

## CHAPTER 4 – STATE REVENUE

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### SUMMARY OF GENERAL GOVERNMENT REVENUE

This chapter describes the major categories of revenue, comprising both state sourced revenue and Commonwealth grants, and examines the expected movement in revenue between the 2008-09 revised estimates and the 2009-10 Budget estimates.

Total revenue comprises revenue from transactions and revenue from economic flows. Revenue from transactions represents the majority of total revenue in the 2009-10 Budget estimates and is the focus of discussion in this chapter.

As shown in Table 4.1, general government sector revenue is expected to increase by 8.3 per cent in 2009-10 to \$42 388 million.

**Table 4.1: General government sector revenue and grants received**

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Taxation	12 720.0	13 273.7	4.4
Interest	408.2	434.1	6.4
Dividends, income tax and rate equivalent revenue	474.2	379.4	-20.0
Sales of goods and services	5 076.6	5 044.1	-0.6
Other current revenue	1 683.8	1 702.9	1.1
Grants received	18 789.4	21 554.1	14.7
<b>Total revenue from transactions</b>	<b>39 152.1</b>	<b>42 388.3</b>	<b>8.3</b>

Source: Department of Treasury and Finance

Taxation revenue in 2009-10 is estimated to be \$13 274 million, an increase of \$554 million or 4.4 per cent on the 2008-09 revised estimate. This increase primarily reflects:

- an expected recovery in property market activity through the course of 2009-10, initially in response to historically low mortgage interest rates in early 2009;
- the introduction of the Growth Areas Infrastructure Contribution;
- relatively weak growth in payroll tax revenue as labour market conditions soften;

- increased motor vehicle registration fees in line with population growth and the consumer price index (CPI); and
- the effects of several special factors including rising domestic home and vehicle insurance premiums (insurance taxes), increased borrowings by water corporations and higher credit risk spreads (financial accommodation levy) and modernising emergency services (insurance contributions to fire brigades).

Partly offsetting these increases are declines in land tax, reflecting ongoing disaggregation of ownership holdings, and duty on vehicle registrations and transfers in response to falling volumes of car sales and a shift to smaller vehicles.

Interest revenue is estimated to be \$434 million in 2009-10, \$26 million or 6.4 per cent higher than the 2008-09 revised estimate. This mainly reflects a restoration of public account balances in 2009-10 for liquidity management purposes, following the impact of the Global Financial Crisis.

Dividends, income tax and rate equivalent revenue are estimated to be \$379 million in 2009-10, a decrease of 20.0 per cent on the 2008-09 revised estimate. This decrease is mainly driven by a decline in dividend revenue from the Transport Accident Commission (TAC) reflecting reduced investment returns during 2008-09 under challenging financial conditions.

Sales of goods and services revenue is expected to decrease by 0.6 per cent in 2009-10 to \$5 044 million reflecting a decrease in refunds and reimbursements.

Other current revenue from transactions is expected to increase by 1.1 per cent to \$1 703 million. This is due to increases in donations and gifts, fines and other miscellaneous income, partially offset by a decrease in fair value of assets received free of charge or for nominal consideration.

The Council of Australian Governments (COAG) has agreed to a new framework for federal financial relations. The new arrangements commenced 1 January 2009 and focus on removing prescriptions imposed by the Commonwealth on service delivery by the states, while moving to clearer roles and responsibilities and outcomes-based public accountability.

Total grants revenue is estimated to increase by \$2 765 million or 14.7 per cent to \$21 554 million in 2009-10 largely due to increases in payments for specific purposes and grants for on-passing arising from the additional funding through the COAG reforms to federal financial relations and the Commonwealth's *Nation Building – Economic Stimulus Plan*. Goods and services tax (GST) grants are expected to grow by 0.7 per cent in 2009-10 reflecting the current economic downturn.

The detailed federal grant estimates provided in this chapter are based on information available at 29 April 2009.

## STATE SOURCED REVENUE

### Taxation

Taxation revenue in 2009-10 is estimated to be \$13 274 million, which is \$554 million (4.4 per cent) higher than the 2008-09 revised estimate (Table 4.2).

**Table 4.2: Taxation estimates**

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
<b>Taxes on employers payroll and labour force</b>	<b>4 023.5</b>	<b>4 083.3</b>	<b>1.5</b>
<b>Taxes on property</b>			
Land tax	1 236.8	1 217.9	-1.5
Congestion levy	42.1	43.1	2.4
Land transfer duty	2 894.6	3 194.7	10.4
Other property duties	8.6	8.6	..
Metropolitan improvement levy	106.0	114.2	7.8
Property owners contributions to fire brigades	41.3	41.6	0.8
Growth Areas Infrastructure Contribution	..	84.7	..
Financial accommodation levy	26.6	54.2	103.6
	<b>4 356.0</b>	<b>4 759.0</b>	<b>9.3</b>
<b>Gambling taxes</b>			
Private lotteries	343.3	350.3	2.0
Electronic gaming machines	1 000.7	1 004.6	0.4
Casino	142.5	144.4	1.4
Racing	130.4	133.1	2.1
Other	8.4	9.3	10.9
	<b>1 625.3</b>	<b>1 641.8</b>	<b>1.0</b>
<b>Levies on statutory corporations</b>	<b>73.7</b>	<b>73.7</b>	<b>..</b>
<b>Taxes on insurance</b>			
Non-life insurance	645.3	677.4	5.0
Life insurance	8.8	8.7	-1.0
Duty on compulsory third party premiums	131.6	137.7	4.6
Insurance contributions to fire brigades	435.3	452.1	3.9
	<b>1 221.0</b>	<b>1 275.9</b>	<b>4.5</b>
<b>Motor vehicle taxes</b>			
Vehicle registration fees	822.0	864.5	5.2
Duty on vehicle registrations and transfers	498.0	483.9	-2.8
	<b>1 320.0</b>	<b>1 348.4</b>	<b>2.2</b>
<b>Other taxes</b>			
Liquor licence fees <sup>(a)</sup>	11.7	12.1	3.0
Transurban concession fees	37.5	29.5	-21.2
Landfill levy	51.3	50.1	-2.5
	<b>100.5</b>	<b>91.6</b>	<b>-8.8</b>
<b>Total taxation</b>	<b>12 720.0</b>	<b>13 273.7</b>	<b>4.4</b>

Source: Department of Treasury and Finance

Note:

(a) Part of the 'Franchise taxes' category in Note 2 of Budget Paper No.4, Chapter I, Estimated Financial Statements.

### ***Payroll tax***

Payroll tax is levied on taxable Victorian wages, which are defined to include salaries and wages, commissions, bonuses, taxable fringe benefits, and payments to some contractors. Payroll tax of 4.95 per cent is currently levied on businesses with a taxable total wage bill above a maximum annual tax free threshold of \$550 000.

From 1 July 2007, Victoria and NSW were forerunners in harmonising payroll tax legislation including common definitions and exemptions (excluding rates and thresholds), to streamline administration and reduce compliance costs for businesses. Tasmania has also harmonised its legislation from 1 July 2008, with other jurisdictions set to follow with respect to eight main provisions of the law.

