the 2002-03 Budget estimate of \$15.7 million. Table 4.5 provides a breakdown of Interest Income.

Table 4.5: Interest Income, 2002-03 and 2003-04

	2002-03 Budget	2003-04 Budget
	\$'000	\$'000
Recoveries of State Debt Charges – Interest	5 870	2 755
Other Interest Income	9 872	14 832
TOTAL INTEREST INCOME	15 742	17 587

Recoveries of State Debt Charges - Interest

Interest is estimated to be \$2.8 million in 2003-04, a decline of \$3.1 million or 52.5 per cent from the Budget estimate of \$5.9 million for 2002-03. The reduction in interest receipts in 2003-04 is primarily due to the repayment of advances from Hydro Tasmania of on-lent Financial Agreement debt and the early redemption of loans under the *Public Bodies Assistance Act 1971*.

Other Interest Income

Other Interest Income is estimated to be \$14.8 million in 2003-04, an increase of \$4.9 million or 49.5 per cent from the Budget estimate of \$9.9 million for 2002-03. The increase is primarily due to the following:

- the recognition of \$1.8 million of interest income by the Department of Education. This revenue was not previously reported as a revenue to the Budget; and
- an increase in interest on investments for Finance-General, which has increased mainly as a result of a higher level of surplus cash available in the Public Account for investment purposes.

Dividend and Tax Equivalent Income

Dividend Income is estimated to be \$139.0 million in 2003-04, a decrease of \$8.3 million or 5.6 per cent from the Budget estimate of \$147.3 million in 2002-03. This is attributable to slightly lower returns from Government Business Enterprises, State-owned Companies and State Authorities in the form of dividends, special dividends and tax equivalents. Table 4.6 provides a breakdown of Dividend Income.

Table 4.6: Dividend and Tax Equivalent Income, 2002-03 and 2003-04

	2002-03	2003-04
	Budget	Budget
	\$'000	\$'000
Dividends¹	59 090	52 290
Special Dividends²	40 000	26 500
Taxation Equivalents³	48 247	60 228
TOTAL DIVIDEND AND TAX EQUIVALENT INCOME	147 337	139 018

Notes:

1. The expected reduction in estimated dividends is primarily a result of reduced profit outcomes for Hydro Tasmania in 2002-03 compared to the previous year, due to higher than anticipated costs associated with the operation of Bell Bay Power Station following lower than expected rainfall during 2002-03; and reduced profit outcomes for Transend Networks Pty Ltd in 2002-03 compared to the previous year, due to higher depreciation expenses arising from an asset revaluation. This decrease is partially offset by a higher than anticipated profit outcome for Forestry Tasmania in 2002-03 compared to the previous year, due to increased domestic and export sales, as well as cost containment.
2. The expected reduction in the special dividend for Hydro Tasmania reflects the phasing out of this form of return to Government.
3. The increase in estimated tax equivalent payments is primarily a result of an abnormally low estimate of tax in 2002-03 as a result of the pre-payment of tax equivalents by Hydro Tasmania during 2001-02.

In 2003-04, it is estimated that Hydro Tasmania will pay \$40.0 million in dividends (including a special dividend of \$26.5 million) and \$30.0 million in tax equivalent payments. Transend Networks Pty Ltd is expected to pay a dividend of \$9.0 million and an estimated \$8.0 million in tax equivalent payments. Aurora Energy Pty Ltd is expected to pay \$11.5 million in dividends and \$17.5 million in tax equivalent payments.

In 2003-04, the Tasmanian Public Finance Corporation is expected to pay a dividend of \$6.5 million and an estimated \$2.5 million in tax equivalent payments. During 2003-04, Forestry Tasmania will contribute \$8.3 million by way of an ordinary dividend.

Further information concerning returns from Government Business Enterprises, State-owned Companies and State Authorities is provided in Chapter 11 of this Budget Paper.

Other Revenue

Total Other Revenue is estimated to be \$142.0 million in 2003-04, an increase of \$12.8 million or 9.9 per cent on the 2002-03 Budget of \$129.2 million. Table 4.7 provides a breakdown of Other Revenue.

