



COMMONWEALTH FINANCIAL RELATIONS WITH OTHER LEVELS OF GOVERNMENT 1990-91

CIRCULATED BY
THE HONOURABLE P. J. KEATING, M.P.,
TREASURER OF THE COMMONWEALTH OF AUSTRALIA
FOR THE INFORMATION OF
HONOURABLE MEMBERS ON THE OCCASION
OF THE BUDGET 1990-91

BUDGET PAPER No. 4

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(This document is to be released in November 1990).

1990-91 BUDGET PAPER No. 4

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PREFACE

This Paper presents information on the Commonwealth Government's financial relations with State, Territory and local governments.⁽¹⁾

Relationship with Other Budget Papers and Terminology

When examining government finances, the most relevant aggregates for economic analysis are usually those relating to payments on a net basis—that is, after repayments of Commonwealth Government loans and sinking fund contributions by the States and the Territories in respect of borrowings by the Commonwealth on their account. This approach is adopted in other budget papers and the national accounts. However, repayments lag the initial advances and, in many cases, are made in respect of programs which have already terminated. Moreover, the direct relationship of repayments to the programs to which they nominally relate is not always clear. Largely for these reasons, this Paper records payments on a gross basis, although tables showing repayments are included to enable net figures to be derived.

In Budget Paper No. 1, the term 'payment' is used as a gross measure and the term 'outlay' as a net measure. In this Paper, 'payment' is used also as a generic term to describe the flow of both grants and advances (loans) from the Commonwealth to the States, the Territories and local government authorities (for example, specific purpose payments). The use of the term 'payment' in this manner is consistent with this Paper's emphasis on gross flows and with the use in Budget Paper No. 1. In instances where the net measure is more appropriate, the term 'net payment' is used.

Statement 6 'The Public Sector' of Budget Paper No. 1 discusses developments in the State/local sector in a broader context, focussing on the State/local general government and public trading enterprise sectors. This treatment complements the discussion in Chapter II of this Paper on the 'Structure and Trends in State and Local Government Finances' which focusses on individual States and Territories.

Treatment of the Territories

The Northern Territory (NT) became a self-governing Territory on 1 July 1978 under the *Northern Territory (Self-Government) Act 1978*. It has outlays responsibilities and revenue raising powers similar to those of a State, although the NT is not a State under the Constitution. It operates under financial arrangements that are the same as, or modelled on, arrangements with the six States.

The Australian Capital Territory (ACT) became a self-governing Territory on 11 May 1989 under the *ACT (Self-Government) Act 1988*. The ACT has responsibility for functions carried out by both State and local governments. However, Commonwealth

(1) Information for earlier years is contained in previous issues of Budget Paper No. 4, *Commonwealth Financial Relations with Other Levels of Government*, and in the predecessor to that Paper, Budget Paper No. 7, *Payments to or for the States, the Northern Territory and Local Government Authorities*. The 1975–76 issue of the latter Paper contained a consistent series of aggregate figures from 1956–57, details of borrowing programs from 1951–52 and details of the various specific purpose payments from their inception. The 1981–82 issue contained a historical summary of general purpose assistance showing general revenue payments from 1950–51 and special grants from 1910–11.

expenditures in the ACT for national purposes, for example, maintenance in the Parliamentary Triangle, continue to be financed from the Commonwealth Budget.

Like the NT, the ACT is not a State under the Constitution, however, the Commonwealth's financial relations with the ACT are being moved to a basis comparable with those for the States.

Prior to May 1989, the ACT finances were included in the Commonwealth Budget. In preparation for self-government, a separate system of ACT accounts within the Commonwealth Budget—an ACT 'fiscus'—was established on 1 July 1988. On 'Self-Government Day' on 11 May 1989, balances held in the Commonwealth's ACT accounts were transferred to the ACT Government.

The reporting of the ACT's financial transactions for 1988–89 in this budget paper does not correspond with that for Budget Paper No. 1 because of the differing treatments of payments into and out of the ACT's fiscus during the period from its establishment until self-government. In Budget Paper No. 1:

- the subventions made prior to self-government are classified as internal budget transfers and not as outlays;
- outlays from the ACT fiscus are treated as outlays by the Commonwealth; and
- the transfer of the balances held in the Commonwealth's ACT accounts to the ACT Government on Self-Government Day have been classified as transfers to other governments.

However, in this budget paper, so that the data for the ACT are presented on a basis which allows a meaningful comparison of 1988–89 and later year figures:

- amounts paid into the ACT fiscus prior to self-government are treated as payments to the ACT in 1988–89; and
- to avoid double-counting, payments to the ACT of the balances held in the Commonwealth's ACT Trust accounts on Self-Government Day are not treated as payments to the ACT, as these amounts reflect receipts of payments and own-source revenues into the ACT fiscus prior to self-government.

As a result of these adjustments, comparable data on ACT payments are available from 1988–89.

Population Figures Used in this Paper

The population series underlying *per capita* figures in this Paper are, with the exception of 1989–90 and 1990–91, the mean resident populations for the financial year published by the Australian Bureau of Statistics (ABS) in *Australian Demographic Statistics* (Catalogue No. 3101.0). The ABS estimates of population at 31 December 1989 have been used for 1989–90 and Treasury projections of population at 31 December 1990 for 1990–91. These population figures are in Table 10.

Further Information

A number of ABS publications provide information that is relevant in analysing Commonwealth financial relations with other levels of government, including:

- *Government Financial Estimates, Australia (5501.0);*
- *Commonwealth Government Finance, Australia (5502.0);*
- *State and Local Government Finance, Australia (5504.0);*
- *Taxation Revenue, Australia (5506.0);*
- *Public Sector Debt, Australia, 30 June 1987 (5513.0); and*
- *Classifications Manual for Government Finance Statistics, Australia (1217.0).*

Much of the data presented in Chapter II are sourced from unpublished ABS public finance statistics. Some of the data presented in Chapter II and Chapter III are also drawn from the following Commonwealth Grants Commission publications:

- *Report on General Revenue Grant Relativities 1990 Update; and*
- *the Working Papers which supplement the above report.*

Style Conventions

The following style conventions are employed in this Paper.

- The ACT and NT are referred to as the 'Territories'. References to the 'States' includes the NT but excludes the ACT. References to the 'six States' has its natural meaning.
- The 'State and local government sector' is denoted as the State/local sector. References to the 'State/local sector' and the 'State government sector' include the ACT and NT unless otherwise stated.
- Figures in tables, and generally in the text, have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage changes in all tables are based on the underlying unrounded amounts and not the rounded amounts.
- The following notations are used in the tables:

na	not available
..	zero, or rounded to zero
–	indicating negative figures

CHAPTER I—INTRODUCTION

This chapter provides an overview of the Commonwealth Government's financial relations with other levels of government and the institutional arrangements which provide the framework for the management of these relations. Although the Commonwealth collects about 70 per cent of total public sector revenues, its own outlays only account for about 50 per cent of public sector spending. This imbalance requires the Commonwealth to provide considerable financial assistance to the States and Territories for spending in areas of State responsibility.

The Commonwealth Government's financial relations with the States and the Territories comprise:

- the provision of financial assistance from the Commonwealth Budget. This assistance may be classified as:
 - general purpose or specific purpose payments;
 - payments for recurrent or capital purposes; and
 - grants or advances;
- borrowings undertaken by the Commonwealth on behalf of the six States under the Financial Agreement. No new borrowings of this type have been undertaken since 1986–87 and, under arrangements commencing in 1990–91, States and Territories are to progressively take over the responsibility for debt financed by Commonwealth borrowings on their behalf as those borrowings mature; and
- the determination of Loan Council 'global' limits on borrowings by State and Territory semi-government and local authorities, and government-owned companies and trusts. Commonwealth authorities' borrowings are also subject to 'global' borrowing limits.

Forms of Commonwealth Financial Assistance to the States and the Territories

Payments to the States and the Territories accounted for about 30% of Commonwealth Budget outlays in 1989–90 and were equivalent to around 35% of State and Territory outlays; Commonwealth payments to local government amounted to about 1.3% of Commonwealth Budget outlays and are equivalent to about 15% of local government outlays.

Financial Assistance to the States and the Territories

- *General revenue assistance* consists of untied grants to assist in meeting recurrent outlays. They constitute the largest inter-government transfer, accounting for around 50% of estimated Commonwealth net payments to the States and the Territories in 1990–91.

- *General purpose capital payments* are untied payments to assist with outlays for capital purposes. They originally comprised advances at market interest rates of the proceeds of borrowings by the Commonwealth on behalf of the States but are now provided in the form of capital grants.
- *Specific purpose payments* are payments to assist in meeting expenditures for purposes designated by the Commonwealth and/or as a condition of the States and the Territories agreeing to undertake particular projects. In 1990–91, around 75% of specific purpose payments are for current purposes and virtually all are provided as grants. Some payments are passed on by the States to their local government authorities. The amounts passed to local government are generally determined by the State Governments, although in certain instances (such as road funding) the amounts are subject to Commonwealth approval.

Financial Assistance to Local Government

In addition to the assistance passed on by the States at their discretion, local government is eligible for two direct forms of Commonwealth payments.

- *General purpose assistance* comprising untied grants which are the local government equivalent of general purpose assistance to the State government sector. The grants are paid initially to the States who are required to pass on the full amounts to local government authorities. The ACT Government (which has both territorial and municipal responsibilities) also receives comparable assistance in respect of its local government functions.
- *Direct payments* made to local government authorities under various Commonwealth expenditure programs (eg children's services). They account for less than 1% of estimated Commonwealth payments to other levels of government in 1990–91.

Table 1 shows payments to the State/local sector categorised under these headings for the years since 1986–87. Table 2 shows some of the payments on a *per capita* basis. Additional details are provided in Chapters III to V and in the appendices at the end of this Paper.

Table 1—Commonwealth Payments to the States and Territories, State Government Loan Council Programs and Payments Made Direct to Local Government Authorities (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
General Revenue										
1986-87	3,979	2,906	2,336	1,465	1,382	519	629	13,216	na	13,216
1987-88	4,277	3,113	2,562	1,619	1,470	529	678	14,248	na	14,248
1988-89	3,680	2,675	2,242	1,460	1,316	489	681	12,543	430	12,973
1989-90	3,668	2,710	2,439	1,495	1,397	501	695	12,905	373	13,278
1990-91(a)	3,708	2,722	2,532	1,561	1,440	523	725	13,211	437	13,648
Specific Purpose - Current										
1986-87	2,059	1,642	877	580	572	196	102	6,027	na	6,027
1987-88	2,231	1,742	912	596	591	208	117	6,397	na	6,397
1988-89	2,892	2,297	1,342	789	757	265	170	8,512	148	8,660
1989-90	3,178	2,492	1,495	874	829	312	93	9,272	139	9,411
1990-91(a)	3,563	2,792	1,690	988	925	340	171	10,468	159	10,627
Total Current										
1986-87	6,037	4,548	3,213	2,045	1,954	715	732	19,243	na	19,243
1987-88	6,508	4,855	3,474	2,215	2,061	737	796	20,646	na	20,646
1988-89	6,572	4,972	3,584	2,249	2,073	754	851	21,055	578	21,633
1989-90	6,846	5,202	3,934	2,368	2,226	813	788	22,177	512	22,689
1990-91(a)	7,271	5,513	4,222	2,549	2,365	863	896	23,679	596	24,275
General Purpose Capital										
1986-87	389	303	160	111	157	84	132	1,336	na	1,336
1987-88	173	143	37	46	79	55	88	621	na	621
1988-89	173	143	37	46	79	55	88	621	83	704
1989-90	86	72	19	23	40	28	44	311	62	372
1990-91(a)	80	68	16	22	39	28	44	297	33	330
Specific Purpose - Capital										
1986-87	894	592	525	300	253	106	121	2,791	na	2,791
1987-88	895	616	513	358	256	107	83	2,829	na	2,829
1988-89	838	618	497	296	269	102	90	2,711	39	2,750
1989-90	1,001	665	530	351	261	175	131	3,113	37	3,150
1990-91(a)	1,162	751	628	368	263	116	122	3,410	42	3,452
Total Capital (Gross)										
1986-87	1,283	894	685	411	410	191	253	4,127	na	4,127
1987-88	1,068	759	551	404	335	162	171	3,450	na	3,450
1988-89	1,011	761	534	342	349	158	178	3,332	122	3,454
1989-90	1,087	736	549	374	301	202	175	3,424	98	3,522
1990-91(a)	1,242	819	644	391	302	144	166	3,707	75	3,782
Total General Purpose										
1986-87	4,368	3,209	2,496	1,576	1,539	603	761	14,552	na	14,552
1987-88	4,450	3,256	2,600	1,665	1,549	584	766	14,869	na	14,869
1988-89	3,853	2,818	2,279	1,506	1,395	544	769	13,164	513	13,677
1989-90	3,755	2,782	2,457	1,517	1,437	529	739	13,216	435	13,650
1990-91(a)	3,788	2,790	2,548	1,583	1,479	550	769	13,508	470	13,978
Total Specific Purpose										
1986-87	2,952	2,233	1,402	880	825	302	223	8,818	na	8,818
1987-88	3,126	2,359	1,425	954	847	315	200	9,227	na	9,227
1988-89	3,731	2,914	1,839	1,085	1,026	367	261	11,222	187	11,409
1989-90	4,179	3,157	2,025	1,224	1,090	486	224	12,385	175	12,560
1990-91(a)	4,725	3,542	2,318	1,356	1,188	456	292	13,878	201	14,079
Total Payments to the States and Territories										
1986-87	7,320	5,442	3,898	2,457	2,364	905	985	23,370	na	23,370
1987-88	7,576	5,614	4,025	2,619	2,396	899	966	24,096	na	24,096
1988-89	7,583	5,732	4,118	2,591	2,422	911	1,029	24,386	700	25,086
1989-90	7,934	5,939	4,483	2,742	2,526	1,015	963	25,601	610	26,211
1990-91(a)	8,513	6,332	4,866	2,939	2,667	1,007	1,062	27,385	672	28,057

Table 1-Commonwealth Payments to the States and Territories, State Government Loan Council Programs and Payments Made Direct to Local Government Authorities (\$ million)-continued

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
Payments Made Direct to Local Government Authorities										
1986-87	35	33	12	10	7	3	2	102	..	102
1987-88	33	38	16	9	3	4	2	105	..	105
1988-89	32	38	25	14	4	4	1	117	..	117
1989-90	33	36	17	14	4	5	2	110	..	110
1990-91(a)	31	34	14	15	4	5	1	103	..	103
Total Payments (Gross)										
1986-87	7,355	5,476	3,909	2,467	2,370	908	986	23,471	na	23,471
1987-88	7,609	5,652	4,041	2,629	2,400	904	968	24,201	na	24,201
1988-89	7,615	5,770	4,143	2,605	2,426	915	1,030	24,503	700	25,203
1989-90	7,967	5,974	4,499	2,755	2,530	1,020	965	25,711	610	26,321
1990-91(a)	8,544	6,366	4,880	2,954	2,670	1,012	1,063	27,489	672	28,160
Repayments by the States, Territories and Local Government Authorities										
1986-87	104	78	54	42	39	18	10	344	na	344
1987-88	105	80	56	39	164	18	12	474	na	474
1988-89	127	81	59	37	102	18	12	436	12	447
1989-90	114	83	62	32	133	18	9	451	64	514
1990-91(a)	403	312	178	128	157	78	32	1,288	23	1,311
Total Payments (Net)										
1986-87	7,251	5,398	3,856	2,425	2,331	891	976	23,127	na	23,127
1987-88	7,504	5,572	3,985	2,590	2,235	885	956	23,727	na	23,727
1988-89	7,488	5,689	4,084	2,568	2,323	897	1,019	24,067	689	24,756
1989-90	7,853	5,892	4,438	2,723	2,397	1,002	955	25,260	546	25,806
1990-91(a)	8,140	6,054	4,702	2,826	2,513	934	1,031	26,201	648	26,849

(a) Estimate.

Table 2-Commonwealth Payments to the States and Territories, State Government Loan Council Programs and Payments Made Direct to Local Government Authorities (\$ per capita)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
General Revenue										
1986-87	714	695	881	990	995	1,159	4,040	832	na	819
1987-88	756	735	946	1,064	1,049	1,181	4,328	883	na	869
1988-89	641	623	804	929	929	1,087	4,353	764	1,556	777
1989-90	633	623	849	925	976	1,105	4,441	774	1,324	783
1990-91(a)	633	618	860	941	996	1,143	4,630	781	1,523	793
General Purpose Capital										
1986-87	70	72	60	75	113	189	847	84	na	83
1987-88	31	34	14	30	57	123	559	38	na	38
1988-89	30	33	13	29	56	123	561	38	301	42
1989-90	15	16	7	14	28	61	280	19	218	22
1990-91(a)	14	16	5	14	27	60	280	18	117	19
Total Specific Purpose										
1986-87	530	534	529	595	594	675	1,434	555	na	546
1987-88	552	557	526	627	604	703	1,277	572	na	563
1988-89	650	679	659	691	724	816	1,666	683	677	683
1989-90	721	726	705	758	761	1,072	1,431	743	622	741
1990-91(a)	807	804	787	818	821	997	1,866	820	703	818
Total Payments to the States, Territories and Local Government Authorities (Net)										
1986-87	1,301	1,290	1,455	1,639	1,679	1,991	6,267	1,457	na	1,433
1987-88	1,326	1,316	1,471	1,702	1,595	1,976	6,098	1,471	na	1,447
1988-89	1,304	1,325	1,465	1,634	1,640	1,994	6,513	1,466	2,495	1,483
1989-90	1,355	1,354	1,546	1,686	1,674	2,209	6,104	1,515	1,939	1,522
1990-91(a)	1,390	1,375	1,597	1,705	1,738	2,041	6,579	1,548	2,262	1,560

(a) Estimate.

State and Local Authority Borrowings

Each year, the Loan Council approves annual borrowing programs (comprising both new money borrowings and refinancings) by Commonwealth and State semi-government and local authorities, government-owned companies and trusts as well as by the Territories. Chapter IV provides more information about these arrangements.

Institutional Arrangements

The framework for the management of financial relations between the Commonwealth, States and Territories has evolved to cover the determination of both general purpose and specific purpose funding. The more important institutional arrangements dealing with general purpose funding are:

- the Premiers' Conference (which pre-dates Federation in 1901);
- the Australian Loan Council (established informally in 1923 and formally in 1927); and
- the Commonwealth Grants Commission (established in 1933).

The annual Premiers' Conference determines the amount and distribution of general revenue assistance. These payments are subject to negotiation among the Commonwealth, the States and the Territories. The distribution among the States generally reflects the *per capita* relativities determined and periodically reviewed by the independent Commonwealth Grants Commission. Relativities are set with a view to compensating the States for relative revenue and expenditure disabilities in their current budgets; Chapter III provides more detail.

The amount and distribution of specific purpose payments is usually determined formally in the context of the Commonwealth's Budget deliberations. Details concerning program implementation are established with State, Territory and local governments. Such discussions are undertaken either on a bilateral basis between the Commonwealth and the relevant State, Territory or local government, or through more formal channels such as Commonwealth-State Ministerial Councils or Conferences. These Councils or Conferences deal with non-financial matters as well as with the funding of various programs.

Under the Financial Agreement of 1927, the Loan Council, which generally meets on the same day as the Premiers' Conference, has responsibility for determining the level of borrowings by the Commonwealth Government on its own behalf and on behalf of the six State Governments. Except in limited circumstances, the six State Governments are not currently permitted to directly borrow in their own right. However, borrowings by State authorities under the Global Approach (see below) can be on-lent to State Governments. While the Territories are not members of Loan Council, analogous arrangements apply. As noted earlier, no borrowings on behalf of the six State Governments under the Financial Agreement (or borrowings on behalf of the Territories) are currently being undertaken and arrangements are being put in place for the States to take over responsibility for this debt as it matures.

Borrowings by Commonwealth and State authorities (semi-government and local authorities, government-owned companies and trusts) are not subject to the Financial Agreement, although Loan Council also approves the annual borrowing program of these authorities. Under the 'Global Approach', which has been in place since May 1985, all borrowings and related means of financing capital expenditure by authorities are subject to global limits covering new money raisings and the refinancing of existing debt (see Chapter IV for more detail).

Summary of 1990 Premiers' Conference and Loan Council Meeting Outcome

Arrangements for the States

The main funding issues decided at the 1990 Premiers' Conference and Loan Council meeting on 28 and 29 June 1990 were the level and distribution of general purpose payments to the States, special revenue assistance arrangements and the level and distribution of the global borrowing limits. The principal decisions were:

- general revenue assistance to the States for 1990–91 would be based upon amounts \$400 million lower than included in the Commonwealth's forward estimates at the time. As a result, in nominal terms, general revenue grants are currently estimated to increase by 2.8% in 1990–91 (see Chapter III);
- the NT would receive \$50 million in special revenue assistance, funded from the financial assistance grants pool;
- general purpose capital grants to the States would be maintained at the same nominal level as in 1989–90; and
- the agreed global borrowing limits of authorities of the six States for 1990–91 would total \$3800 million, or the same nominal level as for 1989–90. The distribution of limits would be phased to a *per capita* basis over the next five years.

On a comparable basis of measurement, these decisions imply that general purpose assistance to the States will decline by about 2.4% in real terms⁽²⁾ in 1990–91, following a real decline of 2.5% in 1989–90.

Arrangements for the ACT

Under transitional arrangements for the ACT, general purpose funding (including general revenue grants, general purpose capital funding and general purpose assistance for local government functions) was to be maintained in real terms until 1990–91 and moved to a basis similar with the States during the two following years.

The funding arrangements for the ACT for 1990–91 agreed at the Premiers' Conference for 1990–91 are similar to those that applied in 1989–90. They include a provision to maintain the earlier funding guarantee but the actual amounts of general

(2) In this Paper, all rates of change relating to real values are calculated using the non-farm product deflator, unless otherwise specified.

purpose assistance to be paid to the ACT Government in 1990–91 will be based on comparable treatment to that accorded the States. The difference between the forward estimates (based on the real terms guarantee) and amounts to be paid will be placed in a Commonwealth Trust Account, and the principal and accrued interest will be used to assist the ACT during its transition to State-like funding arrangements. This represents a saving from the forward estimates of Commonwealth outlays of around \$33 million, additional to the \$400 million savings on payments to the States. The ACT Government is able to apply for the release of funds in 1990–91 to fund projects which assist in the transition process. (Chapters III and IV provide further detail.)

Other Decisions

Other decisions of the Premiers' Conference and Loan Council meeting were:

- to implement the Commonwealth Grants Commission's five-year relativities contained in its 1990 Update Report and to continue to update relativities on an annual basis (see Chapter III);
- a commitment to maintain general revenue grants in real terms for three years from 1991–92, providing Australia does not experience a major deterioration in its economic circumstances;
- agreement to arrangements for States to progressively take over responsibility for debt raised on their behalf under the Financial Agreement (see Chapter IV); and
- an agreement to establish a working party of officers from the Commonwealth and State Treasuries and the Australian Bureau of Statistics to examine issues relating to the uniform presentation of Government financial information.

Reform of Inter-Governmental Relations

On 19 July 1990, the Prime Minister proposed processes for the reform of inter-governmental relations designed to form a closer partnership between the Commonwealth, the States and Territories, and local government. The objective of these processes is to examine, in a cooperative way, the scope for altering the present distribution of functions between the levels of government to enhance national efficiency and international competitiveness, and to improve the delivery and quality of the services governments provide.

A wide-ranging process of joint review will be undertaken to:

- identify opportunities for more cooperative and integrated action in areas such as microeconomic reform, environmental standards, industrial relations, resource processing and energy production; and
- develop improved arrangements for delivering programs to avoid overlap and duplication between levels of government and improve efficiency and social equity.

Inter-governmental financial relations and processes will also be included in the review process.

The process of reform is to be initiated at a special Premiers' Conference to be held on 30–31 October 1990. It is intended that reforms should be introduced progressively as they are negotiated between governments.

The Prime Minister in his speech also expressed Commonwealth support, including financial support, for the Constitutional Conference being arranged in Sydney in 1991 to mark the centenary of the first Australasian Constitutional Convention, and for future consideration of constitutional reforms.

CHAPTER II—STRUCTURE AND TRENDS IN STATE AND LOCAL GOVERNMENT FINANCES

This chapter provides an overview of the public sector before outlining trends in the principal financial aggregates, of the State/local sector and comparative fiscal developments between States.

THE STRUCTURE OF THE PUBLIC SECTOR

The State/local sector is an important component of public sector outlays, employment and final demand. Commonwealth-State financial relations therefore have a significant role in the determination of national economic performance and the achievement of national economic policy objectives. Shares of the major financial aggregates and public sector employment in 1988–89 (the latest year for which data are available for each level of government) are shown in Table 3.

Table 3—Public Sector Financial Aggregates and Employment: Shares of Each Level of Government, 1988–89 (%)

	Own Purpose Outlays (a)			Final Demand (b)	Own-Source Revenue	Net PSBR \$m	Employment
	Current	Capital	Total				
Commonwealth	53	31	50	33	71	-6256	25
State	43	56	44	59	25	1304	66
Local	4	14	5	9	4	-141	9
Total	100	100	100	100	100	-5093	100

(a) Current, capital and total outlays exclude payments to or for other levels of government.

(b) Final demand consists of final consumption expenditure and gross fixed capital expenditure.

Source: Pre-release of Government Financial Statistics (currently unpublished), and Employed Wage and Salary Earners, ABS Cat No 6428.0.

The Commonwealth accounts for about 70% of public sector revenue but only 50% of total public sector outlays when transfers to other levels of government are excluded. Conversely, the State sector accounts for only 25% of public sector revenue raising but about 45% of total public sector outlays (excluding transfers to the local government sector). This arrangement requires significant Commonwealth transfers to other levels of government. Payments from the Commonwealth to the State/local sector account for about 30% of Commonwealth sector outlays and about 40% of revenues for the State/local sector. Table 4 identifies the revenue sources of Commonwealth, State and local government in 1988–89.

Table 4—Sources of Revenue for Each Level of Government, 1988–89 (%)

	Commonwealth	State	Local
Own-Source Revenue			
Taxes, Fees and Fines	89	33	52
Net Operating Surplus (a)	4	10	7
Other	7	15	17
Total Own-Source Revenue	100	57	77
Payments from Higher Levels of Government			
– from Commonwealth (b)	na	43	16
– from State	na	na	7
Total Revenue	100	100	100

(a) Net operating surplus (NOS) is included as revenue in the ABS Government Financial Estimates. NOS is calculated as operating revenue (including subsidies received from the general government sector) less operating expenditure. Further detail on the operating performance of PTEs is presented in Statement No. 6 of Budget Paper No. 1.

(b) In 1988–89, Commonwealth payments to local government comprised general revenue assistance (9.7% of local government revenue), direct payments to local government (1.7% of local government revenue) and specific purpose payments to the States that were on-passed to local government (4.9% of local government revenue).

