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Response to the CGC New Issues Paper for the 2026 Update

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Contents

Introduction	1
Summary of Victoria's views	1
Data issues for consideration	1
Schools – changes in state funding	1
Health – community health activity proxy	2
Transport – regression re-estimation	2
Assessment issue for consideration	4
Schools – Better and Fairer Schools Agreement	4
New Commonwealth payments	4

Introduction

On 1 October 2025 the Commonwealth Grants Commission (CGC) provided Victoria with its Discussion Paper for *New issues in the 2026 Update* (the discussion paper). Victoria appreciates the opportunity to provide input on the issues raised by the CGC.

Summary of Victoria's views

Topic raised by CGC staff	CGC preliminary recommendation	Victoria's recommendation
Schools – changes in state funding	Use the 2023 ACARA data without adjustment.	Support
Health – community health activity proxy	Non-admitted patient clinic categories Include NAP allied health services relating to violence, abuse and neglect services and genetic counselling in its proxy for community and public health activity but not include services relating to long COVID.	Support
	Coverage of the Emergency Department triage 4 and 5 data Cease scaling the ED part of the community and public health activity proxy from 2023–24.	Support
Transport – regression re-estimation	Retain the 2025 Review urban transport regression model coefficients.	Support
	Refer the issue of data comparability to the Data Working Group.	Support
Schools – Better and Fairer Schools Agreement	Exclude Commonwealth spending on state schools from all calculations from 2024–25 and maintain the previous treatments for the 2022–23 and 2023–24 assessment years.	Support
Treatment of new Commonwealth payments	Treat new Commonwealth payments as outlined in Attachment A of the New Issues discussion paper.	Split the Safer Local Roads and Infrastructure Program payment by local roads (no impact) and state roads (impact) components Support other proposed treatments

Data issues for consideration

Schools – changes in state funding

Victoria considers that the 2023 Australian Curriculum, Assessment and Reporting Authority (ACARA) data are an accurate reflection of state funding activity and that changes in the regression coefficients accurately reflect what states do. Victoria agrees with retaining the specification of the regression

unchanged, noting it was recently considered in the 2025 Review. The overall performance of this model, and the individual significance of regressors over the preceding 5-year period, should be assessed through the 2030 review process.

CGC preliminary views and Victoria's position

Use the 2023 ACARA data without adjustment.

Victoria supports the proposed approach.

Health – community health activity proxy

Victoria supports the CGC's view on exclusion and inclusion of new non-admitted patient (NAP) categories. Victoria agrees that NAP long COVID services should not be included as they do not align with community and public health services provided by states.

Victoria agrees that if non-admitted patient (NAP) data used in the proxy are not completely incorporated due to the inability to apply scaling to hospitals that do not provide demographic profiles, then emergency department (ED) data should be treated similarly and also not be scaled.

CGC preliminary views and Victoria's position

Include NAP allied health services relating to violence, abuse and neglect services and genetic counselling in its proxy for community and public health activity, but not to include services relating to long COVID in the 2026 Update.

Victoria supports the proposed approach.

Cease scaling the ED part of the community and public health activity proxy from 2023–24.

Victoria supports the proposed approach.

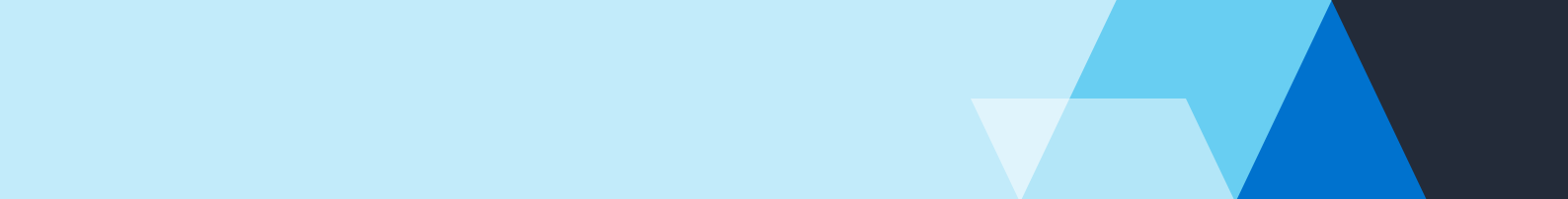
Transport – regression re-estimation

Victoria agrees that the 2023-24 data are not suitable in re-estimating the regression model. The inclusion of the data results in much poorer statistical results and some unrealistic coefficients, such as a negative distance to work coefficient.

Table 4 of the discussion paper demonstrates that Queensland has inexplicably higher per capita net expenses than other states for small Significant Urban Areas (SUA).

Further analysis of individual SUA data provided to states by the CGC also revealed large differences in the Queensland data between 2022-23 and 2023-24, particularly in smaller SUA.

Victoria agrees that the data are not comparable between states, particularly 2023-24 Queensland data. If Queensland has developed a new method for determining net expenditure for smaller SUA, it could be beneficial to share this method with other states to ensure consistency of data collections.



Victoria therefore supports the referral of this issue to the CGC's Data Working Group for further consideration. While in this particular case Victoria considers the referral is warranted, it should not set a precedent wherein any unresolved data issue is automatically referred to the Data Working Group. Ideally most issues can be resolved through the usual data request process between CGC and state officials, consistent with past practice.

CGC preliminary views and Victoria's position

- 1. Retain the 2025 Review regression model coefficients for use in the urban transport assessment because the 2023–24 data do not appear to be comparable between states.**
- 2. Continue to investigate the cause of the variation, including through the Data Working Group.**

Victoria supports retaining the 2025 Review regression model coefficients using only 2022-23 data.

Victoria also supports the referral of the issue to the Data Working Group as it relates to comparability between states.

Assessment issue for consideration

Schools – Better and Fairer Schools Agreement

Victoria agrees that treating BFSA funding as ‘no impact’ is the simplest way of acquitting the terms of reference, rather than assessing spending as actual per capita. Similarly, Victoria supports applying this treatment only to 2024-25 and continuing the existing methods to prior years. This approach strikes a balance between simplicity and accuracy, avoiding unnecessary revisions to previous years, and minimising the requirement for data adjustments in 2024-25.

CGC preliminary views and Victoria’s position

Exclude Commonwealth spending on state schools from all calculations from 2024–25 and maintain the existing treatment for the 2022–23 and 2023–24 assessment years.

Victoria supports the proposed approach.

New Commonwealth payments

The Safer Local Roads and Infrastructure Program provides funding to state, territory and local governments on an application basis. Successful applicants are published online. If adequate data are available, it would be preferable to split the treatment of the payment into state (impact) and local government (no impact) amounts.

Victoria otherwise supports the Commission’s proposed approach, as outlined in Attachment A of the New Issues discussion paper.

CGC preliminary views and Victoria’s position

The Commission’s proposed treatment of new Commonwealth payments is outlined in Attachment A of the New Issues discussion paper.

Victoria proposes that the CGC split the Safer Local Roads and Infrastructure Program payment by local roads (no impact) and state roads (impact) components.