Table 4.7: Other Revenue, 2002-03 and 2003-04

	2002-03	2003-04
	Budget	Budget
	\$'000	\$'000
Mineral Royalties	10 000	8 000
Rent and Fees from Mineral Lands	770	770
Water Royalties	1 912	1 911
Fines, Fees and Charges	22 970	23 007
Duties - Instalment Payments	3 000	3 250
Miscellaneous Revenue	90 547	105 049
TOTAL OTHER REVENUE	129 199	141 987

The increase in total Other Revenue is primarily driven by an increase in Miscellaneous Revenue, which is estimated to be \$105.0 million in 2003-04, an increase of \$14.5 million or 16.0 per cent on the 2002-03 Budget estimate of \$90.5 million. The significant revenue items within this category include Motor Accidents Insurance Board (MAIB) premiums collected by the Department of Infrastructure, Energy and Resources on behalf of, and subsequently transferred to, the MAIB and revenue raised by various Government departments, authorities and other bodies.

The primary factor contributing to the increase in Miscellaneous Revenue is the recognition of \$20.7 million of revenue by the Department of Education in relation to school revenues. This revenue was not previously recognised in the accrual budget estimates.

The increase in Other Revenue is partially offset by a decrease in revenue received from Mineral Royalties, which is estimated to be \$8.0 million in 2003-04, a decline of \$2.0 million from the 2002-03 Budget estimate of \$10.0 million. This decline is a result of the downturn in base metal prices.

EXPENSES

In 2003-04, total expenses are expected to be \$3 005.8 million, an increase of \$154.0 million or 5.4 per cent over 2002-03 budgeted expenses of \$2 851.8 million.

Depreciation

Depreciation in 2003-04 is expected to be \$154.2 million, an increase of \$3.8 million or 2.5 per cent over the Budget estimate of \$150.4 million in 2002-03. This is primarily attributable to an increase in the level of depreciation expense for the Department of Infrastructure, Energy and Resources following a revaluation of its road and bridge infrastructure.

Employee Expenses

Employee Expenses in 2003-04 are expected to be \$1 293.2 million, an increase of \$60.8 million or 4.9 per cent over the Budget estimate of \$1 232.4 million in 2002-03. The majority of the increase in Employee Expenses is attributable to wage indexation in accordance with current wage agreements including the State Service Wage Agreement, the Teachers Nexus and Nurses and Police Officers wage agreements. Other significant items contributing to the increase in employee expenses include:

- \$18.6 million of the additional funding provided to the Department of Health and Human Services in 2003-04 relates to increased staffing costs of nursing, Ashley Youth Detention Centre, renal dialysis, services to children, oral health, Home and Community Care Program and disability services and application of the Nurses' Post Graduate Allowance;
- \$2.1 million of the additional funding provided to the Department of Police and Public Safety for counter terrorism, hand gun law reform and CrimTrac; and
- \$1.0 million of the additional funding provided to the Department of Justice and Industrial Relations for corrective services.

Other Operating Expenses

Other Operating Expenses in 2003-04 are expected to be \$725.7 million, an increase of \$46.0 million or 6.7 per cent over the Budget estimate of \$679.7 million in 2002-03. The significant items contributing to the increase include:

- the expense of \$20.7 million for the Department of Education in relation to costs funded by school revenues. This cost was not previously recognised in accrual estimates;
- increased expenditure of approximately \$13.3 million for the Department of Health and Human Services in relation to the Air Ambulance contract, Breast Screen Tasmania, medical and surgical supplies for hospital and ambulance services, services to children, disability services and the introduction of indexation on service delivery related expenses; and
- increased expenditure of approximately \$3.8 million for the Department of Police and Public Safety in relation to the provision of additional funding by the Government for counter terrorism, hand gun law reform and CrimTrac.

Nominal Superannuation Interest Expense

Nominal interest on superannuation is calculated by applying an appropriate interest rate to the balance of the General Government unfunded superannuation liability. Nominal Superannuation Interest Expense in 2003-04 is expected to be \$115.9 million, an increase of \$4.4 million or 3.9 per cent over the Budget estimate of \$111.5 million in 2002-03. The increase in this item reflects the increasing unfunded superannuation liability. Further information on the General Government unfunded superannuation liability can be found in Chapter 7 of this Budget Paper.

Other Interest Expenses

Other Interest Expenses in 2003-04 are expected to be \$68.9 million, a decrease of \$14.0 million or 17.0 per cent on the Budget estimate of \$82.9 million in 2002-03. The decrease is primarily a result of a reduction in the level of Net Debt.

Grants and Transfers

Grants and Transfers in 2003-04 are expected to be \$647.8 million, an increase of \$52.9 million or 8.8 per cent on the Budget estimate of \$594.9 million in 2002-03.