Victoria, NSW and Tasmania have commenced the process of harmonising administrative arrangements, such as developing common revenue rulings: 32 joint revenue rulings have been published in the period to March 2009. In addition, a Payroll Tax Harmonisation Committee was recently established, which comprises a member from each jurisdiction, to oversee the design, implementation and maintenance of an administrative framework in line with the Protocol For Maintaining Payroll Tax Harmonisation Between States and Territories signed by all State Commissioners on 11 July 2008.

In 2009-10 payroll tax revenue is estimated to be \$4 083 million, an increase of \$60 million (1.5 per cent) over the 2008-09 revised estimate. This relatively weak growth rate reflects the forecast decline in employment and moderating wages growth in 2009-10.

### ***Taxes on property***

#### ***Land tax***

Land tax is an annual tax assessed on the aggregated taxable value of all land owned by a landowner in Victoria. There are several exemptions, including land used for charitable purposes, land used for primary production, and land that is used as the principal place of residence of the owner.

Table 4.3 shows the land tax rates that are applicable for the 2010 land tax year (being the *2009-10 Budget* year).

**Table 4.3: 2010 land tax rates***General land tax rates*

<i>Value of property</i>	<i>Land tax payable</i>
\$0 to \$249 999	Nil
\$250 000 to \$599 999	\$275 plus 0.2% of the value in excess of \$250 000
\$600 000 to \$ 999 999	\$975 plus 0.5% of the value in excess of \$600 000
\$1 000 000 to \$1 799 999	\$2 975 plus 0.8% of the value in excess of \$1 000 000
\$1 800 000 to 2 999 999	\$9 375 plus 1.3% of the value in excess of \$1 800 000
\$3 000 000 and over	\$24 975 plus 2.25% of the value in excess of \$3 000 000

*Trusts land tax rates <sup>(a)</sup>*

<i>Value of property</i>	<i>Land tax payable</i>
\$0 to \$24 999	Nil
\$25 000 to \$249 999	\$82 plus 0.375% of the value in excess of \$25 000
\$250 000 to \$599 999	\$926 plus 0.575% of the value in excess of \$250 000
\$600 000 to \$ 999 999	\$2 938 plus 0.875% of the value in excess of \$600 000
\$1 000 000 to \$1 799 999	\$6 438 plus 1.175% of the value in excess of \$1 000 000
\$1 800 000 to 2 999 999	\$15 838 plus 0.7614% of the value in excess of \$1 800 000
\$3 000 000 and over	\$24 975 plus 2.25% of the value in excess of \$3 000 000

Source: Land Tax Act 2005

*Note:*

- (a) The surcharge phases out for taxable values in excess of \$1.8 million. For landholdings valued at over \$3 million, the surcharge is zero and the general marginal rate applies.

Land tax revenue is expected to reach \$1 218 million in 2009-10, below the 2008-09 revised estimate of \$1 237 million because of the assumed effect of the ongoing disaggregation of land holdings. The 2010 land tax assessments will be based on the 2008 level valuations which were also used in 2009. Legislation states that valuations are required to be conducted biennially. This means that 2010 valuations will be used for the first time in the 2011 tax year.

**Land tax on trusts**

Certain trusts are subject to a land tax surcharge of 0.375 per cent (on top of the ordinary land tax rates). The surcharge is phased out for site values between \$1.8 million and \$3.0 million to ensure that the rate on trusts is the same as standard land tax rates on land values above \$3.0 million.

**Congestion levy**

The congestion levy is an annual charge on owners of long-stay off-street car parking spaces in Melbourne's Central Business District and adjacent areas such as Southbank, Docklands and the St Kilda Road precinct.

The levy for 2009 is \$850 per car parking space, and is subject to indexation based on the CPI. An exception is the area bounded by Montague Street, the West Gate Freeway, City Link and the Yarra River for which the levy is currently set at \$400 pending the outcome of the Government's review of parking requirements in planning schemes. Various car parking spaces are exempt from the levy, including short-stay parking spaces, parking spaces used exclusively for residential purposes, and certain other parking spaces such as those used by ambulances and charitable institutions.

Revenue in 2009-10 is expected to be \$43 million, 2.4 per cent higher than the 2008-09 revised estimate mainly due to CPI indexation.

### *Land transfer duty*

Duty is payable on any transaction that results in a change of beneficial ownership of land and associated real assets. Properties bought as a principal place of residence attract a lower marginal rate for certain dutiable values.

The rates of conveyancing duty are shown in Table 4.4 and reflect the 10 per cent movement in the rate thresholds as part of the 2008-09 stamp duty reductions.

**Table 4.4: Duty on land transfers**

#### *General land transfer duty rates*

<i>Value of property transferred</i>	<i>Duty payable</i>
Up to \$25 000	1.4% of the value of the property
\$25 001 to \$130 000	\$350 plus 2.4% of the value in excess of \$25 000
\$130 001 to \$960 000	\$2 870 plus 6% of the value in excess of \$130 000
\$960 001 and over	5.5% of the value of the property

#### *Land transfer duty rates for principal place of residence purchases*

<i>Value of property transferred</i>	<i>Duty payable</i>
Up to \$25 000	1.4% of the value of the property
\$25 001 to \$130 000	\$350 plus 2.4% of the value in excess of \$25 000
\$130 001 to \$440 000	\$2 870 plus 5% of the value in excess of \$130 000
\$440 001 to \$550 000	\$18 370 plus 6% of the value in excess of \$440 000
\$550 001 to \$960 000	\$28 070 plus 6% of the value in excess of \$550 000
\$960 001 and over	5.5% of the value of the property

*Source: Duties Act 2000*

There is a land transfer duty exemption for homes transferred into special disability trusts in recognition of the particular nature of the arrangements for persons with a severe disability.

There is also a full duty concession on property purchases of not more than \$330 000 for concession cardholders with a partial concession available for property worth not more than \$440 000.

The Government has introduced legislation to close a loophole to counter schemes or arrangements which were deliberately structured in ways to avoid paying stamp duty. The practice typically involved large commercial transactions for leases of sometimes up to 199 years, with large upfront payments and nominal rent. These contractual arrangements, for all intents and purposes, result in a transfer of rights that are analogous to a sale and purchase transaction. The loophole arose as a result of Victoria meeting its obligations to abolish lease duty in 2001 as part of the transition to the GST. These changes are anti-avoidance in nature and not expected to lead to significant additional duty being collected.

Land transfer duty revenue is expected to increase by \$300 million or 10.4 per cent in 2009-10. This follows an estimated 22 per cent fall in land transfer revenue in 2008-09 due to a sizeable contraction in the volume of transactions and modest fall in the average value per transaction. The fall in land transfer volumes reflects the property market downturn associated with the global fall in asset prices.