Source: Pre-release of Government Financial Statistics (currently unpublished).

Excluding transfers to other levels of government, the Commonwealth spends about half of its total outlays on personal benefit payments. These payments to individuals do not add directly to public sector demand or resource use, except for administration costs. As a result, the Commonwealth accounts for only around a third of public sector final demand and about a quarter of public sector employment, while representing about half of public sector outlays. On the other hand, because the State/local sector is responsible for the provision of services in areas which are relatively labour intensive such as education, health and law and order, it accounts for a large proportion of public sector employment (75%) and of public sector final demand (65%).

Each level of government plays a role in the implementation of fiscal policy. The Commonwealth's control over the bulk of the nation's revenue base and its substantial expenditures on personal benefit payments reflect the Commonwealth general government sector's primary role in deciding and implementing the demand management and distributional elements of fiscal policy. It also puts the Commonwealth in a position to make broad judgments about what is the appropriate level of overall taxation and public spending in the economy. The State/local sector, however, exerts an important influence on resource allocation because it accounts for the bulk of public sector final demand (including public sector infrastructure) and employment.

The State/local sector, because of its aggregate size, can also have a significant impact on the extent to which the Commonwealth's stabilisation objectives are met. Consequently, in addition to varying its own revenues and outlays and limiting its borrowing requirements, the Commonwealth seeks to ensure, through its financial relations with the State/local sector, that State policies are consonant with national requirements. Equally, the States' response to Commonwealth policies is important in determining the overall economic impact of public sector activity. For example, if

macroeconomic policy requires lower levels of public spending and borrowing, the Commonwealth's ability to reduce payments to the States can assist in achieving that objective. However, the States can offset the requirement to cut spending by raising their own taxes or, in the absence of offsetting changes in State taxes or outlays, the net PSBR of the States would increase by a corresponding amount, and the overall public sector net PSBR would remain unchanged.

The global borrowing limits agreed annually by Loan Council (see Chapter IV) limit the extent to which States can respond to funding cuts by increasing their borrowings and the relatively narrow revenue base of the States makes it difficult to raise taxes.

Commonwealth policy has been directed in recent years at reducing the overall level of public sector spending and borrowing. States have generally responded to reduced Commonwealth assistance by adjusting their taxes and outlays. However, the trend reduction in their PSBR and spending was reversed somewhat in 1989-90. A welcome by-product of the Commonwealth's policy has been an examination of the expenditures and activities of all levels of government. That has gone beyond the restraint imperative to include the encouragement of more efficient forms of resource use and allocation. As a result—and especially in the PTE sector (as discussed in the section below entitled *Operating Performance of Public Trading Enterprises*)—microeconomic reform has become an increasingly important element of the economic relationship between the Commonwealth and the States. This broader policy dimension of Commonwealth-State relations will gain additional momentum as a result of the Prime Minister's announcement on 19 July 1990 to hold a Special Premiers' Conference on 30-31 October 1990 to discuss, in particular:

- micro-economic reform;
- financial relations between different levels of government;
- scope for rationalisation of delivery of services;
- the national agenda for social justice;
- industrial relations; and
- the protection of the environment.

TRENDS IN STATE AND LOCAL GOVERNMENT FINANCIAL AGGREGATES

This section discusses trends in the main financial aggregates in the State/local sector as a whole; and also briefly compares developments between the State sector and local government sector. At the aggregate State/local level, the analysis distinguishes between general government activities and total sector activities which cover both general government and public trading enterprises (PTEs). General government sector functions cover the provision of non-market services and the transfer of income for various public policy purposes. These functions are financed primarily by taxation with

the services generally provided free of direct charge or at a charge well below cost. The PTE sector consists of government-owned enterprises which provide goods and services for sale in the market and which aim to recover at least a significant proportion of their operating costs through charges.

Charts 1 and 2 and Tables 5, 6 and 7 provide information on trends in State/local sector financial aggregates. After reaching a peak in 1982–83 (see Charts 1 and 2), the State/local sector achieved a significant reduction in its total outlays and net PSBR as a proportion of gross domestic product (GDP) in the period to 1988–89.

There have been several factors contributing to this outcome:

- the cumulative impact of cuts in both net Commonwealth payments and the sector's global borrowing limit since 1985–86. This has not only required restraint on outlays but also encouraged greater emphasis on the sector's own-source revenue. During the period 1985–86 to 1988–89, net Commonwealth payments to the State/local sector were cut by 12% in real terms and the sector's global borrowings fell by 33% in nominal terms to \$4.7 billion;
- strong growth in State/local sector own-source revenues (by 18% in real terms over the period) reflecting in particular, buoyant stamp duty revenues associated with equities and property market booms; and
- reduced—particularly capital—outlays. This has been possible because capital spending needs have been modest, especially in areas such as electricity generation, following the completion of economic infrastructure projects commenced in the early to mid-1980s, and because the States were selling assets into (then) buoyant property markets. (Such sales count as offsets to capital outlays.)

In addition, reflecting national economic policy influence, wages (which make up around half current outlays) fell considerably in real terms; an easing-back in State sector employment growth also contributed to spending restraint over the period.

The financial restraint exhibited in recent years in the State/local sector was reversed somewhat in 1989–90. The main points in respect of that year for the State/local sector excluding the ACT are:

- preliminary ABS data indicate that State/local sector total outlays increased by 4.6% in real terms, following a fall of 2.6% in 1988–89. The turnaround in growth was less marked in the general government sector with total outlays increasing by around 2.4% in real terms;
- State/local own-source revenue increased by 2.1% in real terms slowing from an average growth of 6.7% over the period 1984–85 to 1988–89 (reflecting, among other things, declining stamp duty revenues as a result of weakening asset markets); and
- the State/local sector's net PSBR (which measures its direct call on financial markets) increased from 0.3% of GDP in 1988–89 to 1.0% of GDP in 1989–90. This increase was largely accounted for by the sharp increase in the net PSBR for the general government sector which increased from 0.1% of GDP in 1988–89 to 0.5% in 1989–90.

Chart 1- State/local Sector Sources of Funds

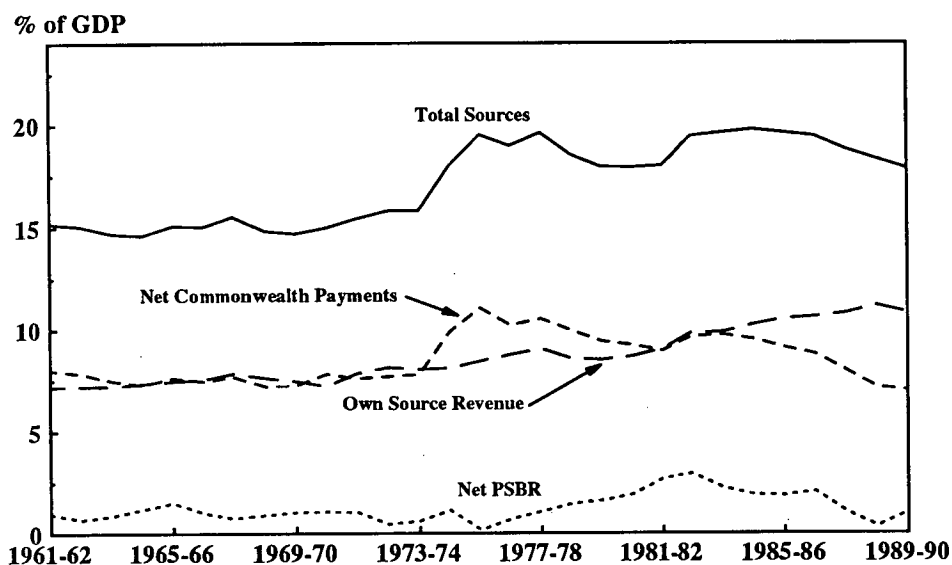


Chart 2- State/local Sector Uses of Funds

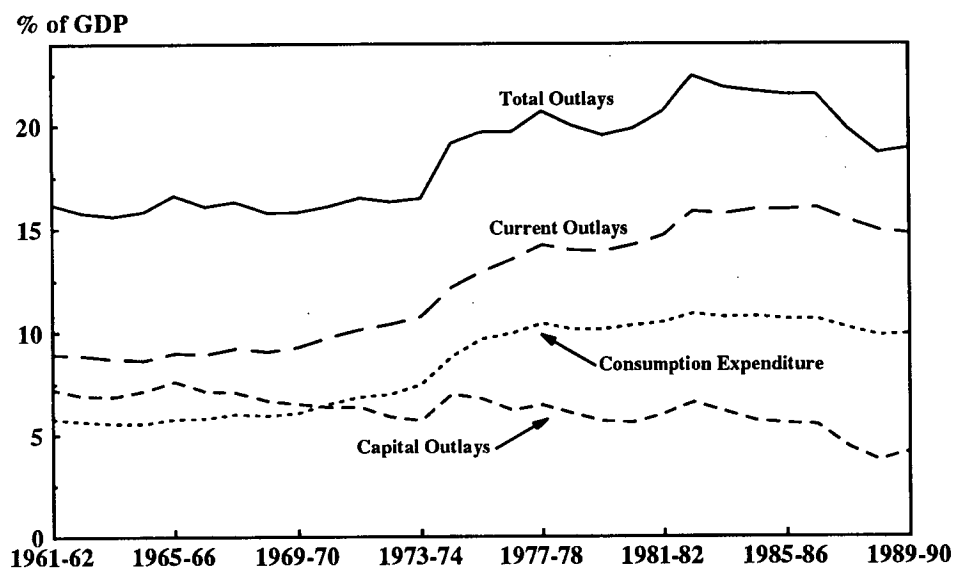


Table 5—Financial Aggregates, State and Local Government Sectors (real change)

	Outlays (a)				Revenue							Net PSBR
	Current	Capital	Total	% of GDP	Taxes Fees and Fines	Own-Source Revenue (b)	Total Net Payments		Total Revenue		% of GDP	
	%	%	%		%	%	% of GDP	%	% of GDP	%		% of GDP
State/local												
1984-85	6.7	-2.1	4.2	21.7	5.8	9.3	10.2	2.8	9.5	6.1	19.8	1.9
1985-86	4.0	2.1	3.5	21.6	2.7	7.2	10.6	-0.5	9.2	3.5	19.7	1.9
1986-87	2.7	0.4	2.1	21.5	5.1	3.1	10.7	-1.2	8.8	1.1	19.5	2.1
1987-88	1.6	-15.2	-2.7	19.9	9.5	7.2	10.8	-4.4	8.0	1.9	18.8	1.0
1988-89	0.3	-12.6	-2.6	18.5	6.2	7.1	11.1	-7.0	7.1	1.1	18.2	0.3
1989-90 (c)	3.5	9.2	4.6	18.9	-0.8	2.1	11.0	-1.0	6.9	0.7	17.8	1.0
Average growth 1984-85 to 1989-90	3.1	-3.4	1.5		4.7	6.0		-1.9		2.4		
State												
1984-85	6.8	-4.9	3.7	19.9	6.3	10.7	8.6	2.7	9.5	6.4	18.1	1.8
1985-86	3.8	1.9	3.3	19.9	2.8	7.3	8.9	-0.7	9.1	3.1	18.0	1.9
1986-87	2.7	0.3	2.1	19.8	5.9	3.5	9.0	-1.1	8.8	1.2	17.8	2.0
1987-88	1.7	-16.8	-2.7	18.3	11.2	8.8	9.3	-4.4	8.0	2.3	17.2	1.0
1988-89	0.2	-13.3	-2.5	17.0	7.4	7.7	9.6	-7.0	7.1	0.9	16.6	0.4
Average growth 1984-85 to 1988-89	3.0	-6.9	0.7		6.7	7.6		-2.2		2.7		
Local												
1984-85	4.2	11.2	6.8	2.4	3.8	2.5	1.7	-3.3	0.6	0.9	2.3	0.1
1985-86	2.4	3.1	2.7	2.4	2.3	6.4	1.8	0.2	0.6	4.8	2.3	..
1986-87	1.1	-0.2	0.6	2.3	1.6	1.2	1.7	-6.1	0.5	-0.6	2.3	..
1987-88	1.2	-3.3	-0.6	2.2	2.4	-0.5	1.6	1.8	0.5	0.1	2.2	..
1988-89	-0.5	-7.4	-3.1	2.0	0.4	1.2	1.6	-3.9	0.5	-0.1	2.1	..
Average growth 1984-85 to 1988-89	1.7	0.5	1.2		2.1	2.1		-2.3		1.0		

(a) State government current, capital and total outlays includes payments to other levels of government.

(b) Includes the increase in provisions (including for depreciation and superannuation).

(c) 1989-90 data have been adjusted to exclude details for the ACT, which are not included in the data for the previous years in the State/local sector. The adjustment uses Budget estimates of ACT financial aggregates contained in ABS Government Financial Estimates, 1989-90, Cat No 5501.0.

Source: Pre-release of Government Financial Statistics (currently unpublished).

Table 6—Financial Aggregates, State and Local General Government Sectors (real change)

	Outlays (a)				Revenue							Net PSBR
	Current	Capital	Total	% of GDP	Taxes Fees and Fines	Own-Source Revenue (b)	Total Net Payments		Total Revenue		% of GDP	
					%	%	% of GDP	%	% of GDP	%			% of GDP
State/local												
1984-85	5.7	11.2	6.7	17.6	5.8	6.6	7.6	2.5	9.6	4.3	17.2	0.4
1985-86	3.4	2.7	3.3	17.6	2.7	6.6	7.8	-0.4	9.2	2.7	17.0	0.5
1986-87	2.5	6.9	3.3	17.7	5.1	2.5	7.8	-1.0	8.9	0.6	16.7	1.0
1987-88	1.9	-16.7	-1.6	16.5	9.5	8.1	8.0	-4.4	8.0	1.5	16.1	0.4
1988-89	0.2	-9.2	-1.3	15.6	6.2	8.4	8.3	-6.9	7.2	0.8	15.5	0.1
1989-90 (c)	2.2	4.0	2.4	15.5	-0.8	0.6	8.2	-1.8	6.9	-0.5	15.0	0.5
Average growth 1984-85 to 1989-90	2.7	-0.7	2.1		4.7	5.4		-2.0		1.5		
State												
1984-85	5.8	9.4	6.4	16.2	6.3	6.9	6.3	2.4	9.5	4.2	15.8	0.5
1985-86	3.3	1.9	3.0	16.1	2.8	6.6	6.4	-0.7	9.1	2.2	15.6	0.6
1986-87	2.4	7.8	3.3	16.3	5.9	2.7	6.5	-1.1	8.8	0.5	15.3	1.0
1987-88	2.1	-18.1	-1.5	15.2	11.2	10.0	6.7	-4.1	8.0	1.9	14.8	0.5
1988-89	0.0	-9.6	-1.4	14.4	7.4	9.4	7.1	-6.9	7.1	0.5	14.2	0.2
Average growth 1984-85 to 1988-89	2.7	-2.3	1.9		6.7	7.1		-2.1		1.8		
Local												
1984-85	3.9	8.0	5.2	2.0	3.8	5.0	1.4	-3.5	0.6	2.2	2.0	..
1985-86	2.5	3.7	2.9	2.0	2.3	6.3	1.4	0.7	0.6	4.6	2.0	-0.1
1986-87	1.5	-1.8	0.4	1.9	1.6	1.5	1.4	-6.1	0.5	-0.7	2.0	..
1987-88	0.3	-1.2	-0.2	1.8	2.4	-0.5	1.3	1.9	0.5	0.2	1.9	..
1988-89	1.1	-5.4	-1.0	1.7	0.4	3.3	1.3	-4.0	0.5	1.3	1.8	-0.1
Average growth 1984-85 to 1988-89	1.8	0.5	1.4		2.1	3.1		-2.2		1.5		

(a) State government current, capital and total outlays includes payments to other levels of government.

(b) Includes the increase in provisions (including for depreciation and superannuation).

(c) 1989-90 data have been adjusted to exclude details for the ACT, which are not included in the data for the previous years in the State/local sector. The adjustment uses Budget estimates of ACT financial aggregates contained in ABS Government Financial Estimates, 1989-90, Cat No 5501.0.

Source: Pre-release of Government Financial Statistics (currently unpublished).

Table 7 shows the sector's capital outlays and their relationship to financing transactions. The sector's deficit financing of capital outlays declined markedly in the period to 1988–89 from over 50% in the early 1980s to 8% in 1988–89. That resulted from the reduction in borrowing limits under the Global Approach (see Table 7, column (12)), in combination with restraint in capital outlays (partly encompassing increased assets sales—see Table 7, column (2)) and firm growth in own-source revenue. In 1989–90, deficit financing is estimated to have increased to 22% (reflecting the strong increase in capital outlays in that year) to a level still well below longer-term averages.

The composition of the sector's deficit financing has changed considerably over time, with net borrowings direct from the private sector becoming relatively more important and net advances from the Commonwealth (primarily comprising the State Governments' Loan Council program and equivalent general purpose capital funding for the NT) declining markedly. In the three years to 1989–90, net advances were negative for the first time since at least 1961–62 (because repayments exceeded advances) and direct borrowings by the State/local sector now finance the whole of its deficit.

With the June 1990 Loan Council agreement for States to progressively take over responsibility for debt formerly raised on their behalf by the Commonwealth, the State/local sector repayments to the Commonwealth will exceed advances by much larger amounts during 1990–91 and in subsequent years.

It is always difficult to forecast State/local financial aggregates prior to the delivery of State Budgets, and there are a number of particular difficulties this year relating to the effect of economic conditions on State finances. However, the sector is expected to face tighter budgetary circumstances in 1990–91 reflecting subdued growth in States' own-source revenue base and continued pressure for outlays growth, including to fund infrastructure and to facilitate public sector restructuring. Net Commonwealth payments to the State/local sector (adjusted for the debt repayment effect—see Chapter IV) are estimated to increase by 1.4% in real terms in 1990–91.

Against this background, some States have already announced increases in tax rates. Assuming that capital outlays can be restrained following the large increases in 1989–90, the significant increase in the sector's net PSBR evident in 1989–90 is not likely to be repeated in 1990–91. Adjusting for the debt repayment effect, which reduces net Commonwealth payments significantly, the sector's net PSBR in 1990–91 could turn out to be a similar share of GDP to the preliminary outcome for 1989–90.

Further analysis of the PSBR is provided in Statement 6 'The Public Sector' of Budget Paper No. 1.

Table 7-State/Local Sector Capital Outlays and Financing Transactions

	Capital Outlays			Deficit (b)			Net Advances Rec		Net PSBR			Gross PSBR (c)	
	Excluding net asset sales	Net asset sales (a)	Including net asset sales	(4)	(5)	(6)	(7)	(8)	(9)	(10)	(11)	(12)	(13)
	(1)	(2)	(3)										
	% of GDP	% of GDP	% of GDP	\$m	% of GDP	% of Capital Outlays	\$m	% of Deficit	\$m	% of Deficit	% of GDP	\$m	% of GDP
Average 1970-71 to 1979-80	6.0	-0.2	6.2	1,713	2.4	37.7	967.6	60.9	745	39.0	0.9	na	na
Average 1980-81 to 1989-90	5.5	0.1	5.3	4,336	2.1	37.2	538.3	9.2	3,798	90.8	1.8	na	na
1980-81	5.6	..	5.6	3,618	2.6	46.1	934	25.8	2,684	74.2	1.9	na	na
1981-82	6.0	..	6.0	5,057	3.2	53.5	863	17.1	4,194	82.9	2.7	na	na
1982-83	6.6	..	6.6	6,068	3.6	54.1	1,054	17.4	5,013	82.6	2.9	6,165	3.6
1983-84	6.2	..	6.1	5,339	2.8	45.2	998	18.7	4,341	81.3	2.3	6,603	3.4
1984-85	5.7	..	5.7	4,851	2.3	39.6	799	16.5	4,053	83.5	1.9	7,067	3.3
1985-86	5.8	0.1	5.6	5,260	2.2	39.3	786	14.9	4,473	85.0	1.9	7,041	3.0
1986-87	5.7	0.2	5.5	5,942	2.3	41.2	546	9.2	5,396	90.8	2.1	6,395	2.4
1987-88	4.7	0.3	4.4	3,042	1.0	23.2	-46	-1.5	3,088	101.5	1.0	5,522	1.9
1988-89	4.2	0.5	3.7	1,004	0.3	8.0	-129	-12.8	1,132	112.7	0.3	4,700	1.4
1989-90 (d)	4.2	0.2	3.9	3,182	0.9	22.0	-422	-13.3	3,603	113.2	1.0	3,870	1.0

(a) Net asset sales are defined in this table as net sales of second-hand fixed assets and land and intangible assets; excludes the proceeds of some asset sales which are classified as offsets to capital expenditure under other categories such as advances. A positive level of asset sales leads to a reduction in outlays.

(b) Financing transactions (ie total outlays less total revenue) less increases in provisions as defined in the ABS Government Financial Estimates. Sum of columns (7) and (9).

(c) Estimates of the sector's gross borrowings prior to 1982-83 are not available from Loan Council sources. In 1990-91 the sector's gross borrowing limit will total \$3880 million or 1.0% of GDP.

(d) 1989-90 data have been adjusted to exclude details for the ACT, which are not included in the data for the previous years in the State/local sector. The adjustment uses Budget estimates of ACT financial aggregates contained in ABS Government Financial Estimates, 1989-90, Cat No 5501.0.

Source: Pre-release of Government Financial Statistics (currently unpublished).

State sector and local government sector

In comparing trends between these sectors, it should be noted that the local government sector is much less financially reliant on the other levels of government than the State sector is reliant on the Commonwealth (see Table 4). Consequently, the Commonwealth Government has relatively more direct impact on State than on local government budgetary policies.

State sector outlays increased more slowly than local government outlays in the five years to 1988–89. In 1988–89, the real growth in outlays slowed markedly in both the State and local sectors, mainly reflecting restraint in capital expenditure.

General purpose payments account for around 50% of net Commonwealth payments to both State and local governments. As indicated in Table 8, general purpose payments to local government are estimated to decrease in real terms by 2.9% in 1990–91 compared with an estimated real decline of 2.4% in comparable payments to the States. (Chapter III provides further details.)

Table 8—Commonwealth General Purpose Payments to State and Local Government

	State Government (a)		Local Government	
	\$m	Real Change %	\$m	Real Change %
1986–87	14,552	–0.8	586	1.3
1987–88	14,869	–4.9	642	2.1
1988–89	13,164	–6.8	653	–6.8
1989–90	13,216	–2.5	678	–2.2
1990–91	13,508	–2.4	699	–2.9

(a) Changes between years have been calculated after adjustment to the base year to eliminate the effect of changes in the classification of certain programs.

Operating Performance of Public Trading Enterprises

The financial performance of PTEs has an important impact on State/local sector finances and the economy in general. In 1989–90, the operating revenue and operating expenditure (which includes depreciation charges and is treated as an offset to operating revenue in determining net operating surplus) of State/local sector PTEs were equivalent to about 8.5% and 7.4% of GDP, respectively. By comparison, State/local sector general government own purpose outlays were equivalent to 14.5% of GDP in 1989–90.

Statement 6 'The Public Sector' of Budget Paper No. 1 provides an overview of the main financial aggregates of both Commonwealth and State/local PTEs, including *operating results* and *cost recovery ratios*. This section focuses on the operating performance of *State sector PTEs*, and provides information on the components of State sector PTEs.

Table 9 shows for State sector PTEs:

- the operating results (net operating surplus less subsidies and net interest paid);
- subsidies received; and

- cost recovery ratios (ratio of operating revenue, excluding subsidies, to operating expenditure exclusive and inclusive of net interest outlays).

Mainly as a result of losses on rail operations, State sector PTEs operate at a substantial loss (equivalent to 0.6% of GDP in 1988–89); electricity operations have had improved operating results in recent years.

Subsidies of \$2.5 billion in 1988–89 paid by the State general government sector to PTEs account for 5% of general government outlays and provide a measure of the scope for improved State sector PTE efficiency. The table shows that subsidies to railway operations are equivalent to 0.5% of GDP—and account for about two-thirds of total subsidies paid to State sector PTEs.

The cost recovery ratios, inclusive of net interest outlays, show the extent to which PTEs are able to cover both operating costs and debt servicing obligations. These cost recovery ratios must be treated with caution, however, as they provide only a partial indication of the financial performance of PTEs for various reasons:

- no account is taken of the returns on capital resources employed by PTEs;
- a high rate of cost recovery may reflect the extent of PTEs' monopoly power rather than the level of efficiency; and
- levels of cost recovery may be affected by requirements to perform community service obligations, which often involve the provision of subsidised/unprofitable services.

In relation to cost recovery ratios, Table 9 indicates that:

- over the past decade, State PTEs in aggregate have covered their operating costs but have recovered only around 90% of their total costs, including interest obligations. In other words, State PTEs in aggregate do not earn enough from their own operations to service their debts;
- the financial performance of State PTEs generally deteriorated until the middle 1980s—while there has been some improvement over the past few years; and
- railway operations generally achieve very low levels of cost recovery, reflecting both the community service obligations accepted by metropolitan transport operations and inefficiencies in rail operations (which some State governments are addressing by curtailing uneconomic railway operations and reducing staffing levels), while electricity authorities achieve much higher levels of cost recovery.

Like the Commonwealth, some States have also implemented corporatisation programs which aim to increase the commercial orientation of their PTEs. This seeks improved bottom line performance while permitting PTEs to operate with more autonomy. Focus will continue to be placed on the issue of microeconomic reform by State Government initiatives and as a result of the inquiries by the Industry Commission including into rail transport, energy generation and distribution and statutory marketing arrangements. As noted above, the Prime Minister's recent announcement on reforming Inter-Governmental Relations also emphasises the need and scope for microeconomic reform.