The increase in Grants and Transfers is primarily due to the following:

- expenditure from the new Economic and Social Infrastructure Fund established as part of the 2003-04 Budget to provide funding for major economic projects and the implementation of social initiatives;
- expenditure of \$7.8 million from the Structural and Performance Initiatives Program account held within the Special Deposits and Trust Fund. These funds will be allocated to specific agencies to fund major projects including the redevelopment of the Motor Registry System, the Monetary Penalties Enforcement Project, and other major projects related to information systems development;
- increased expenditure of \$3.3 million for the Department of Health and Human Services primarily in relation to additional funding provided by the Government for electricity concessions and increased indexation for non-Government organisations; and
- increased expenditure of \$4.1 million for the Department of Infrastructure, Energy and Resources primarily in relation to additional funding provided by the Government for:
 - school bus contract and route services;
 - Community Service Agreement payments to Metro Tasmania Pty Ltd;
 - wheelchair accessible taxis;
 - the Conveyance Allowance; and
 - the Transport Access Scheme.

NET ACQUISITION OF NON-FINANCIAL ASSETS

Non-financial assets comprise land and fixed assets such as buildings, plant and equipment, and roads, which are used to facilitate the provision of services by the General Government Sector. The Net Acquisition of Non-financial Assets reflects net capital expenditure (the purchase of new non-financial assets less the sale of non-financial assets) less depreciation expense.

Purchase of New Non-Financial Assets

The Purchase of New Non-Financial Assets is estimated to be \$181.0 million in 2003-04, an increase of \$9.8 million or 5.7 per cent on the 2002-03 Budget estimate of \$171.2 million. The increase in this item primarily relates to the following:

- \$6.5 million of funds for the Department of Health and Human Services to be used for the redevelopment of a number of Hospitals. These funds were budgeted to be expended in 2002-03 but are now estimated to be spent in 2003-04;
- \$2.2 million of funds for the Department of Infrastructure, Energy and Resources in relation to work on the Westbury/Hagley Bypass. These funds were budgeted to be expended in 2002-03 but are now estimated to be spent in 2003-04; and
- an increase in the level of works to be undertaken in relation to the Prison Infrastructure Redevelopment Program in 2003-04 compared to 2002-03.

Sale of Non-Financial Assets

The Sale of Non-Financial Assets is estimated to be \$49.5 million in 2003-04, an increase of \$3.2 million or 6.8 per cent on the 2002-03 Budget estimate of \$46.3 million. The increase primarily relates to:

- increased revenue of \$560 000 for the Department of Health and Human Services in relation to proceeds from the sale of housing properties;
- increased revenue of \$800 000 for the Department of Primary Industries, Water and Environment due to an increase in shack site disposals; and
- other increases in sales proceeds as a result of the current level of activity in the property market.

Depreciation

Depreciation in 2003-04, as noted above, is expected to be \$154.2 million, an increase of \$3.8 million or 2.5 per cent over the Budget estimate of \$150.4 million in 2002-03. This is primarily attributable to an increase in the level of depreciation expense for the Department of Infrastructure, Energy and Resources following a revaluation of its road and bridge infrastructure.

FISCAL SURPLUS

In 2003-04, the Fiscal Surplus is estimated to be \$6.9 million. The Fiscal Surplus indicates that the Government is saving more than enough to finance all of its operations and capital spending. The estimated Fiscal Surplus outcome for 2002-03 is \$121.0 million (for further information on the 2002-03 Fiscal Surplus outcome, refer to Chapter 8 of this Budget Paper). This surplus has resulted in a once-off build up of funds to be paid into the new Economic and Social Infrastructure Fund (ESIF), of which a significant amount is to be expended in 2003-04. Due mainly to this expenditure in 2003-04, substantial expenditure is occurring in 2003-04 from cash generated in an earlier year with the effect that the Net Operating Result for 2003-04 is estimated to be a deficit of \$15.8 million.

CONSOLIDATED FUND EXPENDITURE

Table 4.8 provides information on Consolidated Fund Expenditure by agency.