In the near-term, the property market is expected to respond to the recent monetary easing and the stimulatory effect coming from the Commonwealth Government's First Home Owner Boost and the Victorian Government's First Home Bonus. Recent market sales activity reported by the Real Estate Institute of Victoria, and the number of dwelling finance approvals reported by the ABS, are broadly in line with corresponding levels in 2004-05 and 2005-06, consistent with expectations for activity in 2009-10.

There are early indications of a rebound in the number of housing finance commitments, which have trended up in the five successive months to February, as well as first home buyer demand. The number of dwellings financed for first homebuyers in Victoria in February was 20.3 per cent higher than in October 2008. There has also been a marked improvement in housing affordability in Victoria, with measures of housing affordability increasing to the highest level in at least two years.

### *Other property duties*

This category includes revenue from minor duties such as duty on declarations of trust over property other than land, which is currently set at \$200, and duty on the sale of certain livestock, with revenue directed to a trust fund relating to disease control.

Revenue also includes any minor adjustment amounts relating to property taxes that have been abolished in recent years.

Revenue is estimated to be \$8.6 million in 2009-10, unchanged from the revised 2008-09 estimate.

### *Metropolitan improvement levy*

The rate of the levy is set each year with regard to expected disbursements from the Parks and Reserves Trust Account, taking into account the inflation rate. The revenue is earmarked by the Department of Sustainability and Environment for expenditure on metropolitan parks, gardens and waterways.

Revenue in 2009-10 is estimated to be \$114 million or \$8.2 million (7.8 per cent) higher than the 2008-09 revised estimate due to both annual indexation of the levy and an increase in the number of properties in the metropolitan area.

### *Property owners contributions to fire brigades*

Municipal councils whose districts are within or partly within the metropolitan area serviced by the Metropolitan Fire and Emergency Services Board are collectively required by legislation to contribute 12.5 per cent of the Metropolitan Fire and Emergency Services Board's approved annual budget.

Revenue in 2009-10 is expected to be \$42 million, \$0.3 million (0.8 per cent) higher than the 2008-09 revised estimate, which reflects continued investment in the state's urban emergency services.

### *Growth Areas Infrastructure Contribution*

The Growth Areas Infrastructure Contribution (GAIC) is the implementation of the November 2005 decision on infrastructure funding for growth areas. The GAIC will partly fund the provision of infrastructure in growth areas and enable a more timely provision of facilities and services. The GAIC applies to land brought into the Urban Growth Boundary in 2005 with a rate of \$80 000 per hectare and on land to be brought into the Boundary in future with a rate of \$95 000 per hectare.

The GAIC will be applied to all eligible Urban Growth Boundary land sold or subdivided since December 2008. Revenue from the GAIC will be used to establish the Growth Areas Development Fund which will provide financial assistance for capital works in growth areas focusing on projects that support economic and community infrastructure.

Revenue from the GAIC in 2009-10 is estimated to be \$85 million.

### *Financial accommodation levy*

The financial accommodation levy (FAL) applies to government owned entities declared to be leviable authorities for the purposes of the *Financial Management Act 1994*. The purpose of the levy is to remove the competitive advantage that government entities may experience in borrowing, and is consistent with the competitive neutrality principles as prescribed by the National Competition Policy framework.

The FAL in 2009-10 is expected to be \$54 million, higher than the 2008-09 revised estimate of \$27 million. This increase is mainly due to the expected increase in borrowings by water corporations to fund capital projects and wider credit risk spreads.

### **Gambling taxes**

Gambling taxes are imposed on public lotteries, electronic gaming machines (EGMs), the casino, racing, and some other minor forms of gambling. The taxes are typically in the form of a percentage of player loss, with the tax rate varying by category of gambling. Player loss is equal to the amount gambled less prizes or refunds to players. In the case of EGMs, there is also an annual health benefit levy of \$4 333 per machine in operation.

Most government revenue from these forms of gambling is transferred by standing appropriation to the Hospitals and Charities Fund, the Mental Health Fund and the Community Support Fund. In 2009-10, it is estimated that 83 per cent (\$1 364 million) of total gambling taxation revenue will be transferred by standing appropriation to these funds.

Overall gambling taxes are expected to increase by only 1.0 per cent (\$16 million) in 2009-10, compared with the 2008-09 revised estimate.

From 2012, the tax applying to wagering will be reduced to support the post-2012 licensing arrangements and provide the Victorian racing industry with additional funding from wagering. Also, the Government will introduce a new progressive tax system for EGMs post-2012 applying to each venue's average monthly per gaming machine revenue.

### **Levies on statutory corporations**

Water corporations are required to pay an annual environmental contribution to fund water related initiatives that seek to promote the sustainable management of water, and to improve environmental performance.

The environmental contribution levy was extended for a further four years from 1 July 2008 to 30 June 2012, and is estimated to raise an additional \$295 million over this period (compared to an estimated \$227 million over the four years to 30 June 2008). A decision on whether to continue the environmental contribution levy beyond this four year period has not been made to date and will be subject to the process set out in the *Water Industry Act 1994*.

## ***Taxes on insurance***

### ***Non-life insurance***

Duty is payable on the gross value of premiums on general insurance business at a rate of 10 per cent. General insurance is any sort of insurance that is applicable to property in Victoria, a risk, contingency or event that may occur within, or partly in Victoria, or both. Motor, home and contents insurance are examples of general insurance. The definition includes insurance in respect of trauma and disabilities but it excludes health insurance, life insurance and compulsory third party motor vehicle insurance.

Exemptions from payment of this duty relate to policies against damage by hail to cereal and fruit crops, workers' compensation premiums, commercial marine hull insurance, private guarantee fidelity insurance schemes, insurance businesses carried on by organisations registered under Part VI of the Commonwealth *National Health Act 1953* and transport insurance policies. Reinsurance policies are not dutiable.

Non-life insurance revenue is expected to increase by \$32 million (5.0 per cent) in 2009-10 compared to the 2008-09 revised estimate, mainly reflecting an expected increase in non-life insurance premium rates for domestic home and motor vehicle classes.

### ***Life insurance***

Life insurance is any insurance or assurance in respect of life or lives, or an event or contingency relating to or depending on a life or lives, of persons domiciled in Victoria. Temporary or term life insurance is taxed once at the 5 per cent rate upon commencement of the policy. For whole of life insurance, duty is payable on the sum insured. Revenue is expected to be broadly unchanged in 2009-10 compared to the 2008-09 revised estimate.

### ***Duty on compulsory third party premiums***

Duty is payable on the value of compulsory third party premiums at a rate of 10 per cent. Compulsory third party premium revenue is expected to increase by \$6.1 million (4.6 per cent) in 2009-10 compared to the 2008-09 revised estimate. This growth reflects an expected increase in the number of motor vehicle registrations, as well as indexation in line with the CPI.

### ***Insurance contributions to fire brigades***

Victoria partly funds fire services through an insurance based funding model. Insurance companies generally choose to recover their contributions through an insurance industry fire services levy imposed on premiums from policyholders.

The level of required contributions by insurance companies to the approved annual budget of the Victorian fire services is prescribed under Section 37 of the *Metropolitan Fire Brigades Act 1958* (75.0 per cent) and Section 76 of the *Country Fire Authority Act 1958* (77.5 per cent).