Table 9—Operating Result, Cost Recovery and Subsidies Received by State Sector Public Trading Enterprises

	Electricity		Rail		Other		Total	
	Operating Result (a)							
	\$m	% of GDP	\$m	% of GDP	\$m	% of GDP	\$m	% of GDP
1979-80	-27.3	..	-351.6	-0.3	-226.9	-0.2	-605.8	-0.5
1980-81	-50.4	..	-744.1	-0.5	32.6	..	-761.9	-0.5
1981-82	-216.7	-0.1	-952.3	-0.6	-38.6	..	-1,207.6	-0.8
1982-83	-241.7	-0.1	-1,184.5	-0.7	-138.0	-0.1	-1,564.2	-0.9
1983-84	-440.3	-0.2	-1,539.7	-0.8	10.8	..	-1,969.2	-1.0
1984-85	-493.8	-0.2	-1,655.7	-0.8	95.3	..	-2,054.2	-1.0
1985-86	-109.5	..	-1,782.5	-0.7	-325.2	-0.1	-2,217.2	-0.9
1986-87	243.4	0.1	-1,817.2	-0.7	-644.3	-0.2	-2,218.1	-0.8
1987-88	445.0	0.2	-1,763.2	-0.6	-579.3	-0.2	-1,897.5	-0.6
1988-89	719.3	0.2	-2,099.3	-0.6	-530.6	-0.2	-1,910.6	-0.6
	Subsidies Received							
	\$m	% of GDP	\$m	% of GDP	\$m	% of GDP	\$m	% of GDP
1979-80	34.7	..	188.4	0.2	545.7	0.4	768.8	0.6
1980-81	44.3	..	564.1	0.4	306.7	0.2	915.1	0.7
1981-82	46.4	..	748.6	0.5	366.4	0.2	1,161.4	0.7
1982-83	57.9	..	977.3	0.6	457.4	0.3	1,492.6	0.9
1983-84	103.7	0.1	1,135.5	0.6	409.8	0.2	1,649.0	0.9
1984-85	121.6	0.1	1,196.8	0.6	490.7	0.2	1,809.1	0.8
1985-86	135.7	0.1	1,386.3	0.6	576.7	0.2	2,098.7	0.9
1986-87	130.9	..	1,637.8	0.6	595.1	0.2	2,363.8	0.9
1987-88	96.0	..	1,617.0	0.5	647.4	0.2	2,360.4	0.8
1988-89	93.3	..	1,707.7	0.5	716.0	0.2	2,517.0	0.7
	Cost Recovery (%)							
	Other Operating Revenue as a % of Operating Expenditure (b)							
1979-80	121.9		72.9		107.8		106.6	
1980-81	123.8		68.8		112.3		105.5	
1981-82	122.8		66.8		111.9		104.4	
1982-83	130.0		64.6		112.8		106.6	
1983-84	131.5		64.6		114.6		106.2	
1984-85	133.0		69.2		115.8		108.6	
1985-86	132.7		69.0		113.5		109.4	
1986-87	141.0		68.8		111.1		111.0	
1987-88	141.4		70.4		114.3		113.8	
1988-89	141.9		68.3		115.4		114.3	
	Other Operating Revenue as a % of Operating Expenditure plus Net Interest Outlays (b)							
1979-80	98.9		69.0		95.7		93.2	
1980-81	98.3		66.0		100.6		92.8	
1981-82	94.5		63.7		99.3		90.1	
1982-83	95.1		60.4		97.8		89.0	
1983-84	92.4		60.8		100.2		88.2	
1984-85	92.5		62.9		101.3		89.0	
1985-86	98.5		60.7		96.4		89.4	
1986-87	103.1		61.0		93.5		90.1	
1987-88	105.1		62.9		94.6		92.2	
1988-89	107.7		59.6		95.3		92.6	

(a) Operating result is equal to net operating surplus (ie operating revenue less operating expenditure) less subsidies received plus net interest received.

(b) Other operating revenue is equal to operating revenue less subsidies received.

Source: Unpublished data provided by ABS in August 1990.

FINANCIAL DEVELOPMENTS IN INDIVIDUAL STATES

Factors Influencing Interstate Comparisons

Interstate comparisons of outlays, revenue, borrowing and of the financial performance of PTEs can be influenced by differences in the rates of growth of population and of gross State product (GSP), the different range of activities undertaken by the various levels of government in each State, and the level and growth in Commonwealth payments to individual States. Variations in the growth and composition of population, for example, can have a strong bearing on the demand for State sector services, such as education, hospitals and law enforcement.

Table 10 shows, for each State and Territory, population levels and growth rates in the six years to 1989-90, and projections for 1990-91. While Western Australia (WA) and Queensland (QLD) have had high population growth rates—and South Australia (SA) and Tasmania (TAS) have had low growth rates over the period, the NT's growth rate moved from being the highest to the lowest of the States during this time.

Table 10—Population by State (a)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
Residents (thousand)										
1984-85	5,434	4,098	2,548	1,404	1,366	440	145	15,434	248	15,682
1985-86	5,497	4,140	2,597	1,438	1,377	445	152	15,646	255	15,901
1986-87	5,571	4,184	2,650	1,480	1,388	447	156	15,877	263	16,140
1987-88	5,660	4,236	2,709	1,522	1,401	448	157	16,132	270	16,402
1988-89	5,744	4,295	2,788	1,571	1,417	450	156	16,421	276	16,697
1989-90(b)	5,798	4,350	2,871	1,615	1,432	454	157	16,675	282	16,957
1990-91(c)	5,857	4,404	2,945	1,658	1,446	458	157	16,924	287	17,211
Growth (per cent)										
1984-85	1.1	1.0	1.8	1.7	0.9	1.1	4.3	1.3	2.4	1.3
1985-86	1.2	1.0	1.9	2.4	0.8	1.0	4.5	1.4	3.2	1.4
1986-87	1.3	1.1	2.1	2.9	0.8	0.6	2.6	1.5	2.8	1.5
1987-88	1.6	1.2	2.2	2.9	0.9	0.1	0.6	1.6	2.8	1.6
1988-89	1.5	1.4	2.9	3.2	1.1	0.4	-0.2	1.8	2.3	1.8
1989-90(b)	0.9	1.3	3.0	2.8	1.0	0.9	0.1	1.6	2.0	1.6
1990-91(c)	1.0	1.2	2.6	2.7	1.0	0.9	0.1	1.5	1.8	1.5
Average 1984-85 to 1989-90	1.3	1.2	2.3	2.6	0.9	0.7	2.0	1.5	2.6	1.5

(a) The population series which underlies the per capita figures in these tables are, with the exception of 1989-90 and 1990-91, the estimated mean resident populations for the financial year as published by the ABS in Australian Demographic Statistics (Catalogue No 3101.0). The ABS' preliminary estimates of population at 31 December 1989 have been used for 1989-90 and Treasury projections of population at 31 December 1990 have been used for 1990-91.

(b) Preliminary estimate.

(c) Projection.

Comparisons of major fiscal aggregates between the States and Territories are often facilitated by expressing each aggregate as a proportion to GSP. It should be noted, however, that changes in these ratios from year to year can reflect influences on the GSP base that are not directly related to the stance of budgetary or other policies—for example, fluctuations in commodity prices (the mining sector is relatively much more important in QLD, WA and the NT than in the other four States). Table 11 shows the nominal change in GSP from 1984-85 to 1988-89 for each of the States and Territories.

Table 11-Gross State Product (% nominal change)

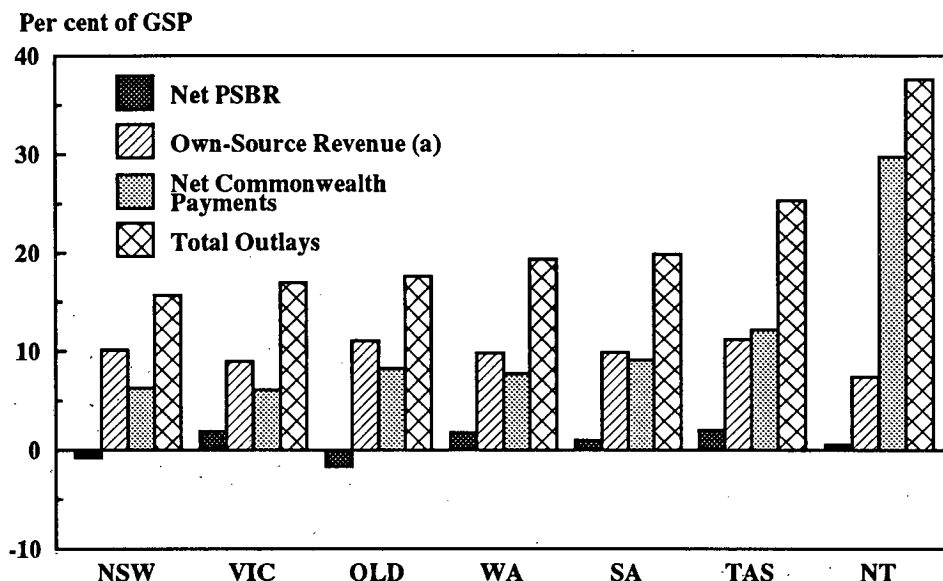
	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
1984-85	9.3	10.4	12.1	18.1	12.9	12.4	10.1	11.2	17.6	11.3
1985-86	12.4	11.0	10.5	11.5	10.8	11.3	21.8	11.5	14.6	11.6
1986-87	11.6	5.9	10.5	12.6	8.0	10.6	16.3	9.6	12.0	9.7
1987-88	13.8	14.7	10.9	13.6	10.0	10.3	2.9	13.1	12.4	13.1
1988-89	14.1	11.2	15.9	15.0	12.5	11.4	11.0	13.4	11.5	13.4
Average 1984-85 to 1988-89	12.2	10.6	12.0	14.1	10.8	11.2	12.3	11.8	13.6	11.8

Source: Australian National Accounts-State Accounts, ABS Cat. No. 5220.0.

The range of activities undertaken by State and local governments also varies between the States. For example, electricity undertakings in WA, QLD and TAS are operated exclusively by State governments, whereas elsewhere both State and local governments are involved. Local government in QLD is involved in the provision of some metropolitan transport, while in other States it is generally handled by the State governments. Railways are also operated exclusively by State governments in all States except SA and TAS, where the Commonwealth has operated non-metropolitan railways since 1975.

As shown in Chart 3, the ratio of State outlays to GSP varies inversely with the population of the States. This variation mainly reflects the cost of service delivery tending to be higher for lower population densities (because of economies of scale). Substantially higher ratios of net Commonwealth payments to GSP for lower populations indicate that the distribution of assistance between the States, whether explicitly for Commonwealth general revenue assistance based on fiscal equalisation principles (see Chapter III) or implicitly for other payments, recognises this relationship. A more detailed discussion of this and related issues is in the section below entitled *Analysis of Outlays and Revenue*.

Chart 3- Outlays, Own-Source Revenue, Net PSBR and Net Commonwealth Payments 1988-89



(a) Includes the increase in provisions (including for depreciation and superannuation).

Recent comparative developments in the States reflect various factors including:

- trends in the level of Commonwealth assistance in recent years, with sharp reductions for all States but especially for TAS, SA and the NT. Net Commonwealth payments declined, between 1985–86 and 1988–89, by 18.7% in TAS, by 15.5% in SA and by 13.8% in the NT. By comparison, net Commonwealth payments to the other States declined by 11.3%. The decline in payments to TAS and the NT reflects, amongst other things, adjustments in line with the recommendations of the Commonwealth Grants Commission; and
- the relative greater importance of these payments for the less populous States—that is, SA but more so for TAS and the NT—so that the restraint in payments in recent years has had more impact on those States (see Tables 12 and 13 and Charts 4 and 5).

Major Fiscal Aggregates

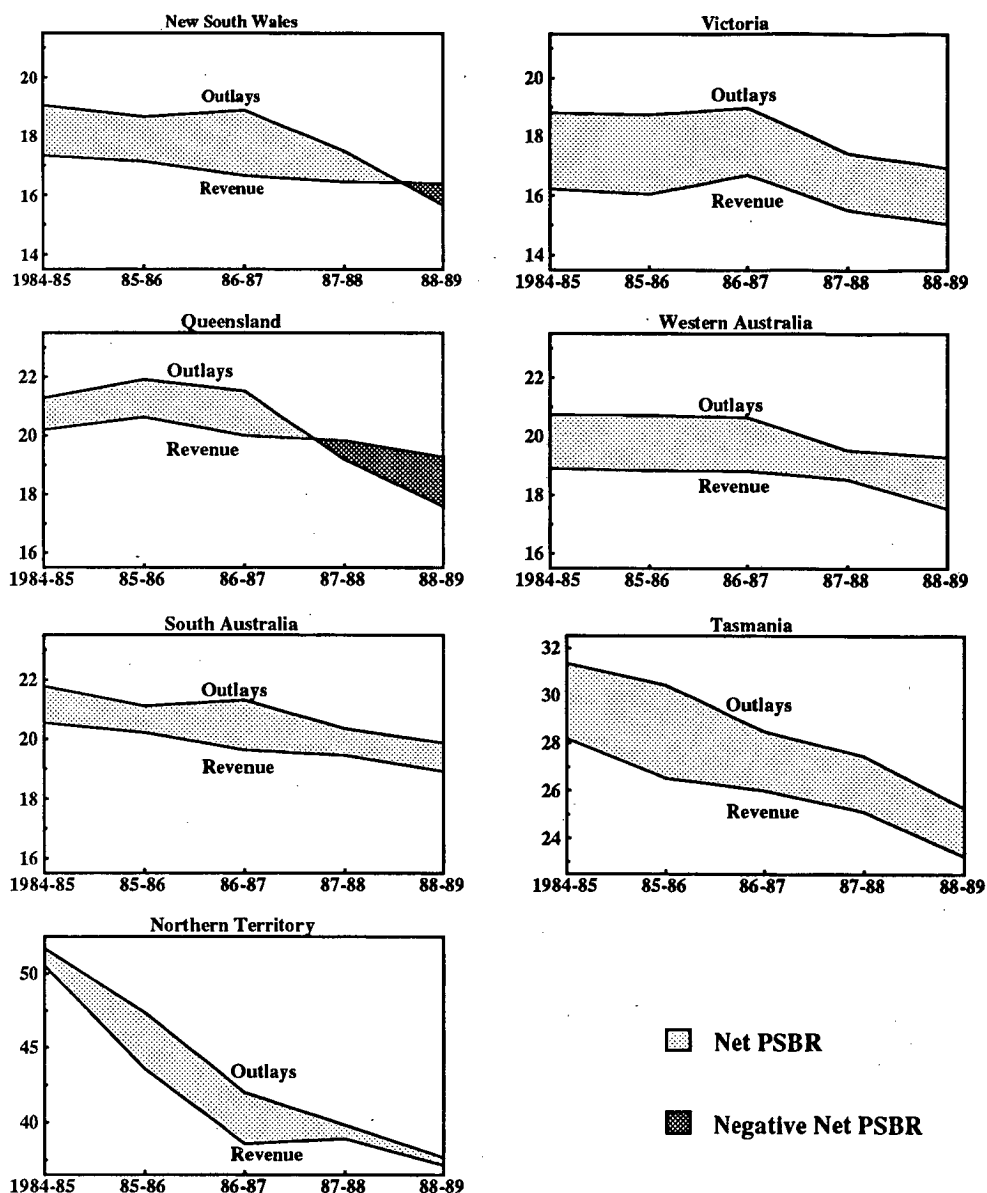
Tables 12 and 13 show changes in the key fiscal aggregates of individual States on a total State and general government sector basis respectively, in both real and real *per capita* terms, and the net PSBR as a share of GSP. Charts 4 and 5 are based on the same sectoral split and show trends in total outlays, total revenue and the net PSBR as a proportion of GSP. The main points are discussed below.

Table 12—State Government Financial Aggregates, (% real change and real per capita change) (a)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total
Current Outlays								
1985-86	2.0	5.2	5.0	5.0	5.5	2.3	-1.8	3.8
1986-87	4.1	2.5	1.6	3.5	1.2	0.4	0.3	2.7
1987-88	3.4	-0.1	0.0	3.0	2.7	2.5	0.7	1.7
1988-89	1.6	-1.0	1.4	3.2	-2.2	-8.3	-2.7	0.2
Avg real growth	2.8	1.6	2.0	3.7	1.8	-0.9	-0.9	2.1
Avg real per capita growth	1.3	0.4	-0.3	0.8	0.8	-1.4	-2.7	0.6
Capital Outlays								
1985-86	5.5	-3.0	9.2	0.6	-16.1	-2.9	23.5	1.9
1986-87	8.1	-9.6	0.0	8.3	2.4	-14.2	-14.4	0.3
1987-88	-17.3	-8.5	-25.6	-8.9	-21.1	-12.1	-39.0	-16.8
1988-89	-35.8	-0.9	-14.6	7.7	15.9	3.6	-8.3	-13.3
Avg real growth	-11.8	-5.6	-8.7	1.7	-5.8	-6.7	-12.3	-7.3
Avg real per capita growth	-13.0	-6.7	-10.8	-1.1	-6.7	-7.2	-13.9	-8.8
Total Outlays								
1985-86	2.8	3.3	6.2	3.9	0.4	0.8	4.2	3.3
1986-87	5.1	-0.2	1.1	4.7	1.5	-3.5	-3.9	2.1
1987-88	-1.8	-1.7	-7.9	0.0	-2.1	-1.0	-9.3	-2.7
1988-89	-6.3	-1.0	-2.6	4.2	0.7	-5.8	-3.7	-2.5
Avg real growth	-0.1	0.1	-0.9	3.2	0.1	-2.4	-3.3	0.0
Avg real per capita growth	-1.5	-1.1	-3.1	0.3	-0.8	-2.9	-5.0	-1.5
Own-Source Revenue								
1985-86	5.6	5.1	12.7	9.3	9.3	6.0	10.3	7.3
1986-87	3.0	6.3	-0.9	10.6	-4.3	10.8	-7.9	3.5
1987-88	12.2	2.0	8.7	8.8	18.2	8.2	25.8	8.8
1988-89	14.1	2.7	11.7	8.3	5.2	-3.3	-4.9	7.7
Avg real growth	8.6	4.0	7.9	9.2	6.8	5.3	5.0	6.8
Avg real per capita growth	7.1	2.8	5.5	6.2	5.8	4.7	3.1	5.2
Net Commonwealth Payments								
1985-86	1.7	-0.5	-1.1	-0.6	-3.4	-6.8	-4.1	-0.7
1986-87	-0.9	-1.6	0.4	-0.3	-0.9	-5.3	-3.4	-1.1
1987-88	-3.5	-3.9	-3.8	-0.3	-10.5	-7.4	-8.7	-4.4
1988-89	-8.6	-6.4	-6.2	-9.2	-4.7	-7.3	-2.3	-7.0
Avg real growth	-2.9	-3.1	-2.7	-2.7	-4.9	-6.7	-4.6	-3.3
Avg real per capita growth	-4.3	-4.3	-4.9	-5.4	-5.8	-7.2	-6.4	-4.8
Total Revenue								
1985-86	3.7	2.4	5.4	3.8	1.8	-2.2	-2.0	3.1
1986-87	1.1	2.6	-0.2	4.8	-2.4	1.0	-4.1	1.2
1987-88	4.8	-0.6	2.4	4.2	1.7	-0.7	-3.3	2.3
1988-89	4.2	-1.2	3.2	-0.2	0.2	-5.4	-2.8	0.9
Avg real growth	3.4	0.8	2.7	3.1	0.3	-1.8	-3.1	1.9
Avg real per capita growth	2.0	-0.4	0.4	0.3	-0.6	-2.4	-4.8	0.3
Net PSBR (% of GSP)								
1985-86	1.5	2.7	1.3	1.9	0.9	3.9	3.8	1.9
1986-87	2.2	2.3	1.5	1.8	1.7	2.5	3.4	2.0
1987-88	1.0	1.9	-0.6	1.0	0.9	2.3	0.9	1.0
1988-89	-0.7	1.9	-1.7	1.8	0.9	2.0	0.5	0.4
Average	1.0	2.2	0.1	1.6	1.1	2.7	2.1	1.3

(a) Average real change and average real per capita change refer to the period 1985-86 to 1988-89.
Source: Pre-release of Government Financial Statistics (currently unpublished).

**Chart 4- State Government Outlays, Revenue and
Net PSBR - Percentage of GSP (a)**



(a) The charts show total outlays, total revenue and the net PSBR as a share of GSP. The net PSBR is the shaded area shown as the vertical difference between the outlays and total revenue lines. Except for Tasmania and the Northern Territory, the scales in each chart are the same, the levels, however, differ between States. The change in the ratios for individual States provide the best guide to the stance of State financial policies.

Source: Pre-release of ABS Government Financial Statistics (currently unpublished).

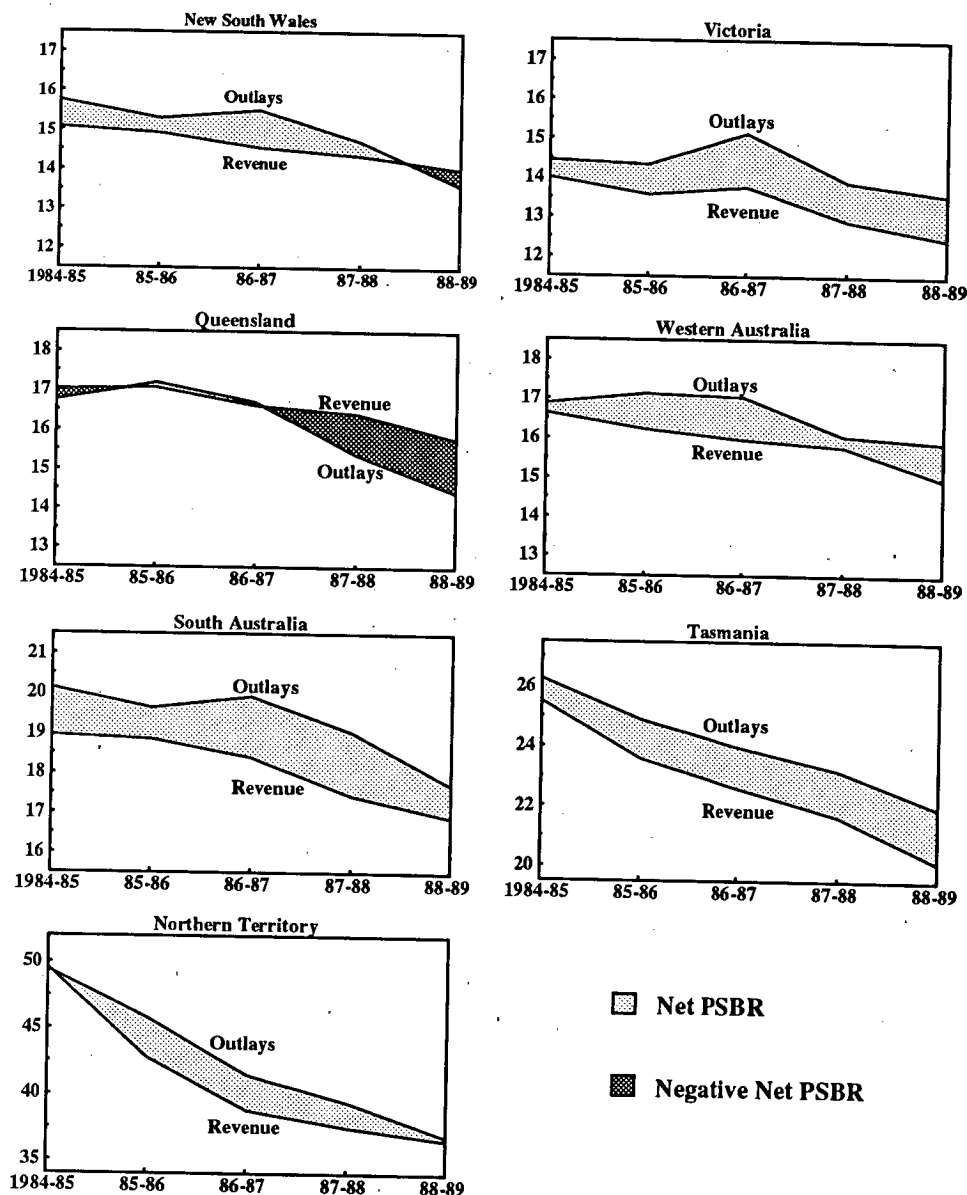
Table 13—State General Government Financial Aggregates, (% real change and real per capita change) (a)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total
Current Outlays								
1985-86	1.1	3.8	5.5	5.1	6.4	2.0	-1.8	3.3
1986-87	3.2	3.0	1.2	2.7	1.2	-0.6	0.3	2.4
1987-88	3.3	1.1	-0.2	3.7	3.1	2.1	0.7	2.1
1988-89	0.7	-0.2	0.6	4.4	-3.7	-7.8	-2.9	0.0
Avg real growth	2.1	1.9	1.7	4.0	1.7	-1.2	-0.9	1.9
Avg real per capita growth	0.7	0.7	-0.5	1.1	0.8	-1.7	-2.7	0.4
Capital Outlays								
1985-86	6.3	-2.2	7.3	8.9	-18.9	-13.3	33.7	1.9
1986-87	16.7	11.5	-4.4	11.3	5.9	-2.5	-8.7	7.8
1987-88	-11.7	-19.1	-22.5	-15.9	-26.0	-11.6	-39.2	-18.1
1988-89	-25.6	-1.9	-3.4	4.6	-5.8	19.3	-14.0	-9.6
Avg real growth	-5.0	-3.5	-6.4	1.6	-12.0	-2.9	-10.6	-5.0
Avg real per capita growth	-6.3	-4.7	-8.5	-1.2	-12.9	-3.4	-12.2	-6.5
Total Outlays								
1985-86	1.9	3.0	5.9	5.8	1.0	-1.4	5.5	3.0
1986-87	5.3	4.1	-0.1	4.4	2.0	-0.9	-2.0	3.3
1987-88	0.7	-1.9	-4.9	-0.3	-2.1	-0.5	-8.9	-1.5
1988-89	-3.3	-0.4	-0.1	4.4	-4.0	-3.3	-4.7	-1.4
Avg real growth	1.1	1.2	0.1	3.5	-0.8	-1.5	-2.7	0.8
Avg real per capita growth	-0.3	0.0	-2.1	0.7	-1.7	-2.1	-4.5	-0.7
Own-Source Revenue								
1985-86	6.8	1.9	12.0	4.5	14.5	3.3	13.0	6.6
1986-87	4.0	1.9	0.4	8.7	-3.4	7.4	7.0	2.7
1987-88	13.0	5.0	11.4	12.3	9.5	9.8	0.2	10.0
1988-89	13.4	3.2	13.3	10.6	6.0	-1.7	6.9	9.4
Avg real growth	9.2	3.0	9.2	9.0	6.4	4.6	6.7	7.1
Avg real per capita growth	7.7	1.8	6.7	6.0	5.5	4.1	4.8	5.5
Net Commonwealth Payments								
1985-86	1.7	-0.5	-1.5	-0.1	-3.4	-6.8	-4.1	-0.7
1986-87	-0.7	-1.6	0.2	-0.3	-0.9	-5.4	-3.4	-1.1
1987-88	-2.4	-3.9	-4.1	-0.4	-10.5	-7.3	-8.7	-4.1
1988-89	-8.7	-6.3	-6.2	-8.2	-4.7	-7.3	-2.3	-6.9
Avg real growth	-2.6	-3.1	-2.9	-2.3	-4.9	-6.7	-4.6	-3.2
Avg real per capita growth	-3.9	-4.2	-5.1	-5.0	-5.8	-7.2	-6.4	-4.7
Total Revenue								
1985-86	3.9	0.6	3.4	1.6	2.9	-3.8	-1.9	2.2
1986-87	1.4	0.0	0.3	3.1	-1.9	-1.3	-1.9	0.5
1987-88	4.6	0.2	2.0	4.7	-2.8	-1.4	-7.3	1.9
1988-89	2.2	-1.7	2.2	-0.1	0.0	-5.1	-0.7	0.5
Avg real growth	3.0	-0.2	2.0	2.3	-0.5	-2.9	-3.0	1.3
Avg real per capita growth	1.6	-1.4	-0.3	-0.5	-1.4	-3.5	-4.7	-0.3
Net PSBR (% of GSP)								
1985-86	0.4	0.8	0.1	0.9	0.8	1.3	3.0	0.6
1986-87	0.9	1.4	0.1	1.1	1.5	1.4	2.7	1.0
1987-88	0.4	1.0	-1.1	0.3	1.6	1.5	1.9	0.5
1988-89	-0.4	1.1	-1.4	0.9	0.8	1.8	0.3	0.2
Average	0.3	1.1	-0.6	0.8	1.2	1.5	2.0	0.5

(a) Average real change and average real per capita change refer to the period 1985-86 to 1988-89.