Table 4.8: Total Consolidated Fund Expenditure, 2002-03 and 2003-04

Agency	2003-04 Budget				Total \$'000	Variation %
	2002-03 Budget \$'000	Recurrent Services \$'000	Reserved by Law \$'000	Works and Services \$'000		
Economic Development	45 300	43 302	....	....	43 302	(4.4)
Education	644 779	654 810	....	14 470	669 280	3.8
Finance-General	455 526	305 678	157 255	35 464	498 397	9.4
Health and Human Services	725 703	757 090	....	14 303	771 393	6.3
House of Assembly	4 631	1 826	3 045	....	4 871	5.2
Infrastructure, Energy and Resources	164 775	101 166	52	67 145	168 363	2.2
Justice and Industrial Relations	64 218	53 153	8 986	14 966	77 105	20.1
Legislative Council	3 394	1 943	1 831	....	3 774	11.2
Legislature-General	3 545	3 762	....	....	3 762	6.1
Ministerial and Parliamentary						
Support	11 059	13 269	550	....	13 819	25.0
Office of the Governor	1 969	1 835	217	8	2 060	4.6
Police and Public Safety	116 278	125 202	....	1 921	127 123	9.3
Premier and Cabinet	21 270	23 416	....	....	23 416	10.1
Primary Industries, Water and						
Environment	73 255	76 120	....	154	76 274	4.1
Tasmanian Audit Office	298	....	254	....	254	(14.8)
Tourism, Parks, Heritage and the Arts	61 028	58 858	....	2 131	60 989	(0.1)
Treasury and Finance	31 780	32 111	....	....	32 111	1.0
TOTAL EXPENDITURE	2 428 808	2 253 541	172 190	150 562	2 576 293	6.1

Table 4.9 provides a reconciliation of total Consolidated Fund expenditure to total expenses for 2002-03 to 2003-04.

Table 4.9: Reconciliation of Total Consolidated Fund Expenditure to Total Expenses, 2002-03 and 2003-04

	2002-03	2003-04
	Budget	Budget
	\$'000	\$'000
TOTAL CONSOLIDATED FUND EXPENDITURE	2 428 808	2 576 293
<i>Less Capital Expenditure from the Consolidated Fund</i> ¹	185 098	171 570
<i>Add Expenditure from the Special Deposits and Trust Fund</i> ²	120 631	143 791
Total Cash Payments for Operating Activities ³	2 734 537	2 891 654
<i>Add Depreciation</i> ⁴	150 370	154 205
<i>Add Nominal Interest on Superannuation</i> ⁵	111 498	115 935
<i>Less GST Payments</i> ⁶	101 896	112 963
<i>Add Other Accrual Items</i> ⁷	(42 685)	(43 054)
TOTAL EXPENSES ⁸	2 851 824	3 005 777

Notes:

1. This amount primarily includes Capital Investment Program expenditure and other asset purchases funded from recurrent appropriations.
2. This amount represents expenditure from the Special Deposits and Trust Fund that is not funded by a transfer of funds from the Consolidated Fund.
3. This amount equates to the Cash Payments for Operating Activities shown in the Cash Flow Statement in Chapter 3, Table 3.3, of this Budget Paper.
4. This amount equates to the Depreciation expense shown in the Operating Statement in Table 4.1 of this Chapter.
5. This amount equates to the Nominal Interest on Superannuation expense shown in the Operating Statement in Table 4.1 of this Chapter.
6. GST Payments are a component of Cash Payments for Operating Activities shown in the Cash Flow Statement in Chapter 3, Table 3.3, of this Budget Paper. GST Payments are not reflected in the Operating Statement as they relate to the payment of a liability.
7. This amount represents the movements in debtors, creditors and other accrual items as at 30 June.
8. This amount equates to Total Expenses shown in the Operating Statement in Table 4.1 of this Chapter.

Explanation of Estimated Major Consolidated Fund Expenditure Variations

Expenditure

Expenditure, including Reserved by Law and works and services expenditure for 2003-04, is estimated to be \$2 576.3 million, \$147.5 million or 6.1 per cent above the original Budget estimate of \$2 428.8 million in 2002-03.

The primary reasons for this expected variation are detailed below on an agency basis.

Education

Expenditure for the Department of Education is expected to be \$669.3 million in 2003-04, an increase of \$24.5 million or 3.8 per cent above the 2002-03 Budget of \$644.8 million. The increase in expenditure in 2003-04 is primarily due to the provision of \$14.2 million for costs associated with the 27th pay, additional funding for wage indexation in accordance with the Teacher's Nexus, additional funding of \$868 000 to ensure the continuation of Online Access Centres throughout Tasmania, and additional Commonwealth funding of \$1.9 million for Technical and Further Education and Primary and Secondary Schools.