As part of the insurance industry's contribution, non-residential property owners who choose to either self insure or insure off-shore, are required by legislation to pay a contribution to whichever fire service covers the area in which their property is located.

In 2009-10, revenue from insurance contributions to fire services is anticipated to increase by \$17 million (3.9 per cent) compared to the 2008-09 revised estimate and reflects continued investments in the State's emergency services such as modernising statewide emergency services communications and infrastructure, and funding increased demands on fire services to respond to major incidents.

### **Motor vehicle taxes**

Motor vehicle taxes include registration fees and motor vehicle duty.

#### *Vehicle registration fees*

Motor vehicle registration fees are fees charged upon the registration of a vehicle and vary according to vehicle type and use of the vehicle. Pensioner and health care cardholders receive a 50 per cent concession on their motor vehicle registration fee while Department of Veteran Affairs gold cardholders receive a 100 per cent reduction on their motor vehicle registration fee.

#### *Duty on vehicle registrations and transfer*

Duty is levied on the transfer and registration of motor vehicles, motorcycles and trailers in Victoria. The duty is levied on the market value or purchase price (whichever is greater) of the vehicle, at a progressive rate on new passenger vehicles, and at a flat rate for other vehicles. Victoria has the lowest stamp duty on new conventionally-powered passenger cars up to \$57 009, which includes most common Australian-made family cars. The rate scale is shown in Table 4.5.

**Table 4.5: Motor vehicle duty rates**

<i>Market value of vehicle</i>	<i>Duty payable</i>
For motor vehicles not previously registered:	
Passenger cars	
\$0 to \$57 009	\$5 per \$200 or part thereof on entire price
\$57 010 or more	\$10 per \$200 or part thereof on entire price
Other vehicles	
All values	\$5 per \$200 or part thereof on entire price
For motor vehicles previously registered, regardless of where:	
All values	\$8 per \$200 or part thereof on entire price

*Source: Duties Act 2000*

Aggregate motor vehicle taxation revenue is expected to grow by \$28 million (2.2 per cent) compared to the 2008-09 revised estimate.

Of this, registration fee revenue is forecast to increase by \$43 million (5.2 per cent) in 2009-10, as a result of an expected increase in registration volumes principally driven by household and population growth, increasing motor vehicle ownership, as well as the indexation of motor vehicle registration fees in line with growth in the CPI. Revenue from duty on motor vehicle transfers is expected to decrease by \$14 million (down 2.8 per cent) in 2009-10 compared to the 2008-09 revised estimate, as a result of declining volumes in car sales and also decreases in average duty paid due to changes in consumer preferences towards smaller vehicles.

### **Other taxes**

This category includes the landfill levy, which is aimed at reducing the volume of non-recyclable waste disposed at Victorian landfills, concession fees paid in advance by Transurban with respect to Melbourne City Link, which are progressively recognised as income, and liquor licence fees.

### **Interest revenue**

Interest revenue is estimated to be \$434 million in 2009-10, \$26 million or 6.4 per cent higher than the 2008-09 revised estimate. This mainly reflects a restoration of public account balances in 2009-10 for liquidity management purposes, following the impact of the Global Financial Crisis.

### **Dividends, income tax and rate equivalent revenue**

This category of revenue comprises dividends, income tax and rate equivalent revenue received by the state from government business enterprises as detailed in Table 4.6.

**Table 4.6: Dividends, income tax and rate equivalent revenue**

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Dividends	361.2	255.3	-29.3
Income tax equivalent revenue	107.9	117.9	9.3
Local government rate equivalent revenue	5.1	6.2	21.8
<b>Total dividends, income tax and rate equivalent revenue</b>	<b>474.2</b>	<b>379.4</b>	<b>-20.0</b>

Source: Department of Treasury and Finance

Dividend, income tax and rate equivalent revenue is expected to be \$379 million in 2009-10, which is \$95 million (20.0 per cent) lower than the 2008-09 revised estimate, driven by a decline in dividend revenue.

Total dividend revenue is expected to decrease by \$106 million (29.3 per cent) in 2009-10. This is largely due to a decline in dividend revenue from the TAC reflecting reduced profitability during 2008-09 under challenging financial conditions.

Total income tax equivalent revenue is expected to increase by \$10 million (9.3 per cent) in 2009-10, mainly as a result of higher forecast profits for the metropolitan water sector.

### Sales of goods and services

As reported in Table 4.1, revenue from sales of goods and services is estimated to be \$5 044 million in 2009-10, a decrease of 0.6 per cent or \$32 million on the 2008-09 revised estimate. This is due to 2008-09 being boosted by the anticipated refund from the Commonwealth Government under the National Disaster Relief arrangements of \$266 million for bushfire-related costs. The reduction in sales of goods and services and services revenue is partially offset by:

- an increase in inter sector capital asset charge revenue from VicTrack reflecting increased VicTrack asset values due to additional capital expenditure;
- increases in TAFE institutes fee revenue due to increased enrolments and fee adjustments; and
- CPI indexation of a range of fees and charges.

Note 4 of the Estimated Financial Statements, Budget Paper No.4, Chapter 1, *Estimated Financial Statements and Notes*, provides a breakdown by major category.

### Other current revenue

Other revenue includes the fair value of assets received free of charge, royalties, donations and gifts and other miscellaneous income. These are shown in Table 4.7.

**Table 4.7: Other current revenue**

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Fair value of assets received free of charge or for nominal consideration	214.8	56.7	-73.6
Fines			
Traffic camera and on the spot fines	397.6	437.2	10.0
Other fines	73.0	69.3	-5.1
<b>Total Fines</b>	<b>470.7</b>	<b>506.5</b>	<b>7.6</b>
Royalties	48.7	48.9	0.4
Donations and gifts	210.5	267.4	27.1
Forgiveness of liability	..	..	
Other non-property rental	15.3	15.3	0.4
Other miscellaneous income	723.8	807.9	11.6
<b>Other current revenue</b>	<b>1 683.8</b>	<b>1 702.9</b>	<b>1.1</b>

Source: Department of Treasury and Finance

In 2009-10 other revenue is expected to be \$1 703 million, or \$19 million (1.1 per cent) higher than the 2008-09 revised estimate. This is due to increases in donations and gifts, fines and other miscellaneous income but is partially offset by a decrease in fair value of assets received free of charge or for nominal consideration.

The decline in revenue from fair value of assets received free of charge or for nominal consideration reflects one-off transactions in 2008-09, such as land received for the Melbourne Recital Centre and the transfer of works carried out by the EastLink consortium to the State.

Other miscellaneous income is expected to increase by \$84 million to \$808 million in 2009-10. This is mainly due to the release of a further 330 wheelchair accessible taxi licences and 200 conventional taxi licences. These reforms are due to the government's response to the Essential Services Commission's *Taxi Fare Review 2007-08*.

Donations and gifts are expected to increase by 27.1 per cent to \$267 million in 2009-10, largely due to funding received from other states for various water projects and anticipated increased revenue by health services.