Source: Pre-release of Government Financial Statistics (currently unpublished).

Chart 5- General Government Outlays, Revenue and Net PSBR - Percentage of GSP (a)



(a) The charts show total outlays, total revenue and the net PSBR as a share of GSP. The net PSBR is the shaded area shown as the vertical difference between the outlays and total revenue lines. Except for Tasmania and the Northern Territory, the scales in each chart are the same, the levels, however, differ between States. The change in the ratios for individual States provide the best guide to the stance of State financial policies.

Source: Pre-release of ABS Government Financial Statistics (currently unpublished).

Outlays

- Total State outlays declined in real terms in all States except WA and SA in 1988–89, with an average decrease of 2.5%, following a year in which total outlays of all States fell in real terms. The decline in total outlays in 1988–89 largely reflects a continuation of the significant cuts in capital outlays apparent in 1987–88.
- Total general government outlays in 1988–89 declined in real terms in all States except WA which had a real increase of 4.4%.
- Over the four years to 1988–89, current State outlays in all the States except TAS and the NT increased in real terms, while capital outlays generally decreased.
- In the four years to 1988–89, total State outlays grew most rapidly in WA and declined significantly in the NT, TAS and QLD. After adjustment for population growth, real *per capita* outlays increased only in WA.

Own-Source Revenue

- Own-source State revenue increased for all States except the NT and TAS in 1988–89. Taxation revenue increased as a share of total own-source revenue in all States except NT, with stamp duty receipts rising strongly for the second year running.
- For all States except TAS, own-source general government revenue increased in 1988–89. The average real increase over the four years to 1988–89 was 7.1% with all States except Victoria (VIC) and TAS averaging over 5%. As discussed in the following section, VIC's relatively subdued revenues reflect a significant fall in the State's revenue effort—whereas TAS's reflects its falling revenue capacity, and is despite an increase in its revenue effort.

Net Commonwealth Payments

- TAS, SA and NT have experienced above average reductions in net Commonwealth payments over the period 1985–86 to 1988–89.
- The cuts in net Commonwealth payments over the four years to 1988–89 have been relatively less severe for QLD, WA, New South Wales (NSW), and VIC. However, reflecting their relatively high population growth rates, the *per capita* cuts in payments to WA and QLD were also above average over this period.

Total Revenue

- Total revenues available to the States increased in 1988–89 by 0.9% in real terms with 7.7% real growth in own-source revenue outweighing the 7.0% real cut in net Commonwealth payments. Net Commonwealth payments comprise around 40% of State Government revenues (see Table 4).

- The growth in total State revenue has slowed since 1985–86, primarily reflecting the real decline in Commonwealth payments. Since 1985–86, total revenue in NSW, WA and QLD has grown much faster than in the other States—this trend is less marked on a per capita basis for WA and QLD.

Net PSBR

- The net PSBR for the States has declined from 2.0% of GDP in 1986–87 to 0.4% in 1988–89. This reflected both reductions in total outlays and increases in revenues, especially in 1987–88 and 1988–89. Over the period 1985–86 to 1989–90 as a whole, the net PSBR as a proportion of GSP has been highest in TAS (2.7%) and VIC (2.2%) (compared with an overall average of 1.3%).

Analysis of Outlays and Revenue

This section draws on Commonwealth Grants Commission data to compare the outlays and revenue priorities of individual States.⁽¹⁾

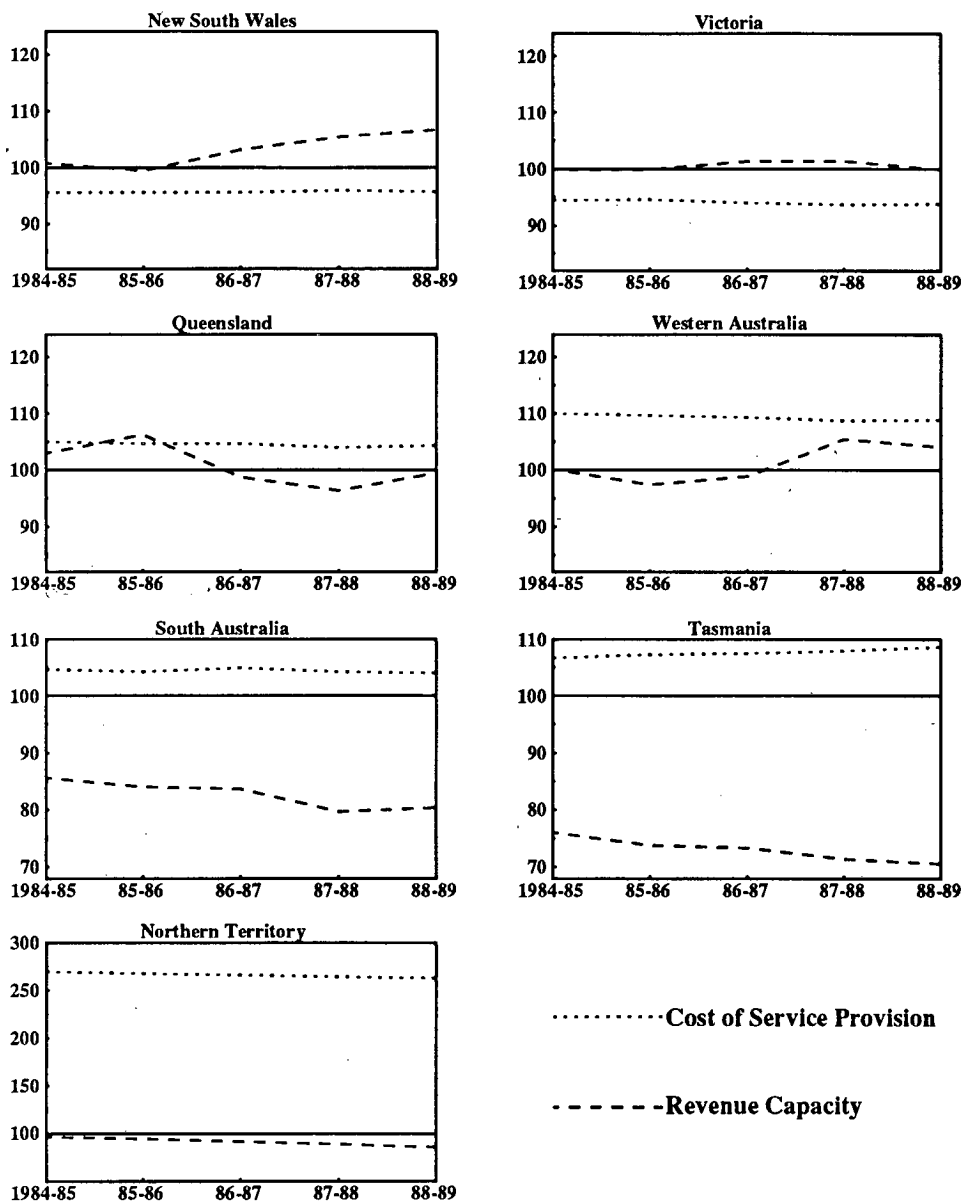
The pattern of revenue in a State reflects both its 'revenue raising capacity' and 'revenue raising effort'. For example, a State with substantial mineral resources will have a relatively greater capacity to raise revenue from mining royalties. Revenue raising effort reflects the coverage of the tax base and level of the rates—thus, a broadly defined tax base and high tax rates will contribute to a relatively high revenue raising effort.

Similarly, the pattern of expenditure in a State reflects both the 'cost of service' provision which is deemed to be largely beyond the control of Governments and the 'level of service' provision which is within the control of Governments. For example, a high proportion of school age children relative to the overall population would contribute to a high *per capita* cost of education service provision. A school-age population that is widely dispersed across remote communities would contribute to a high *per capita* cost of service provision. Again, an indicator of variations in the level of education services would be differences in student/staff ratios.

Using Grants Commission data, Charts 6 and 7 attempt to distinguish the policy and non-policy differences between States. Chart 7 presents the revenue capacity ratios and the cost of service provision ratios (that is, broadly the non-policy influences) of the different States. A ratio above 100 indicates an above average revenue raising capacity and cost of service provision. Costs of service provision (being largely driven by demographic factors) are generally more stable than revenue raising capacities (which may be affected by more dynamic factors such as commodity prices and property market conditions). Moreover, there is no necessary relationship between the levels of the two ratios—as can be seen from the differences for the three smaller States where the cost of service provision ratios are significantly higher than the revenue capacity ratios. For individual States, the chart shows that:

(1) For further details refer to the various publications of the Commonwealth Grants Commission—see section entitled *Further Information* in the Preface.

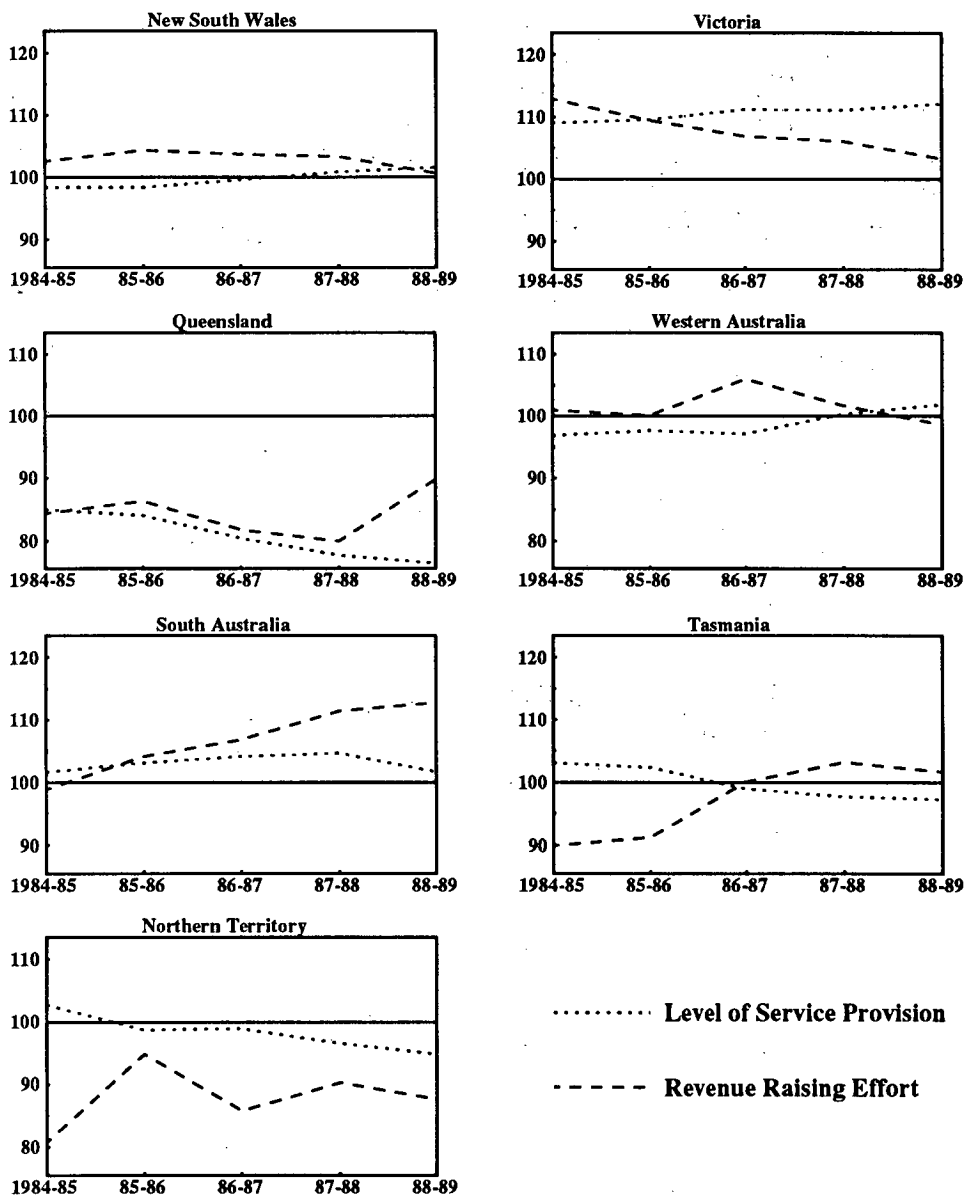
Chart 6- Revenue Capacity and Cost of Service Provision Ratios (a)



(a) These ratios are calculated as the percentage of standardised revenue or expenditure to standard revenue or expenditure. A figure above 100 indicates that a State has above average revenue raising capacity or above average costs of service.

Source: Commonwealth Grants Commission Report on General Revenue Grant Relativities 1990 Update.

Chart 7- Revenue Raising Effort and Level of Service Provision Ratios (a)



(a) These ratios are calculated as the percentage of actual revenue raised or expenditure undertaken to standardised revenue or expenditure. A figure above 100 indicates that the State is imposing above average levels of taxation or, providing above average levels of services.
 Source: Commonwealth Grants Commission Report on General Revenue Grant Relativities 1990 Update.

- SA and TAS are the most disadvantaged in terms of revenue-raising capacity, reflecting, among other things, capacities to collect payroll tax, stamp duty and mining royalties which are well below average;
- WA, TAS and the NT are the most disadvantaged in terms of the cost of providing services, reflecting factors such as diseconomies of scale, population dispersion and isolation; and
- the largest States (NSW and VIC) have average or above average revenue capacities and below average costs of service provision.

Chart 7 shows the revenue raising effort ratio and the level of service provision ratio (that is, it reflects State governments' policy decisions). In general, there should be reasonable correspondence between revenue effort and level of service provision ratios because:

- fiscal equalisation aims to offset differences in revenue raising abilities and cost disabilities among the States (see Chapter III), thus enabling each State to offer average levels of service provided it makes an average revenue raising effort; and
- if a State were to provide above average services, it would be expected that in the long term they would be funded by an above average revenue effort; or conversely, below average levels of service provision should allow a below average revenue effort.

There may be exceptions if, for instance, a State funds above average service levels by increased borrowing or by reducing areas of expenditure (for example, roads or housing) which are not taken into account in the calculation of State general revenue grant relativities.

Chart 7 shows that generally the two ratios do not diverge greatly over the period 1984–85 to 1988–89. The main features are:

- the two ratios are reasonably closely aligned for NSW, QLD and WA over the period as a whole;
- VIC has had a high level of service provision over the period. Its revenue effort started the period also at a high level, but it declined steadily throughout the period. Thus, VIC maintained its level of service provision by incurring significant relative borrowing requirements over the period;
- QLD has had a low level of service provision and a low level of revenue effort over the entire period; after being at very similar levels, the two ratios diverged in 1988–89 when the revenue effort rose sharply (resulting in a significant negative net PSBR in that year); and
- the greatest divergences of ratios are in TAS and the NT in the first few years where the revenue effort was significantly below the level of service provision.

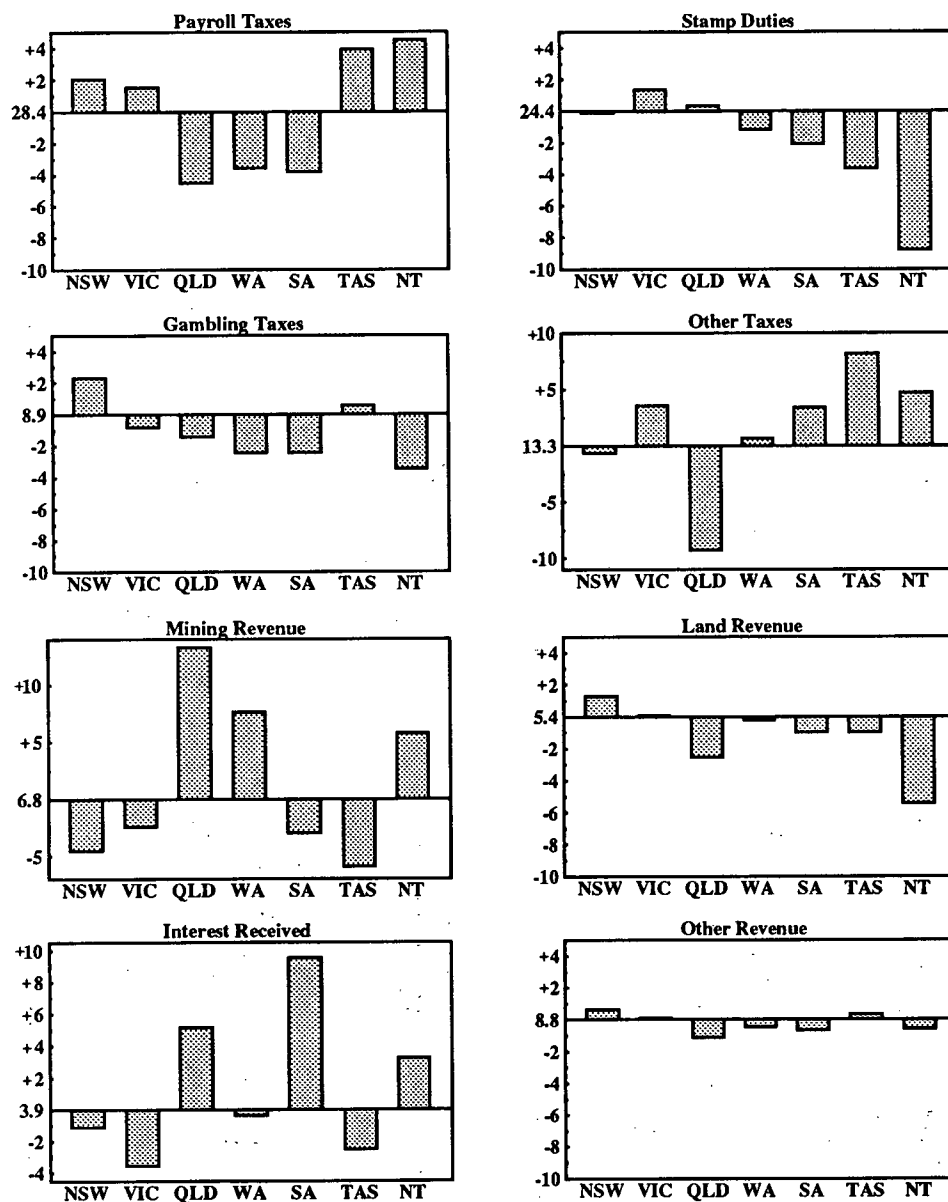
Charts 8 and 9 show the different expenditure and revenue patterns among the States on average for the period 1984–85 to 1988–89. These charts capture the combined effects of the factors quantified in Charts 6 and 7—that is, they reflect differences in capacities to raise revenue and differences in costs of providing certain services as well as the different priorities of the governments in respect of the burden of taxes and the standard of services.

Key features of the charts are:

- Payroll taxes form a relatively more important revenue source for NSW, VIC, TAS and the NT; stamp duties are relatively more important for VIC and QLD; gambling taxes are relatively more important in NSW and TAS; while mining revenue is relatively more important in QLD, WA and the NT.
- The relative importance of education outlays is greater in VIC, QLD and TAS; and that of health outlays is greater in NSW and WA; that of law, order and public safety is greater in QLD, WA and the NT.
- The greater relative significance of the deficits of State business undertakings in NSW and VIC (owing to deficits in their urban transport systems).
- The pattern of expenditures across functions in the NT differs significantly from those of the other States, reflecting its distinctive characteristics (significantly above average proportions expended on Aboriginal community services, culture and recreation, community services, and services to industry).

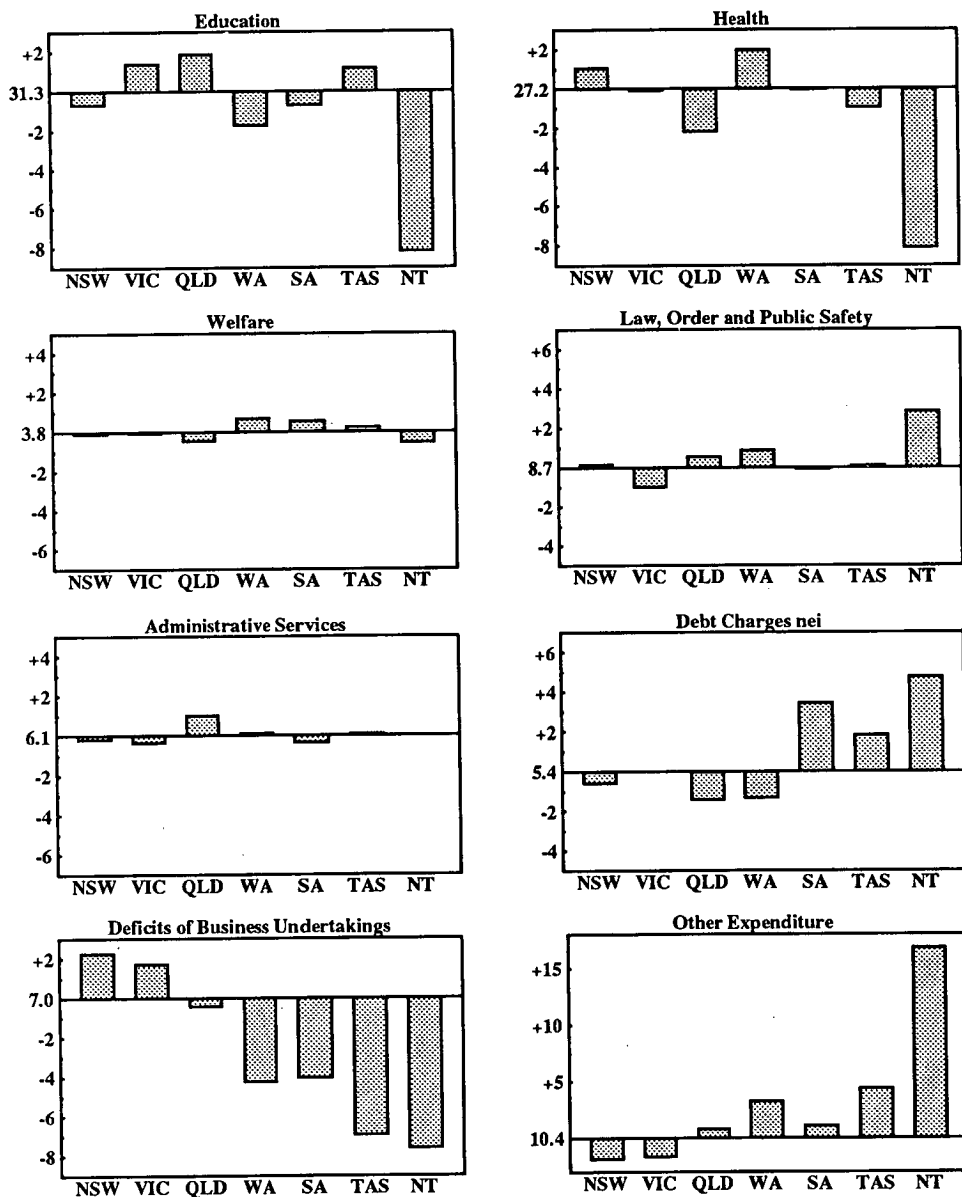
The above analysis—especially for revenue capacity and cost of service provision ratios, and revenue effort and level of service provision ratios—has been undertaken using broad aggregates for expenditures and revenues. There would be a significant variation from this broader picture for more finely categorised revenues and expenditures—as mentioned above, further details are available from Grants Commission publications described in the Preface.

Chart 8- Composition of State Government Own-Source Revenue (a)



(a) Each category of own-source revenue has been expressed as a percentage of total own-source revenue. For each category the horizontal line represents the average percentage for all States; the bars indicate the percentage point deviation from this average for each State. The States' own-source revenues are in the scope of the Grants Commission's standard budget averaged over the five year period 1984-85 to 1988-89. Except for the categories of 'other taxes' and 'mining revenue', the scales in each chart are the same; however the levels differ among categories.
Source: Commonwealth Grants Commission working Papers on the 1990 Update of General Revenue Grant Relativities.

Chart 9- Composition of State Government Expenditure (a)



(a) Each category of expenditure has been expressed as a percentage of total expenditure. For each category, the horizontal line represents the average percentage for all States; the bars indicate the percentage point deviation from this average for each State. The States' expenditures are in the scope of the Grants Commission's standard budget averaged over the five year period 1984-85 to 1988-89. Except for the category of 'other expenditure', the scales in each chart are the same; however the levels differ among categories.
Source: Commonwealth Grants Commission working Papers on the 1990 Update of General Revenue Grant Relativities.

Public Sector Employment

Table 14 shows annual changes in public sector employment in the period 1985–86 to 1989–90 on a State-by-State basis for both the State and local government sectors. The table also provides details of public sector employment by institutional sector in the nine months to March quarter 1990 (the latest available data).

- The growth in State sector employment slowed from 1986–87 to 1988–89 but subsequently increased in 1989–90. Since 1985–86, growth in State sector public employment has been slowest in NSW, and QLD and most rapid in VIC, SA and WA.
- The rate of growth in local government employment has also been much slower since 1986–87 but increased significantly in 1989–90. Since 1985–86 the level of employment has declined in NSW and QLD.
- Around 80% of State sector employees are in the general government sector, mainly providing education, health and police services. PTEs employ about 17% of State sector employees, with the balance employed by public financial enterprises.
- Around 85% of local government employees are employed in the general government sector.