Finance-General

Expenditure for Finance-General is expected to be \$498.4 million in 2003-04, an increase of \$42.9 million or 9.4 per cent above the 2002-03 Budget of \$455.5 million. The increase in expenditure in 2003-04 is primarily due to the following:

- payment of \$17.7 million to the Structural and Performance Initiatives Program account held within the Special Deposits and Trust Fund. These funds will be allocated to specific agencies to fund major projects including the redevelopment of the Motor Registry System (\$6.5 million), the Monetary Penalties Enforcement Project (\$6.2 million), and other major projects related to information systems development (\$5.0 million); and
- payment of \$28.5 million of proceeds to be realised in 2003-04 from the sale of Civil Construction Corporation, the Tasmanian Grain Elevators Board, the Stanley Cool Stores Board and assets of the Hobart Ports Corporation Pty Ltd into the new Economic and Social Infrastructure Fund account held within the Special Deposits and Trust Fund.

A provision of \$13.0 million has been included in the Finance-General Division for unbudgeted wage increases that may occur during 2003-04, the same level as in 2002-03. In addition, Finance-General includes a payment to the Commonwealth of \$13.5 million for the administration costs of the goods and services tax, similar to the provision in 2002-03.

An allocation of \$20.0 million has been made to the Treasurer's Reserve to provide for unanticipated expenditures that may arise during 2003-04, the same level as in 2002-03. The Treasurer's Reserve provides for unanticipated outlays which may impact on the 2003-04 Budget, and which cannot be included in specific expenditure items, and also provides a cushion in the event that revenue shortfalls occur.

Health and Human Services

Expenditure for the Department of Health and Human Services is expected to be \$771.4 million in 2003-04, an increase of \$45.7 million or 6.3 per cent above the 2002-03 Budget of \$725.7 million. The increase in expenditure in 2003-04 is primarily due to the provision of additional recurrent funding for 2003-04 Budget initiatives and for the maintenance of current services. This includes funding of \$18.4 million for hospital and ambulance services, \$1.8 million for disability services, \$3.3 million for other community rural and population health services, \$4.7 million for services to children, \$1.4 million of funding for non-government organisations, \$2.8 million for electricity concessions and wage indexation in accordance with current wage agreements.

Justice and Industrial Relations

Expenditure for the Department of Justice and Industrial Relations is expected to be \$77.1 million in 2003-04, an increase of \$12.9 million or 20.1 per cent above the 2002-03 Budget of \$64.2 million. The increase primarily relates to expenditure of \$14.9 million on the Prison Infrastructure Redevelopment Program in 2003-04 compared to expenditure of \$3.8 million on the Program in 2002-03. Additional funding has also been provided to meet \$1.3 million of costs associated with the 27th pay, \$1.8 million for additional prisoner numbers and a further \$250 000 to create a Civil Cases Disbursement Fund.

Ministerial and Parliamentary Support

Expenditure for Ministerial and Parliamentary Support is expected to be \$13.8 million in 2003-04, an increase of \$2.7 million or 25 per cent above the 2002-03 Budget of \$11.1 million. The increase in expenditure in 2003-04 is primarily due to the provision of additional funding for the costs of providing support for opposition parties and the appointment of a new Minister to Cabinet, following the 2002 State Election.

Police and Public Safety

Expenditure for the Department of Police and Public Safety is expected to be \$127.1 million in 2003-04, an increase of \$10.8 million or 9.3 per cent above the 2002-03 Budget of \$116.3 million. The increase in expenditure in 2003-04 is primarily due to the provision of additional funding to meet \$2.4 million of costs associated with the 27th pay, funding to meet wage indexation in accordance with current wage agreements, \$3.7 million for staffing and equipment for the implementation of new counter terrorism measures, \$1.2 million for CrimTrac and \$715 000 for hand gun law reform.

Premier and Cabinet

Expenditure for the Department of Premier and Cabinet is expected to be \$23.4 million in 2003-04, an increase of \$2.1 million or 10.1 per cent above the 2002-03 Budget of \$21.3 million. The increase in expenditure in 2003-04 is primarily due to the provision of additional funding to meet costs associated with the 27th pay, wage indexation in accordance with the State Service Wage Agreement and \$1.3 million for the establishment of a Social Projects Unit.