Fines revenue is expected to increase by 7.6 per cent to \$507 million in 2009-10. This increase includes additional revenue following the commencement of expanded road safety initiatives as part of *arrive alive 2*. The Government has invested in a number of road safety initiatives, including enhanced enforcement of speed restrictions, increasing the use of moving mode radar technology, additional drug and alcohol testing and extending the vehicle impoundment scheme. These initiatives will assist in reducing the impact of road trauma on the community, as set out in Victoria's road safety strategy, *arrive alive 2*.

## GRANTS

The COAG has agreed to a new framework for federal financial relations. The new arrangements commenced 1 January 2009 and focus on removing prescriptions imposed by the Commonwealth on service delivery by the States, while moving to clearer roles and responsibilities and outcomes-based public accountability.

To drive national economic and social reforms, COAG also agreed to the establishment of a new stream of reform oriented National Partnerships. Through these payments, the Commonwealth will support the states and territories to undertake priority reforms and pursue continuous improvements in service delivery. More information on these reforms can be found in Budget Paper No. 2, Chapter 5, *Economic Reform Agenda*.

Table 4.8 provides summary information on the estimates for the various grant categories for the 2008-09 revised estimate and the 2009-10 *Budget* estimate.

**Table 4.8: Grants**

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
<b>Current grants</b>			
GST grants	9 347.9	9 415.1	0.7
<b>General purpose grants</b>	<b>9 347.9</b>	<b>9 415.1</b>	<b>0.7</b>
Other Commonwealth grants <sup>(a)</sup>	8 208.7	8 341.2	1.6
Other contributions and grants	144.2	92.6	-35.8
<b>Total current grants</b>	<b>17 700.8</b>	<b>17 848.9</b>	<b>0.8</b>
<b>Capital grants</b>			
Other Commonwealth grants <sup>(a)</sup>	950.4	3 596.1	278.4
Other contributions and grants	138.2	109.1	-21.0
<b>Total capital grants</b>	<b>1 088.6</b>	<b>3 705.3</b>	<b>240.4</b>
<b>Total grants</b>	<b>18 789.4</b>	<b>21 554.1</b>	<b>14.7</b>

Source: Department of Treasury and Finance

Note:

(a) Other Commonwealth grants equal 'other specific purpose grants' in Note 5 of Budget Paper No. 4 Chapter 1, Estimated Financial Statements.

Total grants are expected to increase by 14.7 per cent between 2008-09 and 2009-10 reflecting a 30.3 per cent increase in Other Commonwealth grants, mainly due to the Commonwealth's *Nation Building – Economic Stimulus Plan*, additional funding for the five new broad-banded specific purpose payments and funding for new National Partnerships. General purpose grants (GST grants) are only expected to grow by 0.7 per cent, reflecting the current economic downturn.

### General purpose grants

In accordance with the *Intergovernmental Agreement on Federal Financial Relations*, the states and territories receive all GST revenue. The GST grant distributions between states and territories are determined by the GST relativities that are recommended by the Commonwealth Grants Commission (CGC) to the Commonwealth Government. These recommendations are underpinned by the principle of horizontal fiscal equalisation. The system is expected to distribute over \$41 billion in GST revenue in 2009-10.

The CGC attempts to comprehensively equalise the financial capacities of all states by conducting detailed assessments of capacity and disability for 13 revenue and 39 expenditure categories. The CGC updates its relativities annually to reflect movements in state circumstances, while the methodologies underpinning the annual updates are subject to detailed review by the CGC approximately every five years. The 2009 Update, released in March this year, was based on the application of the methodologies developed by the 2004 methodology review.

The 2009 Update recommended an increase in Victoria's relativity which means that Victoria will receive a slightly greater share of the GST pool in 2009-10. According to the CGC, the improvement in Victoria's 2009-10 relativity mainly reflects the increased relative capacity of other states, in particular Western Australia and Queensland, to raise revenue from mining and stamp duty on land transfers.

In 2009-10, GST grant payments are expected to be \$9 415 million which represents an increase of \$67 million (0.7 per cent), compared to the 2008-09 revised estimate. This compares with an estimated decline of 0.1 per cent in the estimated total GST pool, reflecting the economic downturn. Victoria's higher GST growth mainly reflects the increased share of the GST revenue pool principally as a result of the revised relativities outlined above.

### **2010 Commonwealth Grants Commission Review**

Approximately every five years, the CGC reviews the methodology used to distribute the GST. A review to determine the methodology to apply from 2010-11 is currently underway (2010 Review) and will be complete in February 2010.

The 2010 Review is examining key issues such as whether the present method of GST distribution is appropriate and necessary, whilst retaining a comprehensive assessment of State fiscal capabilities. The 2010 Review aims to simplify the assessments and use more robust data and methods; it is also examining the size and trend of redistributions.

The 2010 Review will incorporate the new regime of Commonwealth payments to the States, which sees health care grants contribute to the distribution of the GST, rather than be part of the distributed pool, and Special Purpose Payments generally distributed on an equal per capita basis.

### **OTHER COMMONWEALTH GRANTS**

Other Commonwealth grants in 2009-10 are expected to be \$11 937 million. The majority of the grants relate to the Department of Education and Early Childhood Development, the Department of Human Services, and the Department of Innovation, Industry and Regional Development, although there are a range of grants relating to other departments.

The total Other Commonwealth grants for 2009-10 are expected to increase by 30.3 per cent on 2008-09 revised. This increase principally reflects:

- additional funding of approximately \$1.7 billion over five years for the five new broadbanded specific purpose payments in the areas of healthcare, schools, skills, affordable housing and disability;

- new funding associated with the creation of a new stream of reform oriented National Partnerships to drive national economic and social reforms; and
- approximately \$5.0 billion from 2009-10 to 2011-12 for the *Nation Building – Economic Stimulus Plan* for timely economic stimulus aimed at improved nation building and supporting economic growth and jobs.

As part of the new framework for federal financial relations, payment arrangements have changed in regard to the receipt of many payments for Commonwealth grants. Previously, a large number of grant payments were paid directly to the relevant departments. However, under the new arrangements these grant payments are now paid directly to the Department of Treasury and Finance. More information can be found in Budget Paper No. 2, Chapter 5, *Economic Reform Agenda*.

Many Commonwealth grants are detailed in Table 4.9 below and are listed under the relevant department on the basis of responsibility of the service delivery.

