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REGIONAL CITIES VICTORIA 2026-27 PRE-BUDGET SUBMISSION

Victoria faces significant fiscal challenges ahead of the 2026 election. With debt at record levels and limited capacity for new spending, it is essential that every dollar invested delivers strong, measurable returns. Regional Cities Victoria (RCV) represents the state's 10 largest regional cities which are consistently rated among the most liveable in Australia.

We stand ready to absorb population growth, unlock housing supply, and strengthen the state's economic base. Yet the discontinuation of the Regional Jobs and Infrastructure Fund (RJIF), escalating cost-shifts to councils, and the introduction of the Emergency Services Volunteer Fund levy have left regional communities carrying an unfair burden while watching billions directed to metropolitan projects.

Previous governments have neglected regional Victoria at their peril.

Investment in regional cities reduces demand on Melbourne's overstretched infrastructure, stimulates private co-investment, and generates higher economic multipliers for the state.

With an election next year, the May 2026 State Budget presents the current Government with a critical opportunity to reset its relationship with regional Victoria, demonstrate equity in investment, and restore confidence in the state's future prosperity.

It also presents the alternative government with a strategic opportunity to signal its commitment to regional communities, articulate a clear vision for sustainable growth outside Melbourne, thus demonstrating regional priorities will be central to its agenda. Regional Victorians have seen successive state budgets funnel billions into Melbourne's metropolitan "Big Build", while key regional development programs have been cut.

The Government's Economic Growth Statement acknowledges that a strong Victoria must be underpinned by a strong regional Victoria. However, the initiatives in the statement are narrow in both scope and ambition when set against the scale of projects needed to manage rapid growth, attract major industries, and preserve the liveability for which regional Victoria is renowned.

A set of small, time-limited measures cannot replace the opportunities once generated by the Regional Jobs and Infrastructure Fund (RJIF).



The discontinuation of the RJIF in 2023 left a gaping hole in regional policy, despite its proven record of creating jobs, leveraging co-investment, and building the infrastructure that communities rely on.

Meanwhile, local councils are being left to carry increasing financial and workforce burdens – from the collection of the Emergency Services Volunteer Fund levy, to cost-shifting of vital services, and the ongoing loss of critical local government workforce to state projects.

Despite this, Regional Victoria continues to play its part in the success of our state. Our cities are consistently rated among the most liveable in the nation. We are ready to meet housing targets, drive economic growth, and ease the pressure on metropolitan Melbourne.

Infrastructure Victoria's 30-year draft strategy, released in March 2025, acknowledges:

“Regional and rural Victoria play a vital role in the Victorian economy. These areas make up nearly 20% of the state's economy and produce a third of its exports. Businesses in regional Victoria need help to connect with customers and markets, become more resilient and unlock their growth potential.”¹

Because we cannot do this alone.

The RJIF proved that regional investment delivers: 13,000 jobs and \$670 million leveraged from just its final round. Every dollar invested in regional Victoria works harder, building liveable communities, stimulating private investment, and strengthening the state's overall economy.

The 2026 Budget must demonstrate that the Government values regional Victoria. With the state under severe fiscal pressure, it is more important than ever to invest where the return is strongest.

This Budget is a chance for the Government to reset its legacy: A renewed commitment to regional Victoria through a \$1 billion Regional Fund and a \$2 billion Regional Roads Package will go a long way toward unlocking housing supply, creating jobs, making our roads safer and restoring respect for the regions.

¹ <https://www.infrastructurevictoria.com.au/topics/regional-victoria#key-recommendations>



RCV BUDGET PRIORITIES

A \$1 billion Regional Fund

The discontinuation of the Regional Jobs and Infrastructure Fund (RJIF) in 2023 removed a proven vehicle for regional growth. RJIF delivered:

- More than 13,000 jobs since 2015
- More than 1,000 projects
- Investment leverage of almost 6:1 in its final round.

RCV calls for a dedicated \$1 billion Regional Fund to support:

- Enabling infrastructure for housing supply (water, power, sewerage, local roads);
- Transformative community projects for growth (cultural, civic, and transport interchanges) that attract co-investment;
- A targeted workforce pipeline, including an expanded intern-style “earn while you learn” program to address shortages in planning, surveying, and engineering.

This fund will provide certainty to build projects for growth, attract private and Commonwealth contributions, and deliver infrastructure critical to meeting Victoria’s 2051 housing targets.

A \$2 billion boost for regional roads

Regional road deterioration in Victoria has reached a point where safety², productivity, and long-term cost efficiency are at risk³.

Despite nearly \$1 billion committed for annual maintenance⁴, just 1.6 per cent of the network is maintained annually⁵.

