# Executive Summary

- The current framework for federal financial relations, introduced on 1 January 2009, provides a strong foundation for COAG to pursue economic and social reforms to underpin growth, prosperity and wellbeing into the future. The framework has demonstrated that it can respond flexibly to the global recession as well as lay the foundation for improved community wellbeing and a high standard of living for Australians in the future.

- The framework has supported and will be adapted to reflect major new reforms, including the *National Health and Hospitals Network* agreed to by COAG on 20 April 2010, with the exception of Western Australia, and reform to resource taxation announced as part of the Government's stronger, fairer, simpler tax reforms.

- Implementing the *National Health and Hospitals Network* will constitute a major change to federal financial relations, with the Commonwealth becoming the majority funder of the health and hospital system.

- The reforms to resource taxation will require cooperation between the Commonwealth and the States to introduce a Resource Super Profits Tax from 1 July 2012, which will operate in parallel with State royalty regimes.

- The Government has announced that it would be reinvesting some of the proceeds from the Resource Super Profits Tax into an Infrastructure Fund for the States. The new Infrastructure Fund will deliver $700 million to the States in 2012-13 and will grow over time.

- Over the 2009-10 year, fiscal stimulus payments to the States made under the framework, including the First Home Owners Boost and the Nation Building and Jobs Plan, have supported the recovery of the economy from the global recession.

- There are signs of recovery in the fiscal positions of both levels of government, and the fiscal stimulus measures are being progressively withdrawn as the economy recovers. Australia's relatively mild downturn, timely and substantial policy stimulus, and increasingly positive outlook, are expected to lead to an improvement in the fiscal indicators of both levels of government over the forward estimates, with the Commonwealth Budget now expected to return to surplus in 2012-13, three years sooner than previously estimated.

- In 2010-11, the Commonwealth will provide the States with total payments of $94.1 billion. This consists of payments for specific purposes of $45.5 billion and general revenue assistance, including GST revenue, of $48.6 billion.