**Table 4.9: Payments for specific purposes and grants for on-passing**

(\$ million)			
	2008-09 Revised	2009-10 Budget	Change %
<b>Department of Education and Early Childhood Development</b>			
<b>National Education Agreement</b>	694.1	759.6	9.4
<b>Assistance to Non-Government Schools</b>			
Assistance to non-government Schools	1 588.5	1 685.4	6.1
Targeted programs for non-government schools	65.3	68.4	4.7
Assistance to non-government Schools (Capital) – excluding Building the Education Revolution	37.0	38.7	4.6
<b>Nation Building – Economic Stimulus Plan</b>			
<b>Building the Education Revolution</b>			
National Schools Pride Program	62.8	146.6	133.4
Primary Schools of the 21st Century	97.6	1 074.3	1 000.7
Science and Language Centres <sup>(a)</sup>	...	140.6	..
National Schools Pride Program: Non-government schools	28.4	66.2	133.3
Primary Schools of the 21st Century: Non-government schools	46.2	508.6	1 000.8
Science and Language Centres: Non-government schools <sup>(a)</sup>	...	59.4	..
<b>National Partnerships</b>			
Early Childhood Education	7.4	15.3	106.8
Indigenous Early Childhood Development	1.0	5.0	400.0
Literacy and Numeracy	12.5	14.3	14.4
Low Socio-Economic Status School Communities	2.1	27.9	1 228.6
National Secondary Schools Computer Fund	179.1	42.4	-76.3
National Secondary Schools Computer Fund: Non-government schools	108.2	29.9	-72.4
Teacher Quality	1.6	3.4	112.5
Trade Training Centres in Schools <sup>(a)</sup>	68.8	77.6	12.8
Trade Training Centres in Schools: Non-government schools <sup>(a)</sup>	17.2	19.4	12.8

**Table 4.9: Payments for specific purposes and grants for on-passing (continued)**

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
<b>Department of Human Services</b>			
<b>National Disability Agreement</b>	198.8	208.2	4.7
<b>National Healthcare Agreement</b>	2 528.5	2 710.7	7.2
<b>National Partnerships</b>			
Aged Care Assessment	17.7	18.6	5.1
Elective Surgery Waiting List Reduction Plan	48.0	11.6	-75.8
<b>Hospital and Workforce Reform</b>			
Activity Based Funding	9.7	...	-100.0
Taking Pressure of Public Hospitals	181.3	...	-100.0
Enhancing the Provision of Sub-Acute Services	125.1	...	-100.0
Preventive Health	...	0.6	-100.0
<b>Commonwealth Own Purpose Expenses</b>			
Australian Immunisation Agreement	105.8	46.8	-55.8
Highly Specialised Medicines	143.0	157.3	10.0
Home and Community Care Program	264.5	282.6	6.8
<b>National Affordable Housing Agreement</b>	259.5	265.8	2.4
<b>Nation Building – Economic Stimulus Plan</b>			
Social Housing	64.4	1 009.5	1 467.5
<b>National Partnerships</b>			
Homelessness	4.9	18.8	283.7
Indigenous Housing	5.8	4.5	-22.4
Social Housing	49.6	49.6	..
<b>Department of Innovation Industry and Regional Development</b>			
<b>National Agreement for Skills and Workforce Development</b>	324.9	326.3	0.4
<b>Australian Synchrotron</b>	10.0	10.0	..
<b>National Partnerships</b>			
Productivity Places Program	25.8	68.9	167.1
<b>Department of Justice</b>			
<b>National Partnerships</b>			
Victorian Legal Aid	33.0	28.9	-12.4
<b>Department of Primary Industries</b>			
<b>National Partnerships</b>			
Exceptional Circumstances Relief Payments	63.0	59.4	-5.7
<b>Department of Sustainability and Environment</b>			
<b>National Partnerships</b>			
Caring for Our Country	48.6	45.4	-6.6
Living Murray	13.1	21.3	62.6
<b>Department of Transport</b>			
<b>Nation Building – Economic Stimulus Plan</b>			
Black Spot Program / Boom Gates	21.1	54.3	157.3
<b>National Partnerships</b>			
Nation Building ( <i>AusLink II</i> )	336.3	527.3	56.8

**Table 4.9: Payments for specific purposes and grants for on-passing (continued)**

(\$ million)			
	2008-09 Revised	2009-10 Budget	Change %
<b>Department of Treasury and Finance</b>			
<b>National Partnerships</b>			
Commonwealth New Home Grant	202.6	103.3	-49.0
<b>Commonwealth Grants to Local Government</b>	444.2	446.0	0.4
<b>All other payments for specific purposes and grants for on-passing</b>	612.1	678.6	10.9
<b>Total payments for specific purposes and grants for on-passing</b>	<b>9 159.1</b>	<b>11 937.3</b>	<b>30.3</b>

Source: Department of Treasury and Finance – based on information available as at 29 April 2009

Note:

(a) Funding is based on an estimate of the possible Victorian share of Commonwealth funding, the actual share may vary and is yet to be determined.

## Education and Early Childhood Development

### **National Education Agreement**

The funding delivered under the National Education Agreement will provide a strong foundation for reforms in the schooling sector which will better link investment in schooling to improved educational outcomes. It demonstrates the commitment of all Australian governments to ensuring that all school students acquire the knowledge and skills to participate effectively in society and employment in a globalised economy. Consistent with the new approach to intergovernmental financial relations, the assistance is free from input controls and the State may determine the best allocation of resources to the delivery of educational outputs.

### **Assistance to non-government schools**

Commonwealth Government assistance is provided to non-government schools for operating and capital costs of school education. It is a major revenue source for a large proportion of non-government schools. Non-government school funding is provided through the *School Assistance Act 2008* as well as through participation in National Partnership agreements with the Commonwealth.

The general current grant for non-government schools represents the introduction of new Commonwealth initiatives as well as anticipated enrolment growth and estimated indexation as determined by the movement in the Average Government School Recurrent Cost.

In addition to this, a significant level of new funding in 2009-10 is expected to flow to non-government schools through the Building the Education Revolution and other *National Partnerships*.

## ***Nation Building – Economic Stimulus Plan***

### ***Building the Education Revolution***

Funding is provided as part of the Commonwealth Government's \$42 billion *Nation Building – Economic Stimulus Plan* (Building the Education Revolution). For Government schools, the funding will be used collaboratively with the State Government Victorian Schools Plan funding to ensure that the opportunities provided to schools are maximised. These investments recognise that high quality school infrastructure is critical to delivering excellent educational outcomes and demonstrates the commitment of the Commonwealth and State governments in working together to ensure immediate construction activity to stimulate the economy and create jobs. The funding is provided through: National School Pride program; Primary Schools for the 21<sup>st</sup> Century; and Science and Language Centres in Secondary Schools.

#### **National School Pride**

Funding is provided for a National School Pride program to enable primary and secondary government and non-government schools to undertake construction of small scale infrastructure and/or minor refurbishment projects.

#### **Primary Schools for the 21<sup>st</sup> Century**

Funding is provided to Primary Schools for the 21<sup>st</sup> Century. The funding will enable the building of major new infrastructure for government and non-government primary schools and special schools, including for new facilities such as libraries, multipurpose halls, classrooms or the upgrade of existing facilities.

#### **Science and Language Centres in Secondary Schools**

Funding will be provided for science and language centres in government and non-government secondary schools. This funding will be on a contestable basis and will flow to those government Victorian secondary schools that have the greatest need as well as a demonstrated capacity to be able to build the facilities within 2009-10.