**Table 14—Public Sector Employment: State and Local Government Sectors
(% change)**

	NSW	VIC	QLD	WA	SA	TAS	NT (a)	Total
State Sector								
1985-86	1.4	4.1	1.5	3.7	3.2	2.1	2.7	2.6
1986-87	0.4	1.7	0.5	0.3	1.9	-0.2	-0.6	1.0
1987-88	0.6	0.3	-2.3	-0.3	0.4	-0.1	-2.3	-0.2
1988-89	-1.5	0.9	-0.6	1.5	0.8	1.1	-0.7	-0.1
1989-90 (b)	-1.1	0.1	1.9	1.1	0.6	-0.4	3.7	1.4
Average-1985-86 to 1989-90	-0.1	1.4	0.2	1.2	1.4	0.5	0.5	0.9
Per Cent of State Government Employees (c)								
General Government	79.0	73.6	90.6	79.0	83.3	84.6	90.7	80.2
Public Trading Enterprises	18.1	22.3	8.7	17.0	12.7	13.1	8.1	16.8
Public Financial Enterprises	2.9	4.1	0.7	4.0	4.0	2.3	1.2	3.0
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
State Sector as a Proportion of Total Wage and Salary Earners								
1989-90 (b)	16.7	18.2	18.6	23.2	21.1	25.3	27.1	18.6
Local Sector								
1985-86	0.3	5.0	-2.6	3.0	2.1	2.2	9.2	1.4
1986-87	1.0	2.4	-3.6	-1.8	-0.5	-0.2	-7.5	0.1
1987-88	-0.5	2.3	-1.5	0.5	2.7	1.2	-2.0	0.4
1988-89	-2.4	1.8	2.3	-0.2	-0.7	-2.8	11.3	-0.2
1989-90 (b)	-1.2	2.6	4.3	3.2	-2.0	9.9	-2.5	1.4
Average-1985-86 to 1989-90	-0.6	2.8	-0.3	0.9	0.3	2.0	1.5	0.6
Per Cent of Local Government Employees (c)								
General Government	73.6	96.8	81.0	100.0	98.8	90.4	100.0	85.3
Public Trading Enterprises	26.4	3.2	19.0	..	1.2	9.6	..	14.7
Public Financial Enterprises	..	..	..	..	..	..	..	..
Total	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0
Local Sector as a Proportion of Total Wage and Salary Earners								
1989-90 (b)	2.8	2.6	3.0	2.0	1.6	2.4	1.9	2.5

(a) 1989-90 data for the NT have been adjusted to reflect under-enumeration.

(b) 1989-90 data are based on the average of the nine months to March 1990.

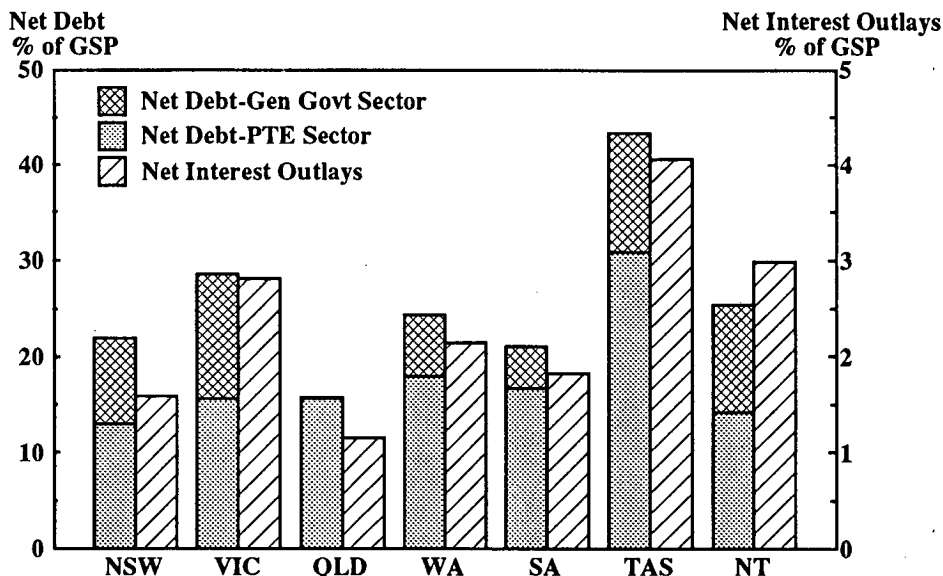
(c) 1989-90 data based on average of August and November 1989 and February 1990.

Source: Employed Wage and Salary Earners, Australia, ABS Cat No 6248.0

Net Debt and Net Interest Payments

Estimates of the net indebtedness of the State sector as at 30 June 1987 and the level of net interest payments for 1988-89 for each State are shown in Chart 10; these are the latest comprehensive estimates. The level of net debt in Chart 10 is split between general government and PTE sectors. Net debt is defined as gross debt less financial assets (including investments, cash and deposits and advances or loans made). The concept excludes non-financial assets (land, buildings, plant and equipment etc) and certain liabilities, such as employee related liabilities. Contingent liabilities are also excluded.

Chart 10- Net Debt and Net Interest Outlays as a Percentage of GSP (a)



(a) Net debt as at 30 June 1987; net interest payments during the year 1988-89.

The level of public indebtedness is assuming greater significance in both domestic and international financial markets and other analyses of the States' overall economic positions and assessments of creditworthiness.

The main points to note from Chart 10 are that at 30 June 1987:

- State sector net indebtedness as a whole was equivalent to 23% of GDP;
- State net debt as a share of GSP was highest in TAS and VIC and lowest in QLD;
- the proportion of the total debt held by the general government sector (which, unlike the PTE sector, cannot be expected to use its borrowings to fund projects capable of generating a cash flow to service the debt) was highest in VIC, the NT and NSW, and lowest in QLD; and
- broadly reflecting the distribution of net debt among the States, net interest payments for 1988-89 as a proportion of GSP are highest in TAS and lowest in QLD. The level of indebtedness and net interest payments (interest paid less interest received) are related but a number of other factors also influence this relationship. These include the size of, and the average interest rates applying to, the two interest flows.

As noted above, no comprehensive details of public sector net indebtedness are available for the period after 30 June 1987. However, estimates of State sector financing transactions as a proportion of GDP in 1987-88, 1988-89 and 1989-90 suggest that the

State sector's net indebtedness at 30 June 1990 as a proportion of GDP would have declined from three years earlier.

More detailed information can be obtained on the Commonwealth and State/local sectors indebtedness as at 30 June 1987, from the 1989-90 Budget Paper No. 4.

CHAPTER III GENERAL REVENUE ASSISTANCE

This chapter outlines the arrangements for payment of general revenue assistance to the States and Territories and to local government authorities in 1989–90, 1990–91 and beyond.

GENERAL REVENUE ASSISTANCE TO THE STATES AND THE TERRITORIES IN 1989–90 AND 1990–91

General revenue assistance has been paid by the Commonwealth to the six States in one form or another since Federation,⁽¹⁾ to the NT since 1979–80 and to the ACT since 1988–89. These grants are untied (that is, the funds do not have to be spent in an area of expenditure specified by the Commonwealth) and assist in financing the outlays of the States and the Territories in line with their own budgetary priorities. In 1990–91, general revenue assistance is estimated to account for around 50% of total net Commonwealth payments to the State/local sector.

Table 15 shows payments of general revenue assistance and its components since 1986–87. The large decline in total payments in 1988–89 reflects the termination of the identified health grants which, from that year, were absorbed into a new specific purpose program for funding hospitals. Since then, general revenue assistance has comprised financial assistance grants and special revenue assistance. In 1990–91, general revenue assistance is expected to increase in nominal terms by 2.8% or to fall by 3.3% in real terms.

Level of Financial Assistance Grants

The level of financial assistance grants is determined each year at the Premiers' Conference. Table 16 shows the derivation for 1989–90 and 1990–91.

Level of Financial Assistance Grants in 1989–90

The \$12,859.6 million of financial assistance grants paid in 1989–90 was slightly higher than the base level of grants agreed at the 1989 Premiers' Conference, reflecting the following variations to the parameters underlying the Premiers' Conference forecasts:

- the CPI outcome for the four quarters to the March quarter 1990 of 8.0% was 1.1 percentage points higher than the original estimate (+\$128 million);
- the additional revenue accruing to State and Territory Governments in 1989–90 as a result of the decision to remove exemptions from State taxes and charges (other than payroll tax) for a range of Commonwealth government business enterprises (GBEs) (90% of which was recouped through reductions in financial assistance grants); and
- an adjustment to align the amount of payroll tax recouped with the actual tax payments for 1988–89, following the earlier removal of the payroll tax exemption for a range of

(1) A history of arrangements for general revenue assistance to the States since Federation was presented in the 1981–82 and 1982–83 issues of Budget Paper No. 7.

Table 15—General Revenue Assistance to the States and Territories (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
Financial Assistance Grants (a)										
1986-87	3,350	2,494	2,206	1,264	1,147	429	628	11,518	na	11,518
1987-88	3,595	2,667	2,414	1,393	1,233	453	676	12,432	na	12,446
1988-89	3,665	2,661	2,233	1,452	1,301	471	622	12,405	417	12,822
1989-90	3,668	2,710	2,439	1,495	1,397	501	650	12,860	373	13,233
1990-91(b)	3,708	2,722	2,532	1,561	1,440	523	675	13,161	437	13,598
Identified Health Grants (c)										
1986-87	627	412	127	199	217	71	..	1,651	na	1,651
1987-88	674	442	139	220	234	75	..	1,783	na	1,783
1988-89	..	..	..	..	..	..	..	..	..	..
1989-90	..	..	..	..	..	..	..	..	..	..
1990-91	..	..	..	..	..	..	..	..	..	..
Special Revenue Assistance										
1986-87	2	..	3	3	18	19	1	47	na	47
1987-88	8	4	9	7	3	1	3	34	na	34
1988-89(d)	15	14	9	8	15	18	59	138	13	151
1989-90(e)	..	..	..	..	..	..	45	45	..	45
1990-91(b)(e)	..	..	..	..	..	..	50	50	..	50
Total General Revenue Assistance										
1986-87	3,979	2,906	2,336	1,465	1,382	519	629	13,216	na	13,216
1987-88(f)	4,277	3,113	2,562	1,619	1,470	529	678	14,248	na	14,248
1988-89	3,680	2,675	2,242	1,460	1,316	489	681	12,543	430	12,973
1989-90	3,668	2,710	2,439	1,495	1,397	501	695	12,905	373	13,278
1990-91(b)	3,708	2,722	2,532	1,561	1,440	523	725	13,211	437	13,648

(a) Consists of financial assistance grants to the six States (and the NT since 1988-89), general revenue grants to the NT from 1985-86 to 1987-88 and general revenue grants to the ACT from 1988-89.

(b) Estimate.

(c) Identified health grants were absorbed into the specific purpose payment 'Hospital Funding Grants' in 1988-89.

(d) Includes payments for the transfer of the Family Support Program, Vaccination Program, Royal Far West Children's Health Scheme and the Royal Queensland Bush Children's Health Scheme which were absorbed into financial assistance grants from 1989-90; the Miscellaneous Pharmaceutical Benefits Scheme absorbed into hospital funding grants from 1989-90, and Emergency Relief which will continue as a specific purpose payment from 1989-90. Details are included in the 1988-89 Budget Paper No. 4.

(e) Includes grants of \$26,000 to NSW in 1989-90 and \$14005 to the NT in 1990-91 as a carryover of the transfer of the Family Support Program in 1988-89. The NSW and NT grants are to be absorbed into the pool of financial assistance grants in 1990-91 and 1991-92 respectively.

(f) Includes the recoupment of \$14.4 million from the NT in 1987-88.

Commonwealth GBEs (a reduction of \$34 million combined with the second variation).

Level of Financial Assistance Grants in 1990-91

The forward estimates of financial assistance grants for 1990-91 assumed the same real level as in 1989-90 (calculated on the basis of the forecast CPI for the four quarters to the March quarter 1991 over the previous four quarters). It was agreed at the 1990 Premiers' Conference that this base level of financial assistance grants would be reduced by deducting from the latest forward estimates:

- \$400 million in savings; and
- a further \$50 million used to fund special revenue assistance to the NT.

These deductions imply a net reduction of \$400 million in general revenue grants to the States.

The financial assistance grants pool to be allocated to the States in 1990–91 is estimated to be \$13,160.9 million—a nominal increase of 2.3% or a real fall of 3.7%. The derivation of this pool is shown in Table 16. The escalation of the pool in line with the Premiers' Conference forecast of the CPI (of around 6.5 %) and the deduction to reflect the savings and the special revenue assistance to the NT are shown in rows (10) and (12) respectively of Table 16. Before the CPI estimate is applied, however, the previous year's financial assistance grants pool is adjusted by:

- subtracting the full year effect of the recoupment (row (6) in Table 16) of the 1989–90 liability of Commonwealth GBEs for State land taxes and stamp duties (but not vehicle registration taxes—see below); and
- adding the special revenue assistance paid to the NT in 1989–90 (row (8) in Table 16) as this assistance was funded from the financial assistance grant pool.

The base level of financial assistance grants for 1990–91 (row (13) in Table 16) will be further adjusted to:

- reflect any difference between the outcome for the CPI increase and the Premiers' Conference estimate (at row (14));
- recover the tax forgone by the Commonwealth following the Government's decision to transfer the Debits Tax base to the States (see details below in the section entitled *Other Adjustments to Financial Assistance Grants*) (at row (16)); and
- align the amount of land taxes and stamp duties recouped with the actual tax payments for 1989–90 (at row (17)).

Since vehicle registration taxes are excluded from the Grants Commission's assessments of general revenue grant relativities, recoupment of these taxes collected from Commonwealth GBEs in 1990–91 will be effected through a permanent reduction in the level of general purpose capital assistance (this is discussed in Chapter IV).

Table 16—Derivation of Financial Assistance Grants Pool (\$ million)

	Total
1989-90	
(1) Base Financial Assistance Grants (FAGs) pool (a)	12,766.0
(2) plus adjustment for CPI outcome (b)	128.2
(3) FAGs before recoupment of "other taxes and charges"	12,894.2
(4) less recoupment of "other taxes and charges"	34.6
Equals 1989-90 FAGs Paid	12,859.6
1990-91	
(5) 1989-90 FAGs before tax recoupment (from (3) above)	12,894.2
(6) less full-year adjustment for 1989-90 tax recoupment (c)	32.0
(7) 1989-90 FAGs after tax recoupment	12,862.2
(8) plus 1989-90 special revenue assistance	45.5
(9) Base to calculate 1990-91 FAGs pool (d)	12,907.7
(10) plus real terms adjustment (e)	836.8
(11) Adjusted Premiers' Conference time estimate	13,744.4
(12) less savings agreed at Premiers' Conference (f)	450.0
(13) 1990-91 base FAGs pool	13,294.4
(14) plus adjustment for revised estimate for CPI (g)	56.6
(15) Estimated FAGs before deduction for transfer of Debits tax	13,351.0
(16) Deduction for transfer of Debits Tax base to the States (h)	190.5
(17) less adjustment to align 1989-90 "other taxes and charges" (i)	-0.4
Equals current estimate of 1990-91 FAGs pool	13,160.9

(a) This is the amount determined by the Treasurer under the States Grants (General Purposes) Act 1989 as base assistance for 1989-90. The derivation of an amount of \$12,767.0 million is detailed in Table 19 of the 1989-90 Budget Paper No. 4. The balance relates to an adjustment to the base caused by revision to the actual liability to payroll tax liability.

(b) Based on an index factor calculated by dividing the sum of CPI index numbers for the four quarters to the March quarter 1990 (794.4) divided by the estimate of that sum used at the time of the 1989 Premiers' Conference (786.5).

(c) This represents the full year effect of the Government Business Enterprises liability to tax (other than motor vehicle taxation) paid for the first time in 1989-90.

(d) Includes 1989-90 program transfer assistance of \$26000.

(e) The forward estimates at the time of the Premiers' Conference assumed an increase in the CPI of around 6.5%.

(f) Includes \$50 million to fund special revenue assistance for the Northern Territory being provided in 1990-91.

(g) As in 1989-90, (see footnote (b)) the pool is to increase by the sum of the CPI index numbers for the four quarters to the March quarter 1991 over the estimate used at the 1990 Premiers' Conference. This estimate reflects the variation between the Premiers' Conference estimate and the current forecast of the increase in the CPI in the year to the March quarter 1991.

(h) Based upon estimates provided in Table 17, Row(17).

(i) Adjustment to align the amount of land tax and stamp duties recouped with actual tax payments in 1989-90.

Distribution of Financial Assistance Grants

The distribution of financial assistance grants is primarily based on the States' shares of population as at 31 December of each year and the *per capita* relativities assessed by the Commonwealth Grants Commission; it is, however, also affected by the distribution of hospital funding grants, and other adjustments to the grants such as for the recoupment of State taxes and charges paid by Commonwealth government business enterprises, and for the Commonwealth transferring the Debits Tax base to the States. Table 17 shows how the pool of financial assistance grants in 1989-90 and 1990-91, derived in Table 16, is distributed among the States.

Table 17—Financial Assistance Grants (FAGs) to the States

	NSW	VIC	QLD	WA	SA	TAS	NT	Total
	1989-90							
(1) Population at 31.12.89 ('000s)								
(a)	5,797.9	4,349.7	2,871.0	1,614.8	1,431.8	453.6	156.5	16,675.4
(2) Per Capita Relativities (b)	1.014	1.000	1.267	1.349	1.439	1.589	5.200	
(3) Product of Rows (1) and (2)	5,879.1	4,349.7	3,637.6	2,178.4	2,060.4	720.8	814.0	19,639.9
(4) Distribution of Row (3) among States (%)	29.9	22.1	18.5	11.1	10.5	3.7	4.1	100.0
(5) Amount of FAGs and Hospital Grants (\$m)	4,840.8	3,581.5	2,995.2	1,793.7	1,696.5	593.5	670.2	16,171.3
(6) less Hospital Grants (\$m)	1,157.5	862.4	553.0	297.1	296.2	90.6	20.3	3,277.1
(7) Amount of FAGs before Recoupment (\$m)	3,683.3	2,719.2	2,442.2	1,496.5	1,400.3	502.9	649.9	12,894.2
(8) less State Taxes and Charges Recoupment (\$m)	14.9	9.1	3.5	2.1	3.2	1.8	0.1	34.6
(9) Amount of FAGs (\$m)	3,668.4	2,710.1	2,438.7	1,494.5	1,397.1	501.1	649.8	12,859.6
	1990-91 (estimate)							
(10) Population at 31.12.90 ('000s)								
(a)	5,857.0	4,403.8	2,945.0	1,657.8	1,446.1	457.6	156.7	16,924.0
(11) Per Capita Relativities (d)	1.020	1.000	1.282	1.366	1.457	1.623	5.303	
(12) Product of Rows (1) and (2)	5,974.1	4,403.8	3,775.5	2,264.6	2,106.9	742.7	830.9	20,098.5
(13) Distribution of Row (3) among States (%)	29.7	21.9	18.8	11.3	10.5	3.7	4.1	100.0
(14) Amount of FAGs and Hospital Grants (\$m)	5,022.0	3,702.0	3,173.8	1,903.7	1,771.1	624.3	698.5	16,895.4
(15) less Hospital Grants (\$m) (e)	1,247.6	929.4	604.8	324.1	319.2	97.5	21.8	3,544.4
(16) Amount of FAGs before Recoupment Adjustment	3,774.4	2,772.6	2,569.0	1,579.6	1,452.0	526.8	676.6	13,351.0
(17) less Debits Tax Adjustment (\$m)	66.8	50.1	36.8	19.0	12.5	3.9	1.4	190.5
(18) less other State Taxes and Charges Adjustment (\$m) (f)	-0.4	0.7	..	-0.2	-0.5	..	..	-0.4
(19) Amount of FAGs (\$m)	3,708.0	2,721.7	2,532.2	1,560.8	1,440.0	522.9	675.2	13,160.9

(a) The population as at 31 December 1989 is that determined by the Statistician in accordance with the States Grants (General Purposes) Act 1989. The estimates for 31 December 1990 are subject to revision.

(b) Per capita relativities adopted at the 1989 Premiers' Conference to apply in 1989-90.

(c) Includes recoupment of State taxes and charges (other than payroll tax) paid by certain Commonwealth GBEs (90% of which was recouped) and adjustments to better align the amount of payroll tax recoupment with the actual tax payments in 1988-89.

(d) Per capita relativities adopted at the 1990 Premiers' Conference to apply in 1990-91.

(e) The distribution of this amount among the States is an estimate.

(f) Adjustment to align the amount of other State taxes and charges recouped with actual tax payments in 1989-90.

General Revenue Grant Relativities

The Commission's assessments of *per capita* relativities are determined on the principle of fiscal equalisation.⁽²⁾ This principle results in the Commission determining a distribution which enables each State, provided a comparable revenue effort is made, to deliver services to residents at a standard not appreciably different from that of the other States. The practical application of this principle is complex and requires considerable judgment in some areas, often on the basis of limited statistical information.

In essence, the Commission's approach is to determine the variations from an equal *per capita* distribution of general revenue assistance which would offset differences in State revenue raising capacities and costs of service delivery judged to be 'largely outside' the control of State Governments, and not met by above average shares of certain specific purpose payments from the Commonwealth.⁽³⁾

The object of fiscal equalisation is to give each State the *capacity* to provide an average level and pattern of services on the assumption that an average level and pattern of State taxes and charges are also imposed. Each State, however, retains discretion to vary the level and pattern of revenue raising or spending without affecting the level of its equalisation payment. If a State chooses to raise below average revenue or incur above average expenditure on services, the budgetary effects of such policy decisions are not compensated for within the equalisation process. In practice, the application of the principle of fiscal equalisation results in a substantial redistribution of grants towards the less populous States.

Application of the principle of fiscal equalisation requires periodic reviews by the Grants Commission of each State's capacity to raise taxes and their costs of providing services compared with those of the other States. These investigations underlie the recommendations for *per capita* relativities.

At the 1988 Premiers' Conference, it was agreed that the triennial reviews of *per capita* relativities previously conducted by the Commission, would be replaced by annual updates of relativities calculated on the basis of data for the latest available three year period (the review period). The annual updates were to use the Commission's existing methodology; comprehensive reviews of methodology were to be undertaken at five yearly intervals.

The 1989 Premiers' Conference accepted that the distribution of financial assistance grants in 1989-90 should be based on the updated *per capita* relativities determined by the Commonwealth Grants Commission in its 1989 Report⁽⁴⁾. However, because of larger than expected shifts in the updated relativities it was agreed that the Commission would be asked to review the arrangements for updating the *per capita* relativities for future years.

In submissions to that review, most States agreed that annual updates should continue so that the relativities could be continually adjusted to reflect the latest

(2) A more detailed discussion of the methodology of fiscal equalisation is included in Chapter II of the 1988-89 Budget Paper No. 4.

(3) Further details regarding specific purpose payments and fiscal equalisation are provided in Chapter V.

(4) The assessments in the Commission's *Report on General Revenue Grants Relativities 1989 Update* were based on data averaged over three years, 1985-86 to 1987-88.

available data. Nevertheless, some States argued that there should be an extension of the review period to five years in order to produce greater stability in the relativities (by reducing the importance of any one year in the assessments). Others argued that three years should be maintained so the relativities would better reflect the States' most recent financial positions.

The Commission's *Report on Updates of Relativities* of October 1989 recommended that the current update arrangements be maintained (with the question of adopting a five year review period to be reconsidered at some time in the future). However, given the extent of disagreement over the duration of the review period, and to facilitate discussions at the 1990 Premiers' Conference, the Commonwealth decided that the Commission should present relativities on the basis of both three and five year review periods in its 1990 Update Report.

The Grants Commission presented its *Report on General Revenue Grants Relativities 1990 Update* in April 1990⁽⁵⁾. At the 1990 Premiers' Conference, it was agreed that annual updates should be continued in future and that updated relativities be implemented in 1990–91 and thereafter on the basis of a five year review period.

The five year relativities imply smaller changes in the distribution of assistance in 1990–91 than would have been the case with the continuation of three year relativities, and will ensure that there is greater stability in the distribution of financial assistance grants among the States into the future. The adoption of five year relativities, in combination with the commitment to maintain the real level of payments (see below), should help address the concerns raised at the 1989 Premiers' Conference that instability hinders the States' forward planning.

Population

The final distribution of financial assistance grants among the States in 1990–91 will be affected by the Statistician's determination of each State's population as at 31 December 1990. In calculating the financial assistance grants payable to individual States, their *per capita* relativities are multiplied by the population of each State to give adjusted populations (rows (3) and (12) in Table 17). Each State's share of the sum of the adjusted populations then determines their respective shares of the combined financial assistance and hospital grant pool (see rows (1) to (5) and (10) to (14) of Table 17) before adjustments.

Table 18 provides details of the effects of the two major influences on the distribution of financial assistance grants—population and relativities—on 1990–91 payments. The table includes the \$45.5 million and \$50.2 million special revenue assistance for the NT paid in 1989–90 and 1990–91 respectively, which is discussed below.

(5) The assessments in the Commission's 1990 Update Report were based on data averaged over the three years 1986–87 to 1988–89, and also on data averaged over the five years 1984–85 to 1988–89.

Table 18- Impact of Changes In Population and Relativities on General Revenue and Hospital Grant Pool 1990-91 (a)

	Total 1990-91 General Revenue & Hospital Pool Based on 1989-90 Actual Shares (b)		Effect of Reversing 1989-90 Special Revenue Assistance (b)	Effect of New Relativities (c)	Effect of New Population (d)	Effect of 1990-91 Special Revenue Assistance (e)	Total 1990-91 General Revenue & Hospital Pool After Special Revenue Assistance		Combined Effect (column (6) less column (1)) (f)
	(1)		(2)	(3)	(4)	(5)	(6)		(7)
	\$m	%	\$m	\$m	\$m	\$m	\$m	%	\$m
New South Wales	5,043.9	29.9	13.6	-11.9	-23.6	-14.9	5,007.1	29.6	-36.8
Victoria	3,731.8	22.1	10.1	-30.7	-9.2	-11.0	3,691.0	21.8	-40.8
Queensland	3,120.9	18.5	8.4	11.0	33.5	-9.4	3,164.4	18.7	43.5
Western Australia	1,868.9	11.1	5.0	8.0	21.7	-5.7	1,898.0	11.2	29.1
South Australia	1,767.7	10.5	4.8	7.4	-8.8	-5.3	1,765.9	10.5	-1.8
Tasmania	618.4	3.7	1.7	8.1	-3.8	-1.9	622.5	3.7	4.1
Northern Territory	743.8	4.4	-43.6	8.0	-9.8	48.1	746.6	4.4	2.8
Total	16,895.4	100.0	0.0	0.0	0.0	0.0	16,895.4	100.0	0.0

(a) The distributions shown abstract from adjustments made to the total pool for recoupment of various taxes and charges and for the recoupment of the Debits Tax.

(b) This column displays the change in the distribution from column (1) resulting from a reversal of the decision to pay \$45.5 million special revenue assistance to the Northern Territory in 1989-90.

(c) Change in distribution resulting from the replacement of 1989-90 actual relativities with the 1990 five year relativities agreed to at the 1990 Premiers' Conference.

(d) Change in distribution resulting from the replacement of the population distribution as at 31 December 1989 with the forecast population as at 31 December 1990.

(e) Effect on the distribution of paying \$50 million out of the pool for special revenue assistance to the Northern Territory.

(f) Combined effect of individual influences indicated by columns (2), (3), (4) and (5).

The population projections for 31 December 1990 made by Treasury, in consultation with the ABS, forecast only QLD and WA gaining from above average increases in population. By contrast, all States except NSW and VIC gain from the change in relativities. The reductions in the shares to NSW and VIC primarily reflect the expanded revenue raising capacities of these States in 1988–89, coupled with the increase in relative importance of categories such as stamp duties in State budgets where these States are assessed as having a relative revenue raising advantage.