TAC data confirms 30 more lives are lost each year on regional roads compared with metropolitan Melbourne.⁶

² <https://newshub.medianet.com.au/2024/07/racv-road-safety-survey-highlights-danger-on-victorias-regional-roads/59404/>

³ <https://grattan.edu.au/wp-content/uploads/2023/11/Potholes-and-Pitfalls-How-to-fix-local-roads-Grattan-Report.pdf#page=10>

⁴ <https://www.premier.vic.gov.au/billion-dollar-better-roads-blitz-fix-our-regional-roads>

⁵ <https://www.dtf.vic.gov.au/sites/default/files/2025-05/Department-of-Transport-and-Planning-output-performance-measures-2025-26.xlsx>

⁶ <https://www.tac.vic.gov.au/road-safety/statistics/lives-lost-annual>



RCV is seeking an extra \$500 million a year over four years to fix local and declared (state) roads, above and beyond the Victorian Government's existing almost \$1 billion annual regional road maintenance program.

If nearly \$1 billion in funding now delivers maintenance to just 1.6% of the network, then further investment of \$2 billion over four years is not only justifiable – it is essential.

Urgent intervention is required to prevent further escalation in repair costs, reduce fatalities, and remedy the impacts to freight and tourism routes. RCV is advocating for this investment to preserve asset value and reduce liabilities, while restoring confidence in – and reliability of – Victoria's vital regional links.

A \$2 billion boost in regional roads funding is a down payment on safety, connectivity, productivity, and equity that will benefit all Victorians.

Reform regional taxation burdens

Victoria's tax burdens have created a complex web of financial obligations that are increasingly undermining development, investment, industry and visitation for the regions.

High energy prices, steep land taxes, soaring WorkCover premiums, mining royalties, the short-stay levy and vacant residential land tax all impact regional economies.

Even the hard-fought reduced regional payroll tax rate does not offset the threat of high operational costs, regulatory complexities, and economic instability facing businesses and industry in regional Victoria.

The introduction of the Emergency Services Volunteer Fund (ESVF) adds further pressure, imposing unfair and disproportionate costs on communities already challenged by drought, water insecurity, and rising living expenses.

Despite clear and repeated objections from many of rural and regional councils across the state regarding the ESVF, the Victorian Government continues to dismiss these concerns.

The disproportionate burden this tax places on Victoria's primary producers is deeply unfair and callously inequitable, and it was developed and proposed with minimal input from the very communities it will most affect.

Instead of introducing new taxes, RCV asks the Government to revisit the ESVF and commence intelligent reform of the state's complex and burdensome tax and levy system that is hindering regional investment and economic growth.



RCV remains steadfastly opposed to the ESVF because of the impacts on rural and regional communities.

Support regional resilience

Drought Relief

Our agriculture sector is the backbone of our economy, and the lifeblood of rural and regional towns.

The state depends on Victoria's regions for food and fibre products that underwrite the state's economy, that's why direct relief to Victoria's farmers continues to be an RCV priority.

RCV is committed to working with the state, on behalf of regional and rural Victorians, to ensure the Victorian budget has provisions to safeguard our primary producers, support their recovery and sustain local economies. At the national level, we will push for fair solutions such as zero-interest loans and a pause on water buybacks, so that resilience and recovery remain at the heart of government action.

Building Back Better

As natural disasters become more frequent and intense, every tier of government has a responsibility to ensure that public monies are committed wisely during the recovery phase and with a long-term view, to best support communities and build resilience to future disasters.

The Commonwealth's recent National Climate Risk Assessment⁷ reinforces what RCV has long argued, that a "building back better" approach is essential to delivering long-term resilience and mitigating future shocks.

Infrastructure betterment investment to a more disaster resilient standard than the pre-disaster standard is a cost-effective way to reduce the risk posed by future disasters and helps reduce recovery costs on governments – and taxpayers – longer-term.

However, infrastructure betterment funding remains available only through Category D ("relief or recovery carried out to alleviate distress or damage in circumstances which are, in the opinion of the Commonwealth, exceptional") of the national Disaster Recovery Funding Arrangements (DRFA). It is not possible, for example, for local governments to access betterment funding through a Community Recovery Fund activated under Category C of the DRFA to support "severely affected" communities.

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<https://climateservice.maps.arcgis.com/sharing/rest/content/items/9d4850b2d64d47e28407c04681b0eeca/data>



This is why RCV urges the Victorian Government to work with the Commonwealth Government to embed “infrastructure betterment” provisions in DRFA Categories B and C so assets rebuilt after disasters are safer, more resilient, and more cost-effective in the long term.

Conclusion

Regional Victoria is not asking for special treatment – it is asking for investment that matches its contribution to the state.

Victoria cannot afford to overlook its strongest return on investment. Every dollar invested here works harder to unlock housing, boost productivity, and reduce long-term liabilities.

The discontinuation of the RJIF left a proven economic driver on the shelf. Reinstating and expanding it through a \$1 billion Regional Fund, alongside a \$2 billion regional roads boost and fairer taxation reform, can restore confidence and deliver measurable outcomes.

In a time of fiscal constraint, the 2026/27 Budget must focus on investments that pay back.

Regional Victoria has carried too much of the burden for too long. With programs cut, new levies imposed, and billions funnelled into metropolitan projects, our communities are consistently being asked to do more with less.

The 2026/27 Budget must be the turning point.