### ***National Partnerships***

#### ***Early Childhood Education***

Funding is provided to assist Victoria to work towards the Council of Australian Governments' target of access to 15 hours of early childhood education per week for all children in the year before school by 2013.

#### ***Indigenous Early Childhood Development***

Funding is provided to address the high levels of disadvantage experienced by Indigenous children in Victoria and provides funding for two Children and Family Centres, additional maternal and child health services, antenatal care services for Indigenous women under 20 and teenage reproductive and sexual health programs.

### *Literacy and Numeracy*

Funding is provided for a range of systematic reforms to improve the quality of teaching and leadership in Victorian schools, improve educational outcomes and reduce educational inequities. It is anticipated that non-government schools will also participate in this National Partnership.

### *Low Socio-economic Status School Communities*

Funding is provided to support a suite of school and community reforms designed to provide high quality teaching for participating schools, increase flexibility for principals, strengthen school accountability and improve partnerships between schools and the community. It is anticipated that non-government schools will also participate in this National Partnership.

### *National Secondary School Computer Fund*

Funding will be provided to government and non-government schools for the purchase and deployment of computers under the National Secondary School Computer Fund, part of the Commonwealth's Digital Education Revolution election commitment.

### *Teacher Quality*

Funding for the National Partnership in Teacher Quality acknowledges that improving and maintaining the quality of the teaching workforce in this country will be fundamental to any overall improvements in Australian schooling. It is anticipated that non-government schools will also participate in this National Partnership.

### *Trade Training Centres in Schools*

Funding for government and non-government schools has been estimated as part of the Commonwealth Government's *Trade Training Centres in Schools* program. The allocation of Commonwealth funding in these areas is yet to be finalised. The Trade Training Centres are being established to help increase the proportion of students achieving Year 12 or an equivalent qualification and help address skill shortages in traditional trades and emerging industries. Schools will have an opportunity to apply for Commonwealth funding to build new, or upgrade existing, trade or vocational education and training facilities.

## **Human Services – Disability**

### ***National Disability Agreement***

The Agreement provides funding for the disability services sector to achieve mutually agreed objectives as set out in the National Disability Agreement. The Agreement will contribute to the overall objective of ensuring that people with a disability and their carers have an enhanced quality of life and participate as valued members of the community. The Agreement also contributes to reforms in disability services, including improved access to disability care, consideration of nationally consistent assessment schemes and quality assurance systems.

## **Human Services – Health**

### ***National Healthcare Agreement***

The National Healthcare Agreement provides funding to ensure that free public hospital services continue for the community and to put public hospital funding on a more sustainable footing. The Agreement encompasses the collective efforts of Commonwealth, state and territory governments on prevention, primary and community care, hospital and related care and aged care. The Agreement encompasses a broad range of hospital services, including emergency department presentations, outpatient appointments, same day presentations and overnight separations.

### ***National Partnerships***

#### ***Aged Care Assessment***

*Aged Care Assessment* provides funding to ensure that older people (and in some exceptional circumstances younger people with disabilities) have access to services appropriate to meet their support needs. The funding allows for assessment of the physical, medical, psychological and social care needs of clients; development of a care plan with the individual and their carer/family along with provision of information and support to clients about appropriate services and referral to services which are available to meet clients' needs and preferences. The assessment determines eligibility for Commonwealth funded residential care facilities, community aged care, extended aged care at home, dementia and transition care program places, if appropriate.

#### ***Elective Surgery Waiting List Reduction Plan***

The Elective Surgery Waiting List Reduction Plan provides funding to increase physical capacity and elective surgery throughput by redeveloping facilities, purchasing surgical equipment and technology and developing innovation initiatives.

## *Hospital and Health Workforce Reform*

### **Activity Based Funding**

This funding commits the Commonwealth and states to reforms in relation to accountability and performance of the health and hospital system and a range of health outcomes. This includes reporting against a number of performance measures to address outcomes including: preventable disease and injuries; timely access to hospital services, general practitioners, dental and other primary health care professionals; life expectancy, including the gap between Indigenous and non-Indigenous Australians; waiting times for services; and net growth in the health workforce.

### **Taking Pressure off Public Hospitals**

Funding will be provided for *Taking Pressure off Public Hospitals* to relieve pressure on public hospital emergency departments. This is largely in recognition that emergency departments are increasingly treating patients who could otherwise be treated by primary care type services. In addition, the Commonwealth is undertaking reform in the primary care sector.

### **Enhancing the Provision of Sub-Acute Services**

The funding to be provided for *Enhancing the Provision of Sub Acute Services* aims to improve health outcomes, functional capacity and quality of life of patients by increasing the volume and quality of sub-acute care services in both hospital and community settings. This will enable many older people to leave hospital and help free up hospital beds and reduce hospital readmission rates.

### *Preventive Health*

The *National Partnership Agreement on Preventive Health* provides funding to tackle preventive health issues. This funding will lead to reductions in the proportion of people who smoke, are at an unhealthy bodyweight and/or do not meet national guidelines for physical activity and healthy eating. Funding in 2009-10 precedes significant investment from 2011-12.

### **Commonwealth Own Purpose Expenses**

#### *Australian Immunisation Agreement*

The *Australian Immunisation Agreement* provides funding and accountability mechanisms to enable Victoria and the Commonwealth to work cooperatively to prevent major vaccine preventable diseases. This is achieved through the provision of immunisation to eligible cohorts and improved vaccine management.

### *Highly Specialised Medicines*

The Commonwealth provides funding for a list of highly specialised medicines with a high unit cost that have a significant role in maintaining patients in a community setting. The Commonwealth provides these funds to reimburse hospitals that have supplied the highly specialised medicines to community patients. The medicines that are funded are for chronic conditions that, because of their clinical use or special features, are restricted to supply through hospitals that have access to appropriate specialist facilities.

### *Home and Community Care Program*

The aim of the *Home and Community Care Program* is to develop and deliver a range of integrated home and community care services to frail older people, people with disabilities and their carers. Services funded by the program include home care, respite, nursing, allied health, personal care, social support and meals. Local governments, district nursing services, community health services and non-government organisations deliver these services, either in the home or in community centres.

## **Human Services – Housing**

### ***National Affordable Housing Agreement***

The *National Affordable Housing Agreement* provides funding to support the provision of affordable, safe and sustainable housing that contributes to economic and social participation. The Agreement encompasses a broad range of housing issues including outcomes for people who are homeless and at risk of homelessness, rental housing, home purchase, an efficient and responsive housing market, and reducing Indigenous housing disadvantage. The Commonwealth and the States have also committed to ongoing reform in the housing sector.

### ***Nation Building – Economic Stimulus Plan***

#### *Social Housing*

The *Nation Building – Economic Stimulus Plan* was established to meet the twin objectives of significantly increasing the supply of social housing and supporting economic growth and jobs. The once-off injection of funding will enable construction of around 5 000 new dwellings in Victoria and the refurbishment of existing stock that would otherwise be unavailable for occupancy. The majority of new housing provided under this agreement will be completed by the end of 2010.