Overall, QLD, WA and TAS receive larger shares of general revenue and hospital grants. The NT would have faced a significant decline in its share without special revenue assistance in 1990–91 but its share is marginally increased when the special assistance is included.

Hospital Funding Grants

The Grants Commission's relativities have been prepared in recent years on the basis that they are to be applied to the combined pool of financial assistance and hospital funding grants. For instance, in 1990–91, a State's share of financial assistance grants (row (16) in Table 17) is derived as the difference between:

- its share of the combined pool of financial assistance and hospital funding grants (excluding the so-called 'quarantined payments'—the penalties and incentives packages and funding for AIDS) (that is row (14) in Table 17) ; and
- its share of hospital funding grants, excluding the quarantined payments, which is calculated in accordance with age-sex weighted populations (shown in row (15) of Table 17).

Each State's financial assistance grant is therefore determined as a residual—the higher its share of hospital funding grants (excluding quarantined payments), the lower its share of financial assistance grants. Chapter V discusses the reasons for quarantining certain components of hospital grants and provides further details on these grants.

Other Adjustments to Financial Assistance Grants

Financial assistance grants are often utilised as a means of making financial adjustments associated with the transfers of functions or revenue raising capacity between the Commonwealth and State sectors. In 1988–89 and 1989–90, for example, the distribution of financial assistance grants was affected by the recoupment of 90% of State taxes and charges paid by Commonwealth GBEs (payroll tax from 1988–89, and other State taxes and charges from 1989–90). As the effect of the removal of the exemptions on State tax bases had not been accounted for by the Grants Commission in its assessments of the relativities for the year in which the change took effect, the amounts eventually recouped needed to be deducted from each State's financial assistance grant after the application of the *per capita* relativities to the pool (see row (8) in Table 17).

After the year of effect, permanent adjustments incorporated the changed arrangements into the Commission's assessments and deducted the amount recouped

from the pool before the relativities were applied. As discussed in the section on the *Level of Financial Assistance Grants in 1990–91*, adjustments were made for payroll tax in 1989–90 and they will be needed for land taxes and stamp duties in 1990–91, to align the amount of taxes and charges recouped with the actual tax payments during the transitional years. An estimate of this adjustment \$0.4 million is provided for each State in row (18) of Table 17.

As noted above, an adjustment will also be made to recover the tax revenue forgone by the Commonwealth following the Government's decision, announced by the Prime Minister on 19 July 1990, to transfer the Debits Tax base to the States from 1 December 1990. The Commonwealth is to deduct an amount, representing the expected revenue which would have been received during the period from 1 January 1991 to 30 June 1991 if the Debits Tax had continued to be levied by the Commonwealth, from the financial assistance grants paid to the States and Territories over this period. The total deduction for the States and Territories is estimated to be \$193 million in 1990–91. The delay before deductions from the States' financial assistance grants are commenced, recognises the one month lag in collecting the tax. In calculating the general revenue and hospital funding grant pool for 1991–92 and later years, the 1990–91 base has been reduced by \$385 million rather than \$193 million in order to reflect a full year adjustment for the transfer of the Debits Tax base to the States and Territories.

One method of distributing the total deduction from financial assistance grants for 1990–91 among the States is according to each State and Territory's share of the total national Financial Institutions Duty (FID) tax base. The Grants Commission's standardised revenues for the FID revenue category, as published in its 1990 working papers, provide an estimate of the State and Territory tax bases for 1988–89, and this data has been used to calculate the deductions for 1990–91 (shown in row (17) of Table 17. However, final arrangements for the transfer of the Debits tax base to the States are still subject to discussions between the Commonwealth and the States.

Of the above factors affecting the distribution of financial assistance grants, all except the *per capita* relativities may be revised from the Budget estimates as later information becomes available.

Special Revenue Assistance Grants

The NT was the only recipient of special revenue assistance in 1989–90, being provided with assistance of \$45.5 million funded from the pool of financial assistance grants to the States.

As noted above, the 1990 Premiers' Conference agreed that the NT be provided with special revenue assistance of \$50 million in 1990–91, funded from the financial assistance grants pool. Without the payments of special revenue assistance, general revenue assistance to the NT would have fallen by about 2% in nominal terms. The Government nonetheless remains committed to gradually moving the NT to a financial basis fully comparable to that of the six States.

As with financial assistance grants, special revenue assistance to the NT will be adjusted for the difference between the CPI forecast at the time of the Premiers' Conference and the actual outcome. The current estimate of assistance is \$50.2 million.

General Revenue Assistance to the ACT

Under transitional arrangements for the ACT, general purpose funding (including general revenue and general purpose capital grants) was to be maintained in real terms until 1990–91 and moved to a basis similar to the States in the two following years.

Table 19 shows the derivation of the ACT general revenue payments for 1989–90 and estimated payments for 1990–91. The funding arrangements for the ACT in 1990–91, agreed at the 1990 Premiers' Conference, are similar to those that applied in 1989–90 and include provision to maintain the earlier funding guarantee.

- The amount of general purpose assistance paid to the ACT in 1990–91 will be based on comparable treatment to that accorded the States.
- The difference between the maintenance of payments in real terms and equal State treatment will be paid into the ACT Transitional Funding Trust Account, with the principal and accrued interest being available to assist the ACT in its transition to State-like funding during the years 1991–92 and 1992–93. As in 1989–90, however, the ACT will be able to seek the release of funds from the Account in 1990–91 for projects which assist in the transition.

The estimated nominal increase in the underlying general revenue grants to be paid to the ACT in 1990–91, before the adjustments for transferred functions, for the recoupment of land taxes and stamp duties, and the deduction for the Debits tax transfer (see below) is therefore fully in line with the increase in those grants for the States.

The estimate of payments also reflects various other adjustments, the most significant of which is an additional \$64 million to fund the transfer of responsibility for a range of functions from the Commonwealth to the ACT (effective from 1 July 1990). As for the States, the general revenue grants paid in 1990–91 will be reduced for recoupment of State land taxes and stamp duties received from GBEs and, if necessary, to better align the amount of these taxes recouped and paid in 1989–90. The ACT's financial assistance grant will also be reduced to recover the tax forgone by the Government following its decision to transfer the Debits Tax base to the States and Territories from 1 December 1990. (Further details are included above under *Other Adjustments to Financial Assistance Grants*.) The deduction from the ACT's grant is estimated to be about \$2.5 million in 1990–91.

The current estimate of general revenue grants to be paid to the ACT is \$436.6 million (while the amount to be paid into the ACT Transitional Funding Trust Account in respect of general revenue grants is estimated at \$27.3 million). The final amounts paid will, as with other payments, reflect the CPI outcome.

Table 19—Derivation of ACT General Revenue Grant (\$ millions)

	Total
1989-90	
(1) Base for General Revenue Grant (a)	332.9
(2) plus increase for same real (b)	26.6
(3) Amount required to achieve same real	359.5
(4) Amount to be paid to ACT Transitional Funding Trust Account (c)	14.8
(5) General Revenue Grant on same basis as for States (d)	344.7
(6) Adjustments not subject to CPI or Trust Fund arrangements in 1989-90 (e)	22.7
(7) General Revenue Grant before recoupment	367.4
(8) less recoupment of "other taxes and charges"	0.4
(9) Overpayment associated with pre July 1988 debt (f)	16.1
(10) Actual payments in 1989-90	373.1
1990-91	
(11) 1989-90 General Revenue Grant before overpayment & recoupment (row (7))	367.4
(12) less full-year adjustment for 1989-90 tax recoupment (g)	0.1
(13) plus full year effect of functions transferred during 1989-90	0.4
(14) Base to calculate 1990-91 payment to ACT	367.6
(15) plus 1989-90 transfer to Trust Fund row (4)	14.8
(16) Base to calculate 1990-91 same real amount	382.4
(17) plus increase for same real increase of row (16) (b)	26.5
(18) Amount required to achieve same real	408.9
(19) Amount to be paid to ACT Transitional Funding Trust Account (c)	27.3
(20) General Revenue Grant payable to ACT using basis of comparable State treatment (d)	381.7
(21) Transfer of functions from the Commonwealth in 1990-91 (h)	63.6
(22) General Revenue before recoupment	445.2
(23) less recoupment for transfer of Debits Tax	2.5
(24) less recovery of 1989-90 overpayment (f)	6.1
(25) Estimated payments in 1990-91	436.6
<p>(a) Based on actual 1988-89 payment of \$416.9 million adjusted for, among other things, debt servicing (-\$34.4 million) and superannuation (-\$47.6 million).</p> <p>(b) Based on the sum of CPI index for each of the four quarters to March Quarter of the year in question over the sum of the corresponding quarters in the previous year.</p> <p>(c) The difference between rows (3) and (5) in 1989-90 and between rows (18) and (20) in 1990-91.</p> <p>(d) Calculated by applying to the ACT's general revenue grants the proportional cut in real general revenue grants for the States (that is the ratio of \$400 million to the 1990-91 same real general revenue grant).</p> <p>(e) Includes funds transferred with ACT Government Solicitor, Comcare funds, realignment of National Capital functions and fuel excise supplementation.</p> <p>(f) In late 1989-90, the Commonwealth agreed to an ACT request to not establish a notional debt profile for pre July 1989 debt. The ACT repaid all but \$6.1 million of the funds previously provided to the ACT in 1989-90 to service that debt.</p> <p>(g) Represents the full year effect of the Government Business Enterprises liability to tax (other than motor vehicle taxation) paid for the first time in 1989-90.</p> <p>(h) Includes Police (\$52.7 million), additional funding for Magistrates Courts (\$5.3 million), Director of Public Prosecutions (\$2.8 million) and a range of smaller programs.</p>	

ARRANGEMENTS FOR THE STATES AND THE TERRITORIES BEYOND 1990-91

The States

The Commonwealth has not made forward commitments regarding the level of general revenue assistance in recent years. However, at the 1990 Premiers' Conference, in response to requests from States for a more certain environment to facilitate their forward planning, the Commonwealth indicated to the States and Territories that general revenue grants will be maintained in real terms for each of the three years 1991-92 to 1993-94.

This commitment would not apply, however, if Australia were to experience a major deterioration in its economic circumstances.

No further arrangements are expected to be required for recoupment of State taxes and charges as the major Commonwealth GBEs no longer have exemptions from any State taxes and charges. All the State taxes and charges involved in past recoupment exercises (excluding motor vehicle taxes—the recoupment of which will be effected through a permanent reduction in the level of general purpose capital assistance) have been reflected in the relativities, and adjustments have been absorbed into the 'base' level of the financial assistance and hospital funding grant pool. As noted above, a full year adjustment will be made in 1991-92 to the pool for the transfer of the Debits Tax base to the States and Territories, and the Grants Commission will be asked to take account of this change by including the increased tax base in its calculations.

The Commission has been asked to inquire into a number of methodological and technical issues as a precursor to its next major review of methodology. The Report on the major methodological issues—which will cover the scope and structure of the standard budget, the treatment of specific purpose payments and the appropriateness of assessing location-specific disabilities—is expected in September 1990. It is not intended that this Report will result in any immediate changes in the Commission's methodology but, rather, that it will assist in determining the terms of reference for the next major review (due in 1993). The Commission is not likely to report on the technical issues before June 1991.

The Commission has also been asked to report by 28 February 1991 on the *per capita* relativities for the distribution of general purpose assistance for local government among the States and the Territories. The terms of reference ask the Commission to base its assessment on the application of the fiscal equalisation principle on a 'whole of State' basis and to analyse:

- the appropriateness of a 'whole of State' or unit by unit approach;
- the current pattern of distribution of assistance among the States; and
- the appropriateness of applying the fiscal equalisation principle to the distribution of local government assistance.

The Report will be considered at the 1991 Premiers' Conference. At this stage there is no commitment by the Government to change the distribution of local government grants among States and Territories from the present equal *per capita* shares.

The ACT

Prior to self-government, the Commonwealth indicated that general purpose funding to the ACT for the period 1988–89 to 1990–91 would be maintained at real 1987–88 levels. It was also foreshadowed that after expiry of the real terms guarantee period, further arrangements would be negotiated between the Commonwealth and ACT Governments with the aim of moving the level of funding for the ACT to State-like levels over the following two years (1991–92 and 1992–93).

To facilitate discussions on the appropriate level of funding for the ACT after 1990–91, the Commission was asked to undertake an inquiry into ACT Finances. The terms of reference were forwarded to the Grants Commission on 18 June 1990, for report by 31 March 1991. The Commission was asked to establish, on the basis of the principle of fiscal equalisation:

- the extent of ACT overfunding compared to the States; and
- the implied per capita relativity necessary to place the ACT in a position of fiscal equality with the States in 1991–92.

On the basis of the Commission's report and discussions with the ACT Government in the context of the 1991 Premiers' Conference, the Government will determine the funding arrangements to apply to the ACT for 1991–92 and 1992–93. Consideration will be given to the inclusion of the ACT in the pool of general revenue assistance for the States and Territories from 1993–94.

The terms of reference for the inquiry direct the Commission to undertake its assessments using the same methodology as will apply for the 1991 Update of State relativities (to be applied to general revenue grants for 1991–92). This will ensure that, as far as possible, there is comparability in the assessments between the States and the ACT. The reference also provides for account to be taken of special factors affecting the provision of services in the ACT, including the location of the national capital and seat of government in the Territory and needs associated with Canberra's regional role.

GENERAL PURPOSE ASSISTANCE FOR LOCAL GOVERNMENT IN 1990–91

General Purpose Assistance for Local Government in the States

Level of Assistance

General purpose financial assistance has been paid to local government authorities since 1974–75. Arrangements since 1986–87 have been embodied in the *Local Government (Financial Assistance) Act 1986*, with the NT included with the six States under the Act.

The Act provides for the amount of assistance to escalate at the same rate as general purpose payments to the six States. This ensures equal treatment of the six States and local government. However, following the Government's decision to transfer the Debits Tax base to the States and Territories and to recover the Commonwealth tax forgone by making appropriate deductions from the financial assistance grants of the States, the level of general purpose payments to the six States, as defined under the Act, would have declined more sharply than would be appropriate if these arrangements were to continue to apply.

As a consequence, the Government will be bringing forward legislation to provide for general purpose assistance to local government in 1990-91 to be set at a level consistent with the underlying growth (that is, the growth abstracting from the deduction for the transfer of the Debits Tax base to the States and Territories) in general purpose payments to the six States. Similar arrangements were established for each of the previous two years—in 1988-89, because identified health grants were discontinued and, in 1989-90, because of the transfer of half of the payments under the State Governments' Loan Council program to the Commonwealth State Housing Agreement.

On the basis of present estimates, general purpose assistance to local government in 1990-91, will be \$699 million, a nominal increase of 3.2%, or a real decline of 2.9% on the 1989-90 level.

Distribution Among the States

In accordance with the *Local Government (Financial Assistance) Act 1986*, the distribution of general purpose assistance to local government among the States moved fully to equal *per capita* shares from 1989-90, based on populations as at the previous 31 December. Shares for the years 1986-87 to 1988-89 reflected the phasing-in of the equal *per capita* distribution. Table 20 shows the actual and percentage distribution of these payments in 1989-90 and 1990-91. Changes in the distribution reflect different population growth rates among the States over the twelve months to 31 December 1989.

Table 20—Distribution of General Purpose Financial Assistance for Local Government Authorities

	1989-90		1990-91	
	\$m	%	\$m	%
NSW	237.1	34.9875	243.1	34.7691
VIC	177.3	26.1576	182.4	26.0846
QLD	115.0	16.9665	120.4	17.2172
WA	64.8	9.5643	67.7	9.6838
SA	58.5	8.6311	60.0	8.5864
TAS	18.6	2.7392	19.0	2.7202
NT	6.5	0.9538	6.6	0.9387
Total	677.7	100.0000	699.3	100.0000
ACT (a)	11.7	na	12.1	na

(a) Actual payment to the ACT (ie does not include payments to Trust Fund for Local Government purposes).

As mentioned above, the Grants Commission has been asked to report on its review of the interstate distribution of local government general purpose grants for the States and the Territories prior to the 1991 Premiers' Conference.

Distribution Within Each State

In accordance with the requirements of the Act, the distribution of grants to local government bodies is based on principles developed in each State. These principles must be fully implemented by 1 July 1991 and are required to have regard to the objective of horizontal fiscal equalisation. This is defined in the Act as a distribution that:

'ensures that each local governing body in the State is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the States, and that takes account of differences in the expenditure required by those local governing bodies in the performance of their functions and in the capacity of those local government bodies to raise revenue'.

The Act also provides that no local authority is to receive an amount that is less than the amount it would receive if 30% of the State's grant were allocated on an equal *per capita* basis.

The distributional arrangements are intended to achieve a greater degree of uniformity in distributional methodologies across States. They do, however, leave each State's Local Government Grants Commission with considerable discretion in the detailed assessment of each authority's relative need for assistance.

General Purpose Assistance for Local Government in the ACT

The ACT Government has both Territorial and municipal functions. From 1988-89, the Commonwealth began making payments to the ACT in respect of general purpose assistance for local government functions, analogous to that paid to the States. The amount paid to the ACT in 1989-90 was \$11.7 million. This represents the same increase in payments to the ACT in 1989-90 over 1988-89 as for local government in the States. In 1990-91, a payment of \$12.1 million calculated on the same basis is expected to be paid.

Assistance for local government functions is one of the general purpose payments subject to the real terms guarantee for the ACT (see above). Accordingly, in addition to the amounts paid to the ACT included in the above paragraphs, the difference between the amount required to maintain the 1988-89 level of payment in real terms for each of 1989-90 and 1990-91 is paid to the ACT Transitional Funding Trust Account. An amount of \$0.5 million was paid in 1989-90 and \$0.9 million is expected to be paid in 1990-91.

CHAPTER IV—GENERAL PURPOSE CAPITAL ASSISTANCE AND BORROWINGS BY THE STATE/LOCAL SECTOR

This chapter details those aspects of the financial relations between the Commonwealth and the State/local sector within the purview of Loan Council—in particular, the provision of general purpose capital assistance and the determination of borrowing levels.

General purpose capital assistance to the six States has been paid from the Commonwealth Budget under the State Governments' Loan Council programs. This assistance originally comprised the proceeds of borrowings by the Commonwealth on behalf of the six States under the Financial Agreement of 1927 on which the States met interest and sinking fund obligations. Since 1970–71, these programs have included components provided as grants and concessional loans for public housing.

From 1989–90, all assistance under these programs has been provided in the form of capital grants. Similar assistance is provided to the Territories, which are not subject to the Financial Agreement.

The Commonwealth currently arranges for the financing of outstanding debt arising from borrowings on behalf of the six States under the Financial Agreement (and related arrangements for the Territories). At the 28–29 June 1990 Loan Council meeting, it was agreed that the States and Territories would progressively redeem this debt and replace it with their own borrowings.

Borrowings by Commonwealth and State authorities and the Territories are not subject to the Financial Agreement. However, various arrangements agreed to by the Commonwealth and the six State Governments since 1936 have provided for Loan Council approval of annual borrowing programs for semi-government and local authorities. Under the Global Approach to authority borrowings, which has applied since June 1984, authorities are subject to global borrowing limits which are agreed annually by Loan Council.

Trends in State/local sector capital outlays and the level of public sector debt outstanding as a result of borrowings under these arrangements are discussed in Chapter II.

GENERAL PURPOSE CAPITAL ASSISTANCE

As noted above, general purpose capital assistance to the six States has been provided by way of loans under the Financial Agreement of 1927 (with related arrangements applying to the Territories), by concessional loans for public housing and by grants.

Until the early 1970s, loans under the Financial Agreement were the major source of funds available to State Governments to finance capital works. The Financial Agreement severely constrained the six State Governments' borrowing powers but allowed—and still allows—the Commonwealth to undertake borrowings on their behalf. The amount of such borrowings is determined each year by Loan Council, which was established under the Financial Agreement to co-ordinate borrowings for the Commonwealth and

the six State Governments; it consists of representatives of the Commonwealth and each State.⁽¹⁾

The importance of loans under the Financial Agreement in assistance provided to the six States declined from the early 1970s because:

- the overall level of general purpose capital assistance declined with States financing an increasing proportion of their capital works from other sources, including other payments from the Commonwealth and borrowings by State authorities; and
- an increasing proportion of general purpose capital assistance was provided in concessional forms, as grants or as loans for public housing.

From 1987–88, no new loans under the Financial Agreement and related arrangements were advanced to the States, although outstanding debt under the arrangements continued to be refinanced by Commonwealth borrowings.

From 1982–83 to 1988–89, some general purpose capital assistance was provided to the States for public housing purposes in addition to the specific purpose assistance through the Commonwealth State Housing Agreement (CSHA) (see Chapter V). During that period, the States were entitled to nominate portions of the loan component of general purpose capital assistance for public housing purposes. These ‘nominated amounts’ were provided as loans from the Commonwealth on concessional terms and conditions (an interest rate of 4.5 per cent and repayable over 53 years). In 1987–88 and 1988–89, all loans were nominated to be received on this concessional basis and, from 1989–90, these concessional loans were replaced by additional grants to the States under the CSHA.

General purpose capital assistance has been provided entirely by way of grants since 1989–90. The provision of capital grants to the States began in 1970–71 when about one quarter of the program was provided in that form, with the proportion increasing gradually to account for half the program in 1988–89. Since 1988–89, capital grants to the States have been provided at an unchanged nominal level of \$310.5 million. This will be adjusted in 1990–91 for the recoupment of 90 per cent of motor vehicle registration fees now being paid by Telecom and Australia Post (see Chapter III). The 1990–91 grants of \$297 million represent a real reduction of 10%.

The distribution of the State Governments’ Loan Council programs among the six States was unchanged from 1975–76 to 1986–87 following a pattern dating from 1927–28. The distribution was modified in 1987–88 but still does not closely relate to the present day capital needs of the States.

General purpose capital assistance for the Territories represents a significantly larger share of Commonwealth payments to them than is the case for the six States. The share of general purpose capital assistance for the NT was determined at self-government on 1 July 1978 and adjusted upward in 1985–86. A further adjustment was made in 1987–88 in conjunction with changes in State shares.

(1) The Territories are not parties to the Financial Agreement. However, general purpose capital assistance is provided to them on the same terms and conditions as for the six States, and Territory representatives attend Loan Council meetings as observers.

Under the financial arrangements associated with self-government, which have applied since 1 July 1988, the ACT initially received a capital grant, a capital advance, and concessional loans for public housing (which were subsequently replaced by additional grants under the CSHA). The general purpose capital advance, which no longer has any counterpart in payments to the States, is being replaced from 1990–91 by an addition to the ACT's global borrowing limit, with an adjustment being included in the capital grant to take account of the additional financing cost involved. In 1990–91, the ACT is to receive a capital grant of \$33.4 million. As well as the adjustments for termination of the capital advance and the recoupment of motor registration fees (details of these adjustments are discussed in Chapter III), the grant takes account of capital costs associated with the transfer of police and magistrate functions to the ACT (an increase of \$1.3 million).

Payments of \$4.7 million are to be made to the ACT Transitional Funding Trust Account in respect of capital expenditures under the arrangements described in Chapter III. In 1989–90, a payment of \$7.0 million was made to the ACT from the Trust Account for expenditure on capital projects associated with the transition to self-government.

The provision of general purpose capital assistance in concessional forms provides an advantage to the States and Territories relative to its provision as loans under the Financial Agreement and related arrangements.

The Commonwealth also contributes to the cost of debt issued on behalf of the States in other ways. Under the Financial Agreement, the Commonwealth makes contributions to the National Debt Sinking Fund in respect of outstanding balances of the six States' debt to assist in its redemption. Similar payments are made to the NT Debt Sinking Fund for debt issued on behalf of the NT Government. (These sinking fund contributions are discussed in Chapter V.) By an amendment to the Financial Agreement on 5 February 1976, the Commonwealth assumed \$1000 million of State debt from 30 June 1975.

More generally, interest savings have also accrued to the States because, by acting as the central borrower and using Commonwealth guaranteed debt instruments, the Commonwealth has been able to raise debt on more favourable terms than the States.

Table 21 shows the general purpose capital assistance provided to the States since 1986–87, and to the ACT since 1988–89. In the context of sustained restraint in overall Commonwealth payments to the States and Territories, the level of general purpose capital assistance has been reduced substantially over recent years. As Table 22 shows, it is now a relatively small component of Commonwealth payments to the States and it is not closely related to, nor a major source of finance for, States' capital requirements. As loan funds for the State/local sector are now obtained almost entirely through authority borrowings, the original purpose of the program in terms of coordination and control of public sector borrowing is now pursued through the Global Approach.

Table 21—General Purpose Capital Assistance to the States and the Territories
(\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
LOANS										
Amounts nominated for public housing (a)										
1986-87	150.2	116.8	61.6	71.7	100.9	32.6	50.9	584.7	-	584.7
1987-88	114.4	94.6	25.0	34.5	51.8	36.9	56.8	414.0	-	414.0
1988-89	86.3	71.5	18.7	22.9	39.6	27.7	43.8	310.5	7.0	317.5
1989-90	-	-	-	-	-	-	-	-	-	-
1990-91	-	-	-	-	-	-	-	-	-	-
Other (b)										
1986-87	100.2	77.8	41.1	-	-	21.7	34.0	274.7	-	274.7
1987-88	-	-	-	-	-	-	-	-	-	-
1988-89	-	-	-	-	-	-	-	-	22.0	22.0
1989-90	-	-	-	-	-	-	-	-	22.5 (d)	22.5
1990-91	-	-	-	-	-	-	-	-	-	-
Total										
1986-87	250.4	194.6	102.7	71.7	100.9	54.3	84.9	859.5	-	859.5
1987-88	114.4	94.6	25.0	34.5	51.8	36.9	56.8	414.0	-	414.0
1988-89	86.3	71.5	18.7	22.9	39.6	27.7	43.8	310.5	29.0	339.5
1989-90	-	-	-	-	-	-	-	-	22.5	22.5
1990-91	-	-	-	-	-	-	-	-	-	-
GRANTS										
1986-87	138.8	107.9	56.9	39.7	56.0	30.1	47.1	476.5	-	476.5
1987-88	58.2	48.3	12.5	11.3	27.4	18.4	30.9	207.0	-	207.0
1988-89	86.3	71.5	18.7	22.9	39.6	27.7	43.8	310.5	29.1	339.6
1989-90	86.3	71.5	18.7	22.9	39.6	27.7	43.8	310.5	39.0 (d) (e)	349.5
1990-91(c)	79.8	68.3	16.1	22.4	39.0	27.5	43.8	296.8	33.4 (d) (f)	330.2
TOTAL										
1986-87	389.2	302.5	159.6	111.4	156.9	84.4	131.9	1336.0	-	1,336.0
1987-88	172.7	143.0	37.4	45.8	79.2	55.3	87.7	621.0	-	621.0
1988-89	172.7	143.0	37.4	45.8	79.2	55.3	87.7	621.0	58.1	679.1
1989-90	86.3	71.5	18.7	22.9	39.6	27.7	43.8	310.5	61.5 (d) (e)	372.0
1990-91(c)	79.8	68.3	16.1	22.4	39.0	27.5	43.8	296.8	33.4 (d) (f)	330.2

(a) Made available on concessional terms.

(b) Amounts raised on behalf of the States and the Territories by the Commonwealth and made available on terms achieved by the Commonwealth in the market.

(c) Includes recoupment of 90 per cent of motor vehicle registration fees paid by Telecom and Australia Post.

(d) Includes adjustments for transfers of functions.

(e) Includes payment of \$7 million from ACT Transitional Funding Trust Account. Excludes payment of into the Trust Account of \$2.4 million from each of the capital advance and the capital grant.

(f) Excludes payment of \$4.7 million into the Trust Account.

Table 22—General Purpose Capital Assistance to the States and the Territories, 1990–91

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
\$ million	79.8	68.3	16.1	22.4	39.0	27.5	43.8	296.8	33.4	330.2
\$ per capita	13.6	15.5	5.5	13.5	26.9	60.0	279.7	17.5	116.5	19.2
% of total										
C'wealth payment	0.9	1.1	0.3	0.8	1.5	2.7	4.1	1.1	3.1	1.2
% of GSP	0.1	0.1	..	0.1	0.1	0.3	1.1	0.1	0.4	0.1
% of GFCE (a)	1.6	2.5	0.7	1.6	4.5	6.3	18.3	2.3	na	na

(a) State/local sector gross fixed capital expenditure for 1988–89.

Financing of General Purpose Capital Assistance

The capital grants provided under the State Governments' Loan Council programs and to the Territories are financed by the Commonwealth from its own resources. However, under the Financial Agreement, the conversion or redemption of maturing State debt that cannot be financed from the National and NT Debt Sinking Funds respectively, is financed from the proceeds of the issue of Treasury Bonds. These Bonds are allocated to the States and represent State Government debt.

The Financial Agreement also provides that the annual borrowing program of the Commonwealth Government (except defence borrowings, borrowings for temporary purposes and the refinancing of existing debt) is subject to approval by Loan Council. Given the projected Budget surplus, the Commonwealth did not need to seek approval for a borrowing program for 1990–91.

Redemption of State Debt

As noted above, the Commonwealth no longer makes general purpose capital advances to the States and Territories but, under the Financial Agreement, continues to be responsible for the financing of the outstanding amount of those advances by the issue of Treasury Bonds. A total of \$17.7 billion of Commonwealth Government securities was on issue on behalf of the States and Territories as at 30 June 1990. At 30 June 1987, Commonwealth Government securities issued on behalf of the States comprised 22% of the State/local sector's total debt.

The 28–29 June 1990 Loan Council meeting agreed that the States and Territories would progressively take over responsibility for that debt. The States will make additional payments to the National and NT Debt Sinking Funds sufficient to redeem the debt as the securities currently issued to finance it mature. Additional payments of \$945 million are to be made by the States in 1990–91 which, together with their standard payments of \$149 million, Commonwealth sinking fund contributions on their behalf and interest on sinking fund balances, will provide for the redemption of \$1145 million. This arrangement will mean that the debt will be fully taken over by the States and Territories by 2005–06.

The Commonwealth has undertaken to provide the States and Territories with full compensation for the additional cost to them of this change on the basis of interest rate margins between Commonwealth and State debt applying at and prior to the change. Accordingly the Commonwealth will provide assistance for debt redemption related to

the additional interest cost faced by the six States in replacing the debt with borrowings in their own names or through their authorities. Future changes in interest margins will not be compensated for. Assistance for the reduced Commonwealth contributions through the existing sinking fund arrangements owing to the decline in net debt outstanding on which the subsidy is based will also be provided. Parallel arrangements for debt redemption and compensation will apply to the Territories. Details of these compensation arrangements are still subject to negotiation between the Commonwealth and the States and Territories, but assistance for debt redemption in 1990–91 is estimated to be of the order of \$3.3 million.

Loan Council has agreed to the provision of additional global borrowing limits to the States and Territories to allow for borrowings in domestic capital markets to replace the Commonwealth advances. It has also agreed to amend the Financial Agreement to allow the six State Governments to borrow by the issue of securities in domestic markets in their own names.

These new arrangements represent the replacement of Commonwealth debt to the private sector with State debt; they do not alter the financial position of the public sector as a whole. However, they do represent a significant structural reform in Commonwealth-State financial relations in that they place full responsibility on the States and Territories for the financing and managing of their own debt. This will subject borrowings by individual State and Territory Governments to growing scrutiny by the community and financial markets.

LOAN COUNCIL ARRANGEMENTS APPLYING TO AUTHORITY BORROWINGS

The Gentlemen's Agreement between the Commonwealth and the States provided the framework for Loan Council oversight of borrowings by Commonwealth and State authorities from 1936 to 1984. By the early 1980s, the Loan Council was exercising increasingly less influence under the Gentlemen's Agreement over the totality of authority borrowings. This reflected extensive use of non-conventional financing techniques—such as financial leases and similar forms of borrowing—outside the scope of the Agreement. The decision in June 1982 to exclude domestic borrowings by electricity authorities from Loan Council control for a trial period of three years further reduced Loan Council influence on authority borrowings.

Increasing recognition of the implications of these developments for public sector spending and borrowing culminated in the suspension of the Gentlemen's Agreement at the 21 June 1984 Loan Council meeting and the adoption of the Global Approach on a trial basis for 1984–85. The objective of the Global Approach, which was adopted on an on-going basis at the 30 May 1985 Loan Council meeting, was to broaden the scope of Loan Council oversight of authority borrowings by bringing all forms of borrowings by Commonwealth and State semi-government and local authorities, government-owned companies and trusts within voluntarily agreed limits. The Global Approach also provides for the publication of timely information on total borrowings by Commonwealth and State authorities.

The purpose of the Global Approach is to supplement the powers of Loan Council under the Financial Agreement, allowing control of the totality of public sector calls on financial markets. To this end, 'borrowings' under the Global Approach are defined broadly to include the whole range of financing arrangements available to authorities, including conventional borrowings, financial leases and related instruments and equity financing by or on behalf of authorities. The coverage of the Global Approach corresponds in most respects with that of the Public Sector Borrowing Requirement (PSBR) described in Statement 6 of Budget Paper No. 1.⁽²⁾

The Global Approach has become an important instrument of the macroeconomic policy strategy directed towards reducing the public sector's call on domestic and foreign savings.

Under the Global Approach, Loan Council does not exercise any control over the terms and conditions of authority borrowings, although individual States and the Commonwealth may do so in respect of their own authorities. State semi-government and local authorities generally borrow at somewhat higher interest rates than the Commonwealth Government, with the margins varying from time to time depending on market conditions. The table below shows the borrowing cost margins faced by the State central borrowing authorities, which are the major borrowers on behalf of the State/local sector, during 1989-90. The margins vary with the size of each authority's borrowing program but are importantly affected by financial market assessments of the financial position of individual States. As noted above, the new arrangements under the Financial Agreement whereby the States have full responsibility for managing their own debt will direct growing attention to the fiscal and debt management strategies of individual States.

Table 23-Borrowings by State Central Borrowing Authorities: Interest Rate Margin over Commonwealth Bonds (Basis Points) (a)

	NSW		VIC		QLD		WA		SA		TAS	
Years to Maturity	4	10	4	10	4	10	4	10	4	10	4	10
1989-90												
Sept quarter	53	84	85	92	65	92	66	104	64	95	71	na
Dec quarter	52	95	79	98	64	103	64	121	63	102	72	127
Mar quarter	53	85	69	89	67	94	67	109	65	94	73	113
June quarter	45	58	62	68	59	69	59	84	58	72	68	91

(a) Average margins of secondary market yields during each quarter of benchmark stocks with maturities closest to four and ten years respectively over Commonwealth Bonds of similar maturities. A basis point is 0.01 per cent.

The State Central Borrowing Authorities are NSW Treasury Corporation, Victorian Public Authorities Finance Agency, Queensland Treasury Corporation, Western Australian Treasury Corporation, South Australian Government Financing Authority and Tasmanian Public Finance Corporation.

SOURCE: Bloomberg Financial Markets

(2) The Global Approach covers all borrowings falling within the gross PSBR (referred to as 'net borrowings' in the ABS Government Finance Statistics) other than borrowings by statutory marketing authorities such as the Australian Wool Corporation.

The Global Approach

The central feature of the Global Approach is the imposition of aggregate quantitative controls, or 'global limits', on borrowings by Commonwealth and State authorities. It also provides for a ceiling (currently 22% of new money borrowings) within the global limits on overseas borrowings by State authorities, together with arrangements for ensuring orderly access by authorities to overseas public capital markets.

Under the Global Approach, as modified since May 1985, it is agreed that:

- the Commonwealth and each State Government will voluntarily limit the level of new money borrowings each year from all sources by their authorities to global limits agreed by Loan Council. As occurred under the Gentlemen's Agreement, the States and the Commonwealth are free to determine the distribution of the global total among their individual authorities;
- authorities subject to the limits include semi-government and local authorities and all companies and trusts which are wholly-owned, majority owned or partly owned and effectively controlled by the relevant governments. Borrowings by government-owned financial institutions (such as State banks and insurance companies) and statutory marketing authorities are excluded from the global limits except when on-lent to, or used for the purposes of, governments or authorities subject to the limits (except where such borrowings are associated with temporary or unexpected fluctuations in government outlays and receipts);
- new money borrowings within the agreed limits include 'conventional' domestic and overseas loan raisings, deferred payment arrangements, overseas trade credits, financial leases (including leveraged leasing and similar arrangements), sale and leaseback arrangements, instalment purchase by government departments, the net change in temporary purpose borrowings over the financial year and any other form of raising new capital funds (including equity raisings by or on behalf of authorities). New money borrowings exclude operating leases and temporary purpose borrowings within the financial year; and
- bodies subject to global limits are able to refinance maturing debt outside new money borrowing limits, provided there is no net addition to the total level of outstanding debt.

Overseas Borrowings within the Global Approach

Arrangements for overseas borrowings under the Global Approach are:

- new money overseas borrowings by State authorities, including non-conventional financing techniques (such as trade credits and financial leases) and the net change in temporary purpose overseas borrowings over the financial year are subject to an aggregate overseas ceiling. The distribution of the overseas ceiling is determined by agreement among the States;

- new money overseas borrowings (including the net change in temporary purpose borrowings) are not to exceed, for more than a two month period during the financial year, each State's new money overseas borrowing ceiling for that year, with an upper limit at all times during the year of 150% of each State's ceiling;
- while borrowings by statutory marketing authorities are outside global limits, the following limits apply to the amounts which statutory marketing authorities may borrow overseas;
 - not more than the level of their expected foreign currency denominated sales for advance payments to growers (provided this does not exceed their current season's net borrowing requirement), and
 - not more than 50% of their borrowing requirement to finance buffer stocks held in Australia (there are no limits on borrowings to finance buffer stocks held or being shipped abroad);
- Commonwealth and State authorities subject to the global limits, and statutory marketing authorities, are allowed to borrow in all private overseas capital markets and a range of overseas public issue markets. The permitted public issue markets are the domestic \$US market, Eurodollar market, Swiss Franc market, Euro-Sterling market, European Currency Unit (ECU) market, Euro-\$A market, Yen and non-Yen Tokyo markets, Deutschemark market, Euro-Yen market, Euro-Canadian dollar market, Euro-\$NZ market, and Hong Kong dollar market;
- conversion or refinancing of overseas debt is permitted outside the overseas borrowing ceiling;
- since the 21 June 1984 Loan Council meeting, approval of the terms and conditions of overseas borrowings by authorities has been delegated to the individual members of Loan Council. However, specific Loan Council approval of terms and conditions of individual overseas borrowings is still required in the Sterling private placement market (essentially with a view to differentiating such borrowings from public issues by the Commonwealth in the relatively small Sterling market); and
- individual approaches to public markets continue to require prior Loan Council approval, and are subject to orderly queuing arrangements designed to avoid the possibility of clashes between Australian public sector issues in these markets. The queuing arrangements provide for a maximum number of approaches per quarter in each of the permitted markets, as well as a minimum period of time between approaches (two or three weeks in most cases), and are set having regard to conditions in each market. The Commonwealth Government has a prior right of access to all markets, but in recent years it has been repaying debt rather than borrowing.

Global Borrowing Limits for 1990-91

The 28-29 June 1990 Loan Council meeting agreed to an aggregate new money borrowing limit for authorities in the six States of \$3800 million, the same money amount as the borrowing limit approved for 1989-90.

The global borrowing limit originally agreed for 1989-90 of \$3750 million was increased by the provision of a special temporary addition for TAS of \$50 million to assist in funding increases in electricity generation costs owing to low water levels in hydroelectric storage dams. The global borrowing limit agreed for 1990-91 includes special temporary additions of \$70 million for WA to fund the purchase of gas inventory from the North West Shelf project (under an ongoing arrangement which has applied since 1985-86) and \$50 million for TAS for a public sector restructuring program.

The distribution of the State authorities' global borrowing limit among the States (excluding special temporary additions) has in the past generally been determined on a historical basis. Loan Council agreed at the 28-29 June 1990 meeting to adjust this basic distribution over a five year period commencing in 1990-91 to a *per capita* basis. These adjustments are shown in Table 24 below. It was also agreed that the distribution of global borrowing limits would continue to be administered flexibly to take account of year to year variations in States' borrowing needs through the provision of special temporary additions.

Table 24 - Global New Money Borrowings:
Phasing of State Basic Programs to Per Capita Basis (a)

	NSW	VIC	QLD	WA	SA	TAS	Total
(Per cent of States basic new money borrowing program)							
1990-91	32.0	30.9	17.1	9.8	6.6	3.5	100.0
1991-92	32.8	29.8	17.2	9.8	7.1	3.3	100.0
1992-93	33.6	28.6	17.3	9.8	7.6	3.1	100.0
1993-94	34.3	27.5	17.3	9.8	8.2	2.9	100.0
1994-95	35.1	26.3	17.4	9.8	8.7	2.7	100.0

(a) This table assumes that population shares remain the same as in December 1989 for the phasing period. However, it is intended that shares for 1991-92 and subsequent years will be adjusted to reflect changes in actual population shares.

A global borrowing limit of \$80 million was agreed for the NT for 1990-91, while a global borrowing limit of \$66 million was agreed for the ACT. The global borrowing limit for the ACT includes provision for the Territory to undertake additional borrowings to replace the capital advances formerly provided by the Commonwealth.

In addition to the new money borrowing limits agreed for the States and Territories, provision will be made for borrowings by State authorities (and, following the necessary amendments to the Financial Agreement, State Governments) to replace debt raised by the Commonwealth on their behalf which they are to redeem. These additional borrowings will not add to the scope for States and Territories to undertake capital expenditure, but will simply replace State debt to the Commonwealth.

The borrowing programs for each of the States are provided in Table 25, while Table 26 details the agreed conversion/refinancing programs. Table 27 shows the

Table 25-'Global' New Money Borrowings by Commonwealth, State and Territory Semi-Government and Local Authorities (a)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	States and the Territories	Commonwealth (b)	Total
Global borrowings (\$ million)												
1986-87	1,845.0	1,875.1	1,387.0	635.0	350.0	217.0	86.3	6,395.4	-	6,395.4	1,401.8	7,797.2
1987-88	1,539.6	1,684.4 (c)	1,160.5	584.0	300.8	181.6	71.3	5,522.2	-	5,522.2	864.8 (d)	6,387.0
1988-89	1,152.7	1,552.4	792.8	657.8	258.3	201.0	85.0	4,700.0	-	4,700.0	2,076.9	6,776.9
1989-90	1,134.0	1,173.6	624.2	448.4	223.5	184.9	81.0	3,869.6	23.7	3,893.3	1,449.3	5,342.6
1990-91(e)	1,177.9	1,137.1	630.8	432.3	243.4	178.6	80.3	3,880.4	65.7	3,946.1	1,620.0	5,566.1
Global borrowings (\$ per capita)												
1986-87	331.2	448.1	523.3	429.1	252.1	485.0	553.9	402.8	-	396.3	86.9	483.1
1987-88	272.0	397.7	428.4	383.7	214.6	405.4	454.6	342.3	-	336.7	52.7	389.4
1988-89	200.7	361.5	284.3	418.6	182.3	447.1	543.5	286.2	-	281.5	124.4	405.9
1989-90	195.6	269.8	217.4	277.7	156.1	407.6	517.5	232.1	84.1	229.6	85.5	315.1
1990-91	201.1	258.2	214.2	260.8	168.3	390.3	512.5	229.3	229.2	229.3	94.1	323.4
Global borrowings (percentage of GSP)(f)												
1986-87	2.0	2.6	3.6	2.5	1.7	3.6	2.9	2.5	-	2.4	0.5	3.0
1987-88	1.5	2.0	2.7	2.0	1.3	2.7	2.3	1.9	-	1.9	0.3	2.2
1988-89	1.0	1.7	1.6	2.0	1.0	2.7	2.5	1.4	-	1.4	0.6	2.0
1989-90	0.9	1.2	1.2	1.2	0.8	2.3	2.2	1.1	0.3	1.1	0.4	1.4
1990-91	0.8	1.0	1.1	1.1	0.8	2.1	2.0	1.0	0.9	1.0	0.4	1.4

(a) Includes borrowings by all Commonwealth, State and Territory semi-government and local authorities, government-owned companies and trusts.

(b) Includes 'implicit' borrowings associated with the Commonwealth's instalment purchase of Commonwealth Government offices.

(c) VIC borrowings for 1987-88 exceeded the State's global limit for the year by \$158 million as the sale of the World Trade Centre, proceeds of which are to be used to repay debt, did not proceed. When the sale proceeds, the State's borrowings are expected to be reduced below its global limit by a similar amount.

(d) A Commonwealth authority converted approximately \$1.2 billion of financial leases to operating leases during 1987-88. These transactions are not reflected in reported global borrowings by Commonwealth authorities.

(e) 'Global' new money limits agreed at the June 1990 Loan Council meeting.

(f) Commonwealth and total figures are given as a proportion of GDP.

Table 26-Borrowings by Semi-Government and Local Authorities for the Refinancing of Maturing Debt (a) (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	States and the Territories	Common- wealth	Total
Domestic												
1986-87	779.9	1,719.4	591.2	588.8	767.2	142.0	39.3	4,627.8	-	4,627.8	709.0	5,336.8
1987-88	1,877.3	3,406.4	660.4	1,289.1	1,012.3	210.8	82.7	8,539.0	-	8,539.0	600.4	9,139.4
1988-89	3,456.8	1,778.4	651.4	1,931.7	379.4	174.1	111.7	8,483.4	-	8,483.4	700.6	9,184.0
1989-90	702.7	1,444.2	926.3	3,619.7	4,705.9	135.5	163.3	11,697.5	-	11,697.5	492.0	12,189.5
1990-91(b)	2,450.3	1,831.2	1,211.0	na	276.4	na	129.5	na	28.7	na	887.8	na
Overseas												
1986-87	561.5	101.5	579.5	264.8	155.7	1.1	-	1,664.1	-	1,664.1	170.7	1,834.8
1987-88	52.5	138.5	89.2	88.2	72.8	37.6	-	478.8	-	478.8	205.3	684.1
1988-89	728.6	300.0	11.6	280.3	24.7	1.6	-	1,346.8	-	1,346.8	310.9	1,657.7
1989-90	551.6	184.1	10.6	22.0	237.7	56.3	-	1,062.4	-	1,062.4	374.7	1,437.1
1990-91(b)	700.0	391.3	145.0	103.0	113.1	na	-	na	-	na	425.1	na
Total												
1986-87	1,341.4	1,820.9	1,170.7	853.7	922.9	143.1	39.3	6,291.9	-	6,291.9	879.8	7,171.7
1987-88	1,929.8	3,544.9	749.6	1,377.3	1,085.1	248.4	82.7	9,017.8	-	9,017.8	805.6	9,823.5
1988-89	4,185.4	2,078.4	663.0	2,212.0	404.1	175.7	111.7	9,830.2	-	9,830.2	1,011.4	10,841.7
1989-90	1,254.3	1,628.3	936.9	3,641.7	4,943.6	191.8	163.3	12,759.9	-	12,759.9	866.7	13,626.6
1990-91(b)	3,150.3	2,222.5	1,356.0	na	389.5	182.5	129.5	na	28.7	na	1,312.9	na

(a) Includes borrowings for the purposes of refinancing or converting the maturing debt of semi-government and local authorities and government-owned companies. Such borrowings are undertaken in addition to the new money borrowings set out in Table 25.

(b) Amounts advised to Loan Council. Individual members of Loan Council have discretion to amend the approved refinancing programs to account for the refinancing of debt prior to maturity and, in the case of overseas debt, for movements in exchange rates.

additional limits for States necessary to refinance Commonwealth advances under the proposed redemption of State Debt.

Table 27—Additional Borrowings for States to Refinance Commonwealth Advances (a) (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total
1990-91	295.1	230.3	117.6	95.1	127.3	57.2	22.8	945.3

(a) Proposed borrowing limits. These amounts correspond to the additional contributions required to be made by the States in 1990-91 to redeem maturing Commonwealth securities. The States and the ACT are to be permitted to increase their global borrowings by up to the amount of the additional contributions. The additional borrowing limits are not included in the global new money borrowings shown in Table 25. No Commonwealth securities issued on behalf of the ACT mature in 1990-91.

For 1990-91, Loan Council also agreed to an aggregate overseas borrowing ceiling of \$836 million for State authorities, equal to 22% of aggregate new money borrowings. This ceiling is unchanged and compares with overseas borrowings of \$821 million in 1989-90. The distribution of the overseas ceiling, which was agreed among the States, is shown in the following table. No additions to States' overseas borrowing ceilings will be made in association with the additional borrowing limits to replace debt raised by the Commonwealth on behalf of the States; that is, the additional borrowings, like the Commonwealth Government borrowings they replace, will be in domestic markets.

Table 28—New Money Overseas Borrowings by State Semi-Government Authorities (a) (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	Total	Common-wealth (b)	Total
1986-87	406.0	340.0	196.1	172.0	86.0	47.4	1,247.5	353.5	1,601.0
1987-88	339.0	335.9	255.4	129.7	66.3	40.0	1,166.3	404.7	1,571.0
1988-89	319.0	338.4	174.4	144.7	56.8	37.6	1,070.9	1,014.1	2,085.0
1989-90	251.7	254.6	137.3	98.6	49.2	29.7	821.1	866.7	1,687.8
1990-91(c)	259.1	250.2	138.8	95.1	53.5	39.3	836.0	na (d)	na

(a) Includes overseas new money borrowings by all semi-government and local authorities, government-owned companies and trusts.

(b) Includes the NT and the ACT, neither of which has borrowed overseas as yet.

(c) A ceiling of 22% of the global limits (\$836 million) on all overseas borrowings by State authorities was agreed at the June 1990 Loan Council meeting by all members.

(d) No overseas ceiling is set for Commonwealth authorities within their global limit.

For 1989-90, Loan Council approved a new money borrowing limit for Commonwealth authorities of \$1620 million, an increase of \$171 million on borrowings undertaken in 1989-90. Consistent with the pattern in recent years, it is anticipated that about half of the total will be applied to meet the continuing fleet re-equipment and expansion requirements for Qantas and Australian Airlines, together with related airport infrastructure.

Local Government Authority Borrowings

As shown in the following table, local authority borrowings, undertaken within the global limits for State authorities and the NT, totalled \$572million in 1989-90 or about 15 per cent of all public authority new money borrowings in Australia.

The amount of borrowings by local government authorities varies markedly among States (after adjusting for differences in population). This reflects a number of factors, including differences in demand for local government infrastructure arising from differing rates of population growth among the States and, more importantly, variations among the States in the functions allocated to local government.

Table 29—New Money Borrowings by Local Government Authorities (a)

	NSW (b)	VIC (c)	QLD	WA	SA	TAS	NT	Total
Total borrowings (\$ million)								
1986-87	251.0	130.5	236.5	32.4	46.0	18.9	3.1	718.4
1987-88	209.7	58.7	263.2	29.6	40.0	19.3	2.4	622.9
1988-89	197.5	130.2	237.6	32.8	35.0	19.0	1.9	654.1
1989-90	180.1	84.7	228.9	25.6	34.6	15.5	3.0	572.3
1990-91(d)	159.0	75.0	256.5	35.0	32.5	14.8	3.0	575.8
Total borrowings as a percentage of each State's total new money borrowings								
1986-87	13.6	7.0	17.1	5.1	13.1	8.7	3.6	11.2
1987-88	13.6	3.5	22.7	5.1	13.3	10.6	3.3	11.3
1988-89	17.1	8.4	30.0	5.0	13.6	9.4	2.3	13.9
1989-90	15.9	7.2	36.7	5.7	15.5	8.4	3.7	14.8
1990-91	13.5	6.6	40.7	8.1	13.4	8.3	3.7	14.8

(a) New money borrowings include 'conventional' loan raisings, as well as other borrowings such as domestic deferred payment arrangements, overseas trade credits, financial leases, sale and leaseback and similar arrangements, security deposits and other repayable capital contributions, and net changes in temporary purpose borrowings over the financial year.

(b) Excludes NSW County Councils that are electricity authorities.

(c) Excludes VIC municipal authorities with electricity distribution functions.

(d) Estimate.

CHAPTER V—SPECIFIC PURPOSE PAYMENTS

This chapter outlines the distribution of specific purpose payments among the States and the Territories. The tables in Appendix III provide a more comprehensive record of such payments. The programs are described in greater detail in Statement 3, 'Outlays', of Budget Paper No. 1 under the appropriate functional classification.

The process of aligning payments in the ACT as far as possible with State arrangements commenced prior to the formal introduction of self government on 11 May 1989 with details of payments being available from 1 July 1988 (see discussion in the Preface). The process of phasing-in specific purpose payments with offsetting adjustments to general purpose assistance has continued since self government.

As in other years, the distribution of assistance for 1990–91 under some programs is dependent upon the recipient governments undertaking to participate in programs or approve particular projects. For a few programs, final decisions on the distribution of payments among the States and the Territories have still to be taken by the Commonwealth; for others, the final distribution for 1990–91 will not be settled until further data become available. In such cases, a provisional or notional estimate of the likely distribution is included. This does not commit the Commonwealth to a particular level of funding or indicate that a State or Territory has agreed to participate in the program.

OVERVIEW

Specific purpose payments are provided for in the Constitution under Section 96 which specifies that the Commonwealth may grant financial assistance to any State on such terms and conditions as it thinks fit. Specific purpose payments are made where the Commonwealth wants to have some involvement in the direction or nature of expenditure. The extent of such involvement varies significantly from program to program. At one end of the spectrum, there are programs—such as assistance for higher education—where the Commonwealth provides the vast majority of public expenditure and the States and Territories effectively act as agents for the Commonwealth in the dispersal of funds. At the other end, there are program areas—for instance, current funding for schools and Technical and Further Education (TAFE)—where the Commonwealth provides a relatively small portion of total expenditure. In most cases the States and Territories administer specific purpose assistance under broad guidelines agreed with the Commonwealth. For example, the main condition imposed on the provision of hospital grants, is that State hospitals should not impose fees on Medicare patients.

