

## EXECUTIVE SUMMARY

- The 2014-15 Budget commences the critical task of budget repair and lays the foundation for future economic prosperity. Budget repair is a national priority and every sector of the community must contribute, including State, Territory and local Governments.
- This Budget includes decisions to modify or terminate a number of payments to the States that are unsustainable or ineffective. The Commonwealth has focused on its core responsibilities, identifying overlap and duplication with state services.
- The previous government's policies in the areas of public hospitals and schools funding have been revealed to be growing unsustainably into the medium-term, lessening State accountability for their service delivery decisions. The Commonwealth has acted now to address this situation by moving to more realistic funding arrangements for public hospitals (from 1 July 2017) and schools (from 1 January 2018). Whilst preserving the Commonwealth's commitment of funding for the Students First Programme over the forward estimates period, these changes generate total savings of over \$80 billion in the period to 2024-25.
- In addition to addressing unsustainable spending, this Budget is focused on increasing growth, improving infrastructure development and increasing job opportunities. The Commonwealth has taken action to promote growth by directing public expenditure to more productive uses, with substantial investments in productivity-enhancing infrastructure.
- This Budget introduces an Infrastructure Growth Package of \$11.6 billion. The \$5 billion Asset Recycling Initiative creates an incentive for the States to unlock funds from existing State-owned assets to invest in additional infrastructure that will support economic growth and enhance productivity.
- The Infrastructure Growth Package also provides additional Commonwealth funding to the States for transport infrastructure projects. This includes \$2.9 billion for the Western Sydney Infrastructure Plan, and \$3.7 billion for other significant projects across Australia including: East-West Link in Melbourne; Perth Freight Link; Toowoomba Second Range Crossing in Queensland; North-South Road Corridor in Adelaide; and Northern Territory road upgrades.
- In 2014-15, the Commonwealth will provide the States with \$101.1 billion in total payments, including payments for specific purposes of \$46.3 billion and general revenue assistance of \$54.9 billion. Payments to the States will be 24.4 per cent of total Commonwealth expenditure in 2014-15. Total payments to the States from 2013-14 to 2016-17 have increased by \$9.2 billion since the *Mid-Year Economic and Fiscal Outlook 2013-14*. This increase is driven by upwards variations in GST entitlements of \$4.5 billion, and additional spending on infrastructure.

