

PART 1: AUSTRALIA'S FEDERAL RELATIONS

OVERVIEW

The 2015-16 Budget is focused on building jobs, growth and opportunity, while making progress in restoring Australia's budget position.

This Budget provides a sound basis from which longer-term arrangements with the states can be considered in both the Reform of the Federation White Paper, and the White Paper on the Reform of Australia's Tax System.

The Commonwealth is ensuring certainty in service provision in the following key areas:

- a new two year *National Partnership on homelessness* to maintain critical frontline homelessness services with a particular focus on women and children experiencing domestic violence, and homeless youth;
- a two year extension to the *National Partnership on universal access to early childhood education* to provide affordable, quality early childhood education programmes for all children; and
- a new five year *National Partnership on legal assistance services* which extends the current arrangements for Legal Aid Commissions and will provide Commonwealth funding for Community Legal Centres.

This Budget also details the Commonwealth's ongoing commitment to expedite investment in high quality economic infrastructure.

The Commonwealth is continuing its investment in the Northern Territory to address Indigenous disadvantage through an eight year *National Partnership on Northern Territory remote Aboriginal investment*.

TOTAL PAYMENTS TO THE STATES

The Commonwealth provides substantial levels of funding to the states, in key sectors such as health, education, community services and affordable housing, and continues to support important productivity-enhancing projects and reforms in the skills and workforce development and infrastructure sectors.

In 2015-16, the Commonwealth will provide the states with payments totalling \$107.7 billion. This represents a \$6.0 billion increase compared to 2014-15. Total payments to the states from 2014-15 to 2017-18 have increased by \$268 million since the *Mid-Year Economic and Fiscal Outlook 2014-15*. Total payments to the states as a proportion of Commonwealth expenditure are estimated to be 24.8 per cent in 2015-16.

Payments for specific purposes

In 2015-16, the Commonwealth will provide the states with \$50.0 billion in payments for specific purposes, an increase of \$3.4 billion compared with \$46.5 billion in 2014-15. Payments for specific purposes as a proportion of Commonwealth expenditure are estimated to be 11.5 per cent in 2015-16.

National Specific Purpose Payments (National SPPs), along with National Health Reform and Students First funding are expected to total \$36.4 billion in 2015-16, a change of \$2.1 billion from \$34.3 billion in 2014-15.

National Partnership payments are expected to be \$13.6 billion in 2015-16, a change of \$1.3 billion from \$12.3 billion in 2014-15.

Part 2 of this Budget Paper provides further information on payments to the states for specific purposes.

General revenue assistance

General revenue assistance, which principally comprises GST entitlements, provides an untied funding base to support the delivery of state services.

In 2015-16, the states are expected to receive \$57.7 billion in general revenue assistance, comprising GST payments of \$57.1 billion and other general revenue assistance of \$698.9 million. This is an increase of \$2.6 billion from \$55.2 billion in 2014-15. Payments for general revenue assistance are estimated to be 13.3 per cent of Commonwealth expenditure in 2015-16.

Part 3 of this Budget Paper provides further information on general revenue assistance to the states, including GST.

Table 1.1: Commonwealth payments to the states

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2014-15									
Payments for specific purposes(a)	14,324	10,928	9,482	5,817	3,122	1,028	782	1,029	46,530
General revenue assistance(b)	16,942	11,925	11,746	2,289	4,986	1,928	1,136	3,199	55,178
Total payments to the States	31,267	22,853	21,229	8,106	8,109	2,956	1,918	4,227	101,708
2015-16									
Payments for specific purposes(a)	14,973	11,659	10,064	5,479	3,516	1,159	786	1,261	49,962
General revenue assistance(b)	17,345	12,755	12,990	1,944	5,518	2,236	1,071	3,335	57,749
Total payments to the States	32,318	24,414	23,054	7,423	9,034	3,394	1,857	4,596	107,711
2016-17									
Payments for specific purposes(a)	16,792	11,399	11,399	5,591	3,726	1,188	837	1,073	53,520
General revenue assistance(b)	18,067	13,360	14,946	1,677	6,151	2,336	1,124	3,432	61,660
Total payments to the States	34,859	24,760	26,344	7,269	9,877	3,524	1,961	4,505	115,180
2017-18									
Payments for specific purposes(a)	16,219	11,475	11,290	5,761	3,539	1,072	825	962	52,549
General revenue assistance(b)	19,070	14,135	16,483	1,366	6,565	2,450	1,219	3,351	65,149
Total payments to the States	35,289	25,610	27,773	7,127	10,104	3,523	2,044	4,314	117,698
2018-19									
Payments for specific purposes(a)	16,602	11,744	10,609	5,786	3,744	1,080	810	748	52,220
General revenue assistance(b)	20,235	15,075	17,346	1,626	6,797	2,516	1,282	3,459	68,745
Total payments to the States	36,836	26,819	27,955	7,412	10,541	3,595	2,091	4,207	120,964

(a) As state allocations for a small number of programmes have yet to be determined, these payments are not reflected in state totals. As such, total payments for specific purposes may not equal the sum of state totals.

(b) As state allocations for royalties are not published due to commercial sensitivities, these payments are not reflected in state totals. As such, total general revenue assistance will not equal the sum of the state totals.

For 2015-16, total payments to the states as a proportion of GDP are estimated to be 6.5 per cent, with payments for specific purposes estimated to be 3.0 per cent and general revenue assistance estimated to be 3.5 per cent.

Table 1.2: Total Commonwealth payments to the states as a proportion of GDP

\$million	National SPPs	National	Students	National	GST entitlement	Other	Total	Per cent change from prior year	Per cent of GDP
		Health Reform funding (a)	First funding (b)	Partnership payments (c)		general revenue assistance			
2014-15	4,135	15,459	14,664	12,272	54,000	1,178	101,708	-	6.3
2015-16	4,222	16,441	15,743	13,557	57,050	699	107,711	5.9	6.5
2016-17	4,318	17,382	17,012	14,807	60,950	710	115,180	6.9	6.6
2017-18	4,423	18,103	18,031	11,992	64,500	649	117,698	2.2	6.4
2018-19	4,534	18,873	18,760	10,052	68,200	545	120,964	2.8	6.2

(a) New indexation arrangements for public hospital funding will apply from July 2017.

(b) New indexation arrangements for schools funding will apply from January 2018.

(c) Includes financial assistance grants for local government and payments direct to local government.