Specific purpose payments are estimated to total \$14.1 billion or 50% of net Commonwealth payments to the States and the Territories in 1990–91. While there is a large number of specific purpose payments, a few major programs account for the bulk of this assistance. In 1990–91, payments for education, hospitals, housing and roads are estimated to account for around 85% of total specific purpose payments.

Table 30 summarises payments to the States according to the functional classification used in Budget Paper No. 1. This classification is also the basis of the

discussion of individual payments in this chapter and the detailed tables in Appendix III. In some cases, however, specific purpose programs cut across a number of functional categories; the main instances where this occurs are identified below. General purpose assistance to the States and the Territories and for local government, discussed in Chapters III and IV, is included in the table under payments 'Not Allocated to Function'.

Table 30—Net Commonwealth Payments to the State/Local Government Sector by Function (a) (b)

	1987-88	1988-89 (c)		1989-90		1990-91 (d)	
		Excl ACT	Incl ACT				
	\$m	\$m	\$m	\$m	% ch	\$m	% ch
Defence	4	3	3	2	-25.3	2	14.9
Education	4,436	4,461	4,530	4,867	7.4	5,562	14.3
Health (e)	1,295	3,273	3,317	3,675	10.8	4,001	8.9
Social Security and Welfare	355	384	389	465	19.6	450	-3.2
Housing and Community Amenities (f)	1,060	965	984	927	-5.8	928	..
Culture and Recreation	39	13	13	9	-30.4	19	104.2
Economic Services—							
Transport and Communication	1,282	1,294	1,300	1,377	5.9	1,626	18.1
Industry Assistance and Development	190	195	195	158	-19.1	190	20.2
Labour and Employment	154	38	38	36	-5.2	36	-1.4
Other Economic Services	1	1	1	1	-4.9	1	-27.1
Total Economic Services	1,626	1,528	1,535	1,572	2.4	1,853	17.9
General Public Services	82	101	99	172	74.4	269	56.4
Not Allocated to Function—							
General Revenue Funds	14,248	12,543	12,973	13,278	2.4	13,648	2.8
State Governments' Loan Council Programs (f)	-130	29	76	58	-24.0	-814	na
Assistance Related to State Debts	52	51	51	50	-1.5	52	4.9
Assistance for Local Government (g)	642	653	664	689	3.9	711	3.2
Compensation—							
Companies Regulation	..	..	..	..	..	55	na
Natural Disaster Relief	-15	30	30	..	-100.3	55	na
Other	33	34	93	41	-56.3	58	43.6
Total Not Allocated to Function	14,830	13,340	13,886	14,116	1.7	13,766	-2.5
Grand Total (Net Basis)	23,727	24,067	24,756	25,806	4.2	26,849	4.0

- (a) Net of repayments of Commonwealth advances and sinking fund contributions on State Governments' Loan Council programs and general purpose capital assistance to the NT.
- (b) The ACT became a self-governing Territory on 11 May 1989. This table includes imputed specific purpose payments to the ACT for 1988-89: payments into the ACT fiscus for specific purposes prior to self-government on 11 May 1989 have been included along with subsequent net payments to the ACT Government. For 1989-90 and 1990-91, the data includes net payments for specific purposes made to the ACT Government but does not include payments into the ACT Transitional Funding Trust Account. Refer to Preface for more details.
- (c) For 1988-89, data has also been provided which excludes payments to the ACT in order to provide a guide to the impact of these payments.
- (d) Estimate.
- (e) Identified health grants payable up to 1987-88 are classified under 'General Revenue Funds'.
- (f) Amounts nominated by the States for public housing from general purpose capital assistance have been classified to 'Housing and Community Amenities'.
- (g) Comprising grants to the States to be passed on to local government authorities as general purpose assistance.

Specific purpose payments can be made as grants or advances (loans), with the former being more common. In 1990–91, grants will account for nearly all specific purpose payments. As indicated in Chapter II, the majority of Commonwealth Government advances to State and local governments have been for general purposes under the State Governments' Loan Council programs (and analogous arrangements for the NT), with the balance comprising loans under housing and various other specific purpose programs.

Level of Specific Purpose Payments

Trends in specific purpose payments over the years mainly reflect changes in Commonwealth policy in relation to major programs. Large increases in specific purpose payments occurred between 1972–73 and 1975–76, primarily as a result of increased Commonwealth funding for education and health (see Chart 6 in the 1989–90 Budget Paper No. 4). Between 1975–76 and 1987–88, Commonwealth assistance to the States for education (including the Commonwealth's funding of higher education and its contribution to TAFE and schools) remained relatively stable as a proportion of GDP. In 1988–89, assistance to the States and the Territories was, for the first time, supplemented by the Higher Education Contribution Scheme (HECS), under which a portion of Commonwealth funding was paid direct to higher education institutions (and therefore is not classified as a payment to the States).

Changes in the level of specific purpose assistance have also been heavily influenced by changes in health funding arrangements. From 1975–76 to 1980–81, Commonwealth assistance for health purposes was provided primarily through hospital cost sharing grants, a specific purpose payment. In 1981–82, these grants for all States except SA and TAS were replaced by identified health grants, a component of general revenue assistance. With the introduction of Medicare in February 1984, SA and TAS joined the identified health grant arrangements. At the same time, new specific purpose payments (Medicare compensation grants) were introduced to compensate States for the additional costs imposed on their health systems and the loss of revenue from patients' charges arising from free public patient treatment under Medicare. From 1 July 1988, identified health grants and Medicare compensation grants were absorbed into a single specific purpose payment, hospital funding grants.

Other major payments to increase in the mid-1970s were for housing, sewerage, local government assistance and disaster relief. In the late 1970s, payments for housing and sewerage declined, although the former subsequently expanded in the early to mid-1980s, at the same time as labour market programs under the Community Employment Program (CEP) expanded. The CEP was terminated in 1987–88. This, along with restraint in housing and road grants, has contributed significantly to the decline in specific purpose programs in recent years.

Distribution of Specific Purpose Payments

Table 31 shows the variation for each State from the average *per capita* level of Commonwealth net payments and its main components. The distribution of specific purpose payments is much more even in *per capita* terms than other forms of assistance.

This is because the distribution of the major specific purpose programs is related more to population, whereas the distribution of general revenue assistance is based on the principle of fiscal equalisation (see Chapter III), and the distribution of the small general purpose capital program reflects a variety of historical factors (see Chapter IV).

Table 31—Payments to the States, 1989–90 (Per Capita Payments as a Percentage of the Average)

	NSW	VIC	QLD	WA	SA	TAS	NT	Average
	%	%	%	%	%	%	%	\$ per capita
General Revenue Grants	82	81	110	120	126	143	574	773.90
General Purpose Capital Payments	80	88	35	76	149	328	1503	18.62
Specific Purpose Payments	97	98	95	102	102	144	193	742.71
Total Net Payments	89	89	102	111	111	146	403	1,514.80

Distributional Arrangements for Major Programs

Table 32 shows the variation from the average *per capita* level of specific purpose payments for a number of major programs; specific purpose capital payments are less evenly distributed on a *per capita* basis than current payments.

Table 32—Specific Purpose Payments to the States, 1989–90 (Per Capita Payments as a Percentage of the Average)

	NSW	VIC	QLD	WA	SA	TAS	NT	Average
	%	%	%	%	%	%	%	\$ per capita
Current								
Higher Education	94.6	113.2	86.8	102.2	108.5	99.8	76.4	133.76
Schools	101.1	108.8	96.0	93.5	87.8	89.6	96.8	111.53
TAFE	104.7	95.9	94.6	89.9	99.5	138.2	139.5	8.16
Health (a)	100.7	99.5	98.2	96.0	109.5	102.6	68.3	213.47
Local Government	100.6	100.3	98.5	98.8	100.5	100.7	101.6	40.64
Other	91.8	81.0	82.6	98.3	109.4	376.5	381.6	48.45
Total	98.6	103.0	93.6	97.3	104.1	123.6	106.8	556.02
Capital								
Education (b)	108.8	98.1	90.3	103.2	87.0	88.7	124.5	34.09
Housing (c)	88.5	86.2	81.2	97.2	119.2	185.6	859.6	56.43
Roads	94.9	80.1	118.0	125.0	80.4	138.4	324.2	79.34
Other	61.4	42.7	86.1	166.3	128.4	831.1	315.6	16.83
Total	92.5	81.9	98.9	116.3	97.7	206.0	448.8	186.69

(a) Includes current grants classified to 'health' in Appendix III.

(b) Includes capital grants for higher education, TAFE and schools.

(c) Includes capital grants for pensioner housing, housing assistance for Aboriginals, local government and community housing and public housing.

Important considerations bearing on the distribution of some of the major programs among the States are:

- Current grants for higher education are determined on the basis of negotiations with individual institutions which take into account their historical base, educational profile, levels of enrolment and relative rates of participation and student demand for places in the different States and regions.
- Current grants for schools reflect eligible student numbers, the type of institution (government and non-government) and the level of education (primary and secondary) provided. Current funding for TAFE is distributed taking into account relative State and Territory shares of teaching effort and achievements under resource agreements which reflect Commonwealth objectives.
- Hospital funding grants, which were introduced in 1988–89 and comprise the bulk of health grants, are distributed on a *per capita* basis weighted according to age and sex.
- General purpose assistance for local government, which is classified as a specific purpose payment to the States because State governments are required to pass on the funds to local authorities, moved to an equal *per capita* basis in 1989–90 (as discussed in Chapter III, 1988–89 was the final year in the transition).
- Capital grants for higher education are distributed primarily for projects which are determined on the basis of factors such as enrolments and relative needs. Capital grants for TAFE colleges are distributed on the basis of teaching effort, relative need between States (participation rates, standard of existing facilities) and, for the States with smaller populations, the size of an individual building project. Capital grants for schools are allocated primarily in proportion to enrolments.
- Grants for public housing are distributed largely on an equal *per capita* basis with around three quarters of 1990–91 assistance being either funded on, or phased over a three year period to, this basis. The amounts transferred from general purpose capital funding to the Commonwealth State Housing Agreement in 1989–90 reflected the historical distribution of that program and, in 1990–91, the first stage of the phasing in of an equal *per capita* distribution basis by 1992–93 will occur (see Chapter IV for more details). The remainder of the program is distributed on the basis of other criteria, such as the housing needs of Aboriginals and pensioners.
- The distribution of roads grants reflects factors such as the length, class and usage of roads in each State and Territory.

Fiscal Equalisation and Specific Purpose Payments

The distribution of general revenue grants to the States is heavily weighted toward the less populous States. This is because the distribution of general revenue grants is based on *per capita* relativities determined in accordance with the principle of fiscal equalisation which, in addition to the revenue raising capacity and the costs of service

delivery, also takes account of the distribution of certain specific purpose grants among States.

In determining the distribution of general revenue assistance from the Commonwealth, the Commonwealth Grants Commission only examines the States' relative *current* revenue and expenditure needs. All *capital* specific purpose payments (about 25% of the total) are excluded from the Commission's assessments. Within the Commission's methodology, there are three main approaches to dealing with *current* specific purpose payments received by the States⁽¹⁾:

- **Exclusion**—all revenue and expenditure related to the area which is subject to the specific purpose payment are wholly excluded from the assessments. Areas in which the Commonwealth has largely accepted financial responsibility (for example, higher education) are treated in this way.
- **Deduction**—the amount of the specific purpose payment is deducted from total expenditure in the area subject to the payment. Thus the revenue and expenditure assessments for the area relate only to that part financed from the State's own-revenue sources. This approach is used where the specific purpose payment is judged to finance expenditure undertaken on behalf of the Commonwealth or where the distribution of the payment is judged to approximate a distribution based on needs as defined by the Commission. A number of industry assistance schemes, such as the Rural Adjustment Scheme, are treated in this manner.
- **Inclusion**—both Commonwealth and State funded expenditures are taken into account in the expenditure assessments, while the specific purpose payment itself is assumed to be available to finance the expenditure needs of each State. Under this approach specific purpose payments are treated, in essence, as if they were general revenue assistance.

The distribution of payments treated by either the deduction or the exclusion approach has no influence on the *per capita* relativities for distributing general revenue assistance. However, a State receiving a higher (lower) share of an 'included' specific purpose payment than the Grants Commission considers appropriate to satisfy its relative 'needs' in the area financed by the payment, will be assessed as requiring a commensurately lower (higher) share of general revenue assistance.

The inclusion approach seeks to include all sources of funds which assist the States in meeting their own expenditure needs. Insofar as the purpose of fiscal equalisation is to ensure that each State, subject to making an average revenue raising effort, has the capacity to provide comparable standards of service across a range of functions, including education, health, and law, order and public safety, it has been considered appropriate to include all funds generally available to provide such services. However,

(1) See pages 5–8 of the Commonwealth Grants Commission's *Report on General Revenue Grant Relativities 1990 Update*, which also describes a fourth method of dealing with specific purpose payments (the 'hybrid inclusion' approach, a variant of the 'inclusion' approach).

the inclusion approach, through its impact on the distribution of financial assistance grants, effectively 'overrides' the actual distribution of the specific purpose payments.

About one third of total current specific purpose payments to the States are treated by the inclusion approach—for instance, grants for schools and TAFE, home and community care, children's services, Aboriginal advancement and legal aid. Hospital funding grants (payable from 1988–89) are effectively treated by the inclusion approach (see below in the section on hospital funding grants). Thus about two-thirds of total current specific purpose payments may affect the distribution of financial assistance grants.

As noted in Chapter III, the Grants Commission was asked in September 1989 to report on selected methodological and technical issues, including the treatment of specific purpose payments, particularly the suitability and consequences of the inclusion approach. Table 33, derived from data provided by the Grants Commission, gives an indication of the effect—on the distribution of general revenue and hospital funding grants—of using the deduction approach rather than the inclusion approach. As well as showing the distribution of the 1990–91 general revenue and hospital funding grants pool implied by the relativities agreed to at the 1990 Premiers' Conference, the table shows the distributions implied by three alternative sets of relativities based on:

- the treatment by deduction of those specific purpose payments which were treated by the inclusion approach in the 1990 Update;
- the treatment by deduction of hospital funding grants; and
- the treatment by deduction of hospital funding grants and of those specific purpose payments which were treated by the inclusion approach in the 1990 Update.

The latter two sets of relativities are applied to the 1990–91 general revenue grants pool, since the hospital funding grants are treated by deduction. To allow a comparison with the distributions involving the general revenue and hospital funding grants pool, the hospital funding grants to be paid in 1990–91 are added to the alternative distributions.

Columns (5), (6) and (7) of Table 33 show the change—from the distribution implied by the agreed relativities (column (1))—of the distributions implied by the alternative sets of relativities. The overall effect of treating all specific purpose payments (including hospital funding grants) by deduction would be beneficial for NSW, VIC, SA and TAS.

Table 33—Distribution of General Revenue and Hospital Funding Grants, 1990–91, Under Alternative Treatments of Specific Purpose Payments (a) (\$ million)

	Distribution Implied by Relativities (b) Based on:				Difference from Option (1) (c):		
	1990 Update	SPPs treated by Deduction (d)	HFGs treated by Deduction (e)	Both treated by Deduction (f)(g)	Option (2)	Option (3)	Option (4)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	5,022	5,006	5,100	5,087	-16	78	65
VIC	3,702	3,715	3,775	3,788	13	73	86
QLD	3,174	3,123	3,134	3,084	-51	-40	-90
WA	1,904	1,898	1,855	1,849	-6	-49	-55
SA	1,771	1,807	1,756	1,790	36	-15	19
TAS	624	647	617	639	23	-8	15
NT	698	699	658	658	0	-40	-40
Total	16,895	16,895	16,895	16,895	0	0	0

- (a) Hospital Funding Grants (HFGs) in this table exclude the quarantined payments (the penalties and incentives package and AIDS funding).
- (b) All relativities are based on a five year review period from 1984–85 to 1988–89. The alternative distributions – Options 1, 2, 3 and 4 – are shown in columns (1) to (4) respectively.
- (c) The differences show the amount each State would gain or lose by the adoption of Option 2, 3 or 4 in comparison with the use of the current methodology (Option 1).
- (d) Option 2 involves the treatment by deduction of those specific purpose payments (SPPs) treated by inclusion in the 1990 Update, and the application of the relativities to the total pool of general revenue grants (GRGs) and HFGs.
- (e) Option 3 involves the treatment by deduction of HFGs (or their equivalent in earlier years) and application of relativities to the GRG pool. Actual HFGs received by each State are then added to each State's GRG.
- (f) Option 4 involves the treatment by deduction of HFGs and those SPPs treated by inclusion in the 1990 Update, and the application of relativities to the GRG pool. Actual HFGs received by each State are then added to each State's GRG.
- (g) Columns (5) and (6) are not additive to column (7) because of the methodologies involved in calculating the relativities underlying the different options.

EDUCATION

Higher Education

Since 1974 the Commonwealth has provided nearly all the public funding of higher education, with the States and Territories passing on the funds to higher education institutions for expenditure in accordance with Commonwealth guidelines.

In 1990–91, funding for higher education provided via the States under the *Higher Education Funding Act 1988* is estimated to total \$2750 million (an increase of 15.1% over 1989–90). This largely reflects the impact of the reform package announced in the Government's Policy Statement on Higher Education (White Paper, July 1988) and implemented from 1 January 1989—the main element of this package being a continued expansion of higher education places. Other factors include the slippage in the capital programs between the first and second halves of 1990, the effect of price supplementation (on the basis of expected growth in salaries, administration expenses and equipment and capital costs) and salary increases for academic and general staff arising from award restructuring.

These increases have been partly offset by the introduction, from 1 January 1989, of the HECS under which students make a contribution towards their tuition costs (for further details see Budget Paper No. 1). The introduction of HECS has meant that a proportion of total operating grants for State and Commonwealth institutions are paid to

institutions through the Higher Education Trust Fund, and treated as Commonwealth own-purpose outlays rather than as payments to the States. Under HECS, payments to institutions via States' grants are reduced by up-front payments made directly to institutions by students.

From January 1990, funding for research allocated by the Australian Research Council (ARC) has been provided as specific purpose payments to the States through the *Higher Education Funding Act*. Previously, ARC research funding was provided directly to institutions and individuals. This funding is reported under Function 8D *General and Scientific Research*, NEC in Budget Statement 3 of Budget Paper No. 1, and in a separate line in Appendix III under the heading 'General Public Services'.

Technical and Further Education

The Commonwealth provides current and capital assistance to the States and Territories to support the operations of their TAFE systems under the *States Grants (Technical and Further Education Assistance) Act 1989*, with estimated payments in 1990-91 of \$371 million, an increase of 9.6% over 1989-90. This increase mainly reflects price supplementation and provision of funding for a 4% enrolment growth.

Government and Non-Government Schools

The Commonwealth also provides current and capital assistance to the States for expenditure on Government and non-Government schools in the States under the *States Grants (Schools Assistance) Act 1988*. Estimated funding in 1990-91 is \$2383 million, an increase of 11.3% over 1989-90. This increase mainly reflects price supplementation, the Government's policy of providing annual real *per capita* increases in general recurrent grants until at least 1992, and the Government's decision to fully fund its share of teacher salary increases arising from award restructuring.

Aboriginal Education

The 'Education' function now includes those education programs for Aboriginal Advancement administered by the Department of Employment, Education and Training. The large increase in payments to the States for Aboriginal Education in 1990-91 reflects the additional funding provided under the Aboriginal Education Strategic Initiatives Program for the 1990-91 triennium.

The ACT

The ACT does not receive significant payments for higher education because payments to higher education institutions in the ACT, apart from Signadou College, are still treated as Commonwealth own-purpose outlays. Payments to the ACT for higher education, TAFE and schools will increase by 10.8% in 1990-91 to \$51.7 million.

HOSPITAL FUNDING GRANTS

Hospital funding grants are the main form of Commonwealth assistance to the States and the Territories for health purposes. From 1988-89, they replaced identified

health grants (which had been a component of general revenue assistance), and Medicare compensation grants. The grants for the States are estimated to total \$3651 million in 1990–91, 8.3% higher than in 1989–90. Hospital funding grants are indexed for general cost increases (award wages and CPI) plus an age-sex weighted population factor. This indexation factor is expected to provide significant real growth in hospital funding. (Statement 3 of Budget Paper No. 1 provides further information on the prospective growth in these grants.)

The hospital funding grant consists of a base level of funding for each State (\$3591 million) and an incentives package (\$46.6 million) offset by a public provision adjustment involving penalties (estimated at \$17.2 million). The totals of the base funding and the incentives package have been indexed as described above from 1989–90. In addition, \$30.3 million is being provided to the States for the treatment of AIDS cases (this is indexed by the increase in the number of AIDS patients over the year to 1 November, as well as the general indexation arrangements described above).

The present estimates of the inter-State distribution of hospital grants in 1990–91 are indicated in Table 34. These are based on recent projections of the distribution of population as at December 1990 weighted by age and sex; the final distribution of base grants in 1990–91 will be based on the population distribution as at December 1990 to be estimated by the ABS in May 1991.

The ACT will receive a payment analogous to the hospital funding grants paid to the States of \$47.1 million in 1990–91.

As discussed in Chapter III and earlier in this chapter, the distribution of hospital funding grants is taken into account in calculating the distribution of financial assistance grants to the States. The effect of hospital grants on the distribution of financial assistance grants is effectively the same as for other specific purpose payments which the Grants Commission brings into its assessments under the 'inclusion' approach. Since 1989–90, the AIDS component, the incentives package and the public provision adjustment of the hospital funding grants have been excluded (or 'quarantined') in determining the distribution of financial assistance grants among the States. (In 1988–89 only the AIDS component of the hospital funding grants was not taken into account in determining the distribution of financial assistance grants.) The quarantined components are omitted from this calculation so that each State's share of these payments or penalties is determined on the basis of factors such as the State by State incidence of AIDS cases or the extent of States' compliance with certain Commonwealth health objectives. If these components were not quarantined then, for example, larger payments (or penalties) in these categories would be offset by smaller (or larger) financial assistance grants.

Table 34—Distribution of Hospital Funding Grants

	1989-90				1990-91 (a)			
	Hospital Funding Grants less Quarantined Amounts	Quarantined Amounts(b)	Total	Share of Total	Hospital Funding Grants less Quarantined Amounts	Quarantined Amounts(b)	Total	Share of Total
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
NSW	1157.5	28.2	1185.7	35.2	1247.6	33.5	1281.1	35.1
VIC	862.4	1.2	863.5	25.6	929.4	2.7	932.2	25.5
QLD	553.0	8.9	561.9	16.7	604.8	10.4	615.2	16.8
WA	297.1	5.1	302.2	9.0	324.1	5.8	329.9	9.0
SA	296.2	4.9	301.2	8.9	319.2	5.3	324.4	8.9
TAS	90.6	1.4	92.0	2.7	97.5	1.5	99.0	2.7
NT	20.3	0.3	20.7	0.6	21.8	0.4	22.3	0.6
Total	3277.1	50.0	3327.2	98.7	3544.4	59.6	3604.1	98.7
ACT	42.9		42.9	1.2	47.1	0.0	47.1	1.3
Total	3320.0	50.0	3370.1	100.0	3591.5	59.6	3651.2	100.0

(a) Estimate.

(b) The 'quarantined amounts', which are excluded when determining the distribution of general revenue assistance, comprise from 1989-90 the AIDS component, the incentives package and public provision adjustment.

COMMUNITY SERVICES PROGRAMS

The major forms of Commonwealth assistance to the States and the Territories for the provision of community services are the Home and Community Care program (HACC) and Supported Accommodation Assistance Program (SAAP). A further area of significant and growing Commonwealth involvement is that of child care services.

The HACC program provides support services to enable frail aged and younger disabled people at risk of institutionalisation to remain at home. In 1990-91, \$281.9 million is to be provided to the States and the Territories, including payments under both the 'Health' function (primarily home nursing) and the 'Social Security and Welfare' function (for example, home help, delivered meals and transport).

SAAP provides crisis accommodation and transitional support services for homeless people. In 1990-91, \$81 million will be provided to the States and Territories. The Commonwealth agreed in 1989 to enter into new five year agreements with the States to provide funds for SAAP on a cost-shared basis until 1993-94, including an additional \$14.7 million in growth funds over the period (\$4.9 million in 1990-91).

In addition to SAAP funding, and in the context of the Commonwealth's Strategy for Young People, \$15.6 million will be provided on a matched basis to the States over the next three years (\$4.7 million in 1990-91) for innovative service development focussed on priorities for homeless youth arising out of the Burdekin Report.

Under both HACC and SAAP, the Commonwealth approves projects to which funds are applied and imposes a variety of matching and maintenance of effort requirements in relation to State expenditure.

Funding commenced in 1989–90 for the establishment of an additional 30,000 child care places; plans for a further 50,000 new places were announced in February 1990 together with more generous fee relief provisions. In establishing these places, the Commonwealth will build on existing cost-sharing arrangements with the States and local governments.

ABORIGINAL ADVANCEMENT

Until this year, this section of Budget Paper No 4 related to those Aboriginal Advancement programs administered by the Department of Employment, Education and Training and the former Department of Aboriginal Affairs (DAA) where payments were made direct to the States and the Territories as the most effective means of delivering the services concerned. With the establishment of the Aboriginal and Torres Strait Islander Commission (ATSIC) on 5 March 1990, all previously DAA-administered funds are now paid to this non-budget agency. Any payments which may be subsequently made by ATSIC to the States and Territories are no longer reflected in the tables in this Paper.

Payments to the States and Territories for Aboriginal and Torres Strait Islander Advancement made by the former DAA in 1989–90 up until 5 March 1990 totalled \$18.9 million. A further \$8.4 million was paid by ATSIC during the remainder of the financial year. It is estimated that a total of \$25 million will be paid by ATSIC to the States and Territories for Aboriginal and Torres Strait Islander Advancement programs in 1990–91.

Payments made under Aboriginal Advancement programs administered by the Department of Employment, Education and Training are now reflected in the 'Education' and 'Labour and Employment' functions.

HOUSING

In 1990–91, the Commonwealth will provide a total of \$1034.8 million to the States and Territories, a decrease of \$15.8 million or 1.5% reflecting the impact of the additional one-off payments in 1989–90 for Youth Accommodation and Mortgage Relief.

Funding earmarked for the Mortgage and Rent Relief Scheme and the Crisis Accommodation Program is classified to the 'Social Security and Welfare' function. Portions of the assistance available under the CSHA are also earmarked for pensioner housing, Aboriginal housing and the Local Government and Community Housing Program (for the construction of low cost rental housing by local government and community groups). The States and Territories are required to match assistance provided under the Mortgage and Rent Relief Scheme (except the special one-off payments in 1989–90) and Untied Assistance on a dollar for dollar basis.

An