In addition to providing a stimulus to the building and construction industry, the Agreement will also drive significant reform of social housing through consolidation of waiting lists, growth of the not-for-profit housing sector, funding reform and reducing concentrations of disadvantage.

## **National Partnerships**

### **Homelessness**

The *National Partnership Agreement on Homelessness* commits the Commonwealth and States to work together towards the objectives of achieving a 50 per cent reduction in homelessness, and an end to primary homelessness, by 2020.

Actions undertaken by individual jurisdictions will be linked to a national strategic approach focused on three key themes of investing in effective prevention and early intervention, breaking the cycle of homelessness, and reforming the homelessness service system to improve integration between mainstream and homeless specific services and enhance service quality.

### **Indigenous Housing**

Through the *National Partnership Agreement on Remote Indigenous Housing*, funding will be provided to facilitate the transfer of responsibility for Indigenous Community Housing Organisations' properties from the Commonwealth to Victoria.

### **Social Housing**

The *National Partnership Agreement on Social Housing* provides funding to increase the supply of social housing dwellings, which will enable more disadvantaged households and homeless people to access safe and secure housing. The Commonwealth and the States have also agreed to consider further reforms to address supply shortfalls and consider the possible payment of Commonwealth funding through means such as Commonwealth Rent Assistance.

## **Innovation, Industry and Regional Development**

### **National Agreement for Skills and Workforce Development**

Commonwealth funding for VET is now distributed under the *National Agreement for Skills and Workforce Development*. The Agreement focuses on outcomes and provides greater policy flexibility to the State. The outcomes and targets contained in the agreement are long-term and aspirational. However, the State is expected to make substantive progress towards these outcomes and targets over the life of the Agreement.

The 2008-09 figures are a combination of the new Agreement and the previous *Skilling Australia's Workforce Specific Purpose Agreement*.

### ***Australian Synchrotron***

The Commonwealth Government is making a \$50 million contribution over 5 years towards the Australian Synchrotron. The Commonwealth and the Victorian Governments have agreed to jointly contribute to the operating costs of the Australian Synchrotron under a deed of agreement.

### ***National Partnerships***

#### ***Productivity Places Program***

Victoria has signed an Intergovernmental Agreement for additional training delivery in Victoria under the *Productivity Places Program* which commenced on 1 January 2009. This Agreement states that Victoria and the Commonwealth Government will work together to increase both the number of people with qualifications and the number of people with higher level qualifications.

### **Justice**

### ***National Partnerships***

#### ***Victorian Legal Aid***

For the *National Partnership Agreement on Legal Aid* the Commonwealth has provided funding of \$29 million in 2009-10 for a share of the service delivery costs of Victorian Legal Aid on Commonwealth law matters.

### **Primary Industries**

### ***National Partnerships***

#### ***Exceptional Circumstances Relief Payments***

In the *National Partnership Agreement on Exceptional Circumstances Relief* payments the Commonwealth has provided grant payments of \$59 million in 2009-10 for drought assistance for farmers and farm-related small businesses in drought declared areas in Victoria.

## **Sustainability and Environment**

### ***National Partnerships***

#### ***Caring for Our Country***

*Caring for our Country* commenced on 1 July 2008 and integrates delivery of the Australian Government's previous natural resource management programs, including the *Natural Heritage Trust*, the *National Landcare Program*, the *Environmental Stewardship Program* and the *Working on Country Indigenous Land and Sea Ranger* program.

Funding of \$45 million during 2009-10 is provided to address key environmental issues including species and habitat loss, salinity and water quality, coastal and peri urban pressures, productive and sustainable landscapes, developing community capacity, climate change, Indigenous community and local government engagement.

#### ***Living Murray***

The *Living Murray* program was established in 2002 to restore the health of the Murray River by returning water to the river's environment. It is a partnership between the Commonwealth, NSW, Victorian, SA and ACT governments. In December 2008, the Murray Darling Basin Authority assumed responsibility for all of the functions of the former Murray–Darling Basin Commission, including responsibility for this program.

The program's first step started in 2004, and finishes in 2009. It focuses on recovering 500 gegalitres of water for the Murray River specifically for the benefit of plants, animals and the millions of Australians it supports, along with improving the environment at six icon sites: Barmah–Millewa Forest; Gunbower–Koondrook–Perricoota Forest; Hattah Lakes; Chowilla Floodplain and Lindsay–Wallpolla Islands; Lower Lakes, Coorong and Murray Mouth; and Murray River Channel. Funding for the 2009-10 year is expected to be \$21 million.

## **Transport**

### ***Nation Building – Economic Stimulus Plan***

#### ***Black Spot Program / Boom Gates***

The Commonwealth has made a contribution of \$75 million under its *Nation Building – Economic Stimulus Plan* announced in February 2009. This funding has been allocated to Black Spot Program on the National Network and new boom gates for level crossings in the 2008-09 and 2009-10 year.

## **National Partnerships**

### *Nation Building (AusLink II)*

In early 2009, the State and Commonwealth Governments entered into a memorandum of understanding for agreed rail and road projects to be delivered under the *Nation Building Program* (which includes *National Network* construction projects, formerly named *AusLink II*). Over the program timeframe 2009-2014, the Commonwealth Government will make a funding contribution of over \$2.0 billion towards the agreed projects TEL.

## **Treasury and Finance**

### **National Partnerships**

#### *Commonwealth New Home Grant*

On 14 October 2008, the Commonwealth announced the *First Home Owners Boost*, which provides one-off financial assistance to eligible first home buyers of \$7 000 for an established home and \$14 000 for a new home or a newly constructed home. While administered by the states and territories, it is fully funded by the Commonwealth. The decline in grants in 2009-10 for the Commonwealth's *First Home Owner Boost* is due to it only being available for eligible home purchases until 30 June 2009 and therefore most payments will occur in 2008-09.

### **Commonwealth Grants for on-passing to Local Government**

The State receives Commonwealth grants which are on-passed to local government authorities. In such cases, the State simply acts as the vehicle for distributing the Commonwealth funds. Commonwealth grants for on-passing to local government in 2009-10 are estimated to be \$446 million. These grants are detailed in Table 4.10.

**Table 4.10: Commonwealth Grants for On-passing to Local Government**

	(\$ million)		
	2008-09 Revised	2009-10 Budget	Change %
Financial assistance grants to local government (operating)	324.4	325.7	0.4
Identified local roads grants to local government	119.8	120.3	0.4
<b>Total grants to local government</b>	<b>444.2</b>	<b>446.0</b>	<b>0.4</b>

Source: Department of Treasury and Finance

***Financial assistance grants to local government (operating)***

An equal per capita basis for distributing total assistance to the states and territories occurs pursuant to the *Local Government (Financial Assistance) Act 1995*. These grants are estimated to increase by 0.4 per cent to \$326 million in 2009-10.

***Identified local roads grants to local government***

Funding to local councils is provided on a per capita and road length basis pursuant to the *Local Government (Financial Assistance) Act 1995*. These grants are estimated to increase by 0.4 per cent to \$120 million in 2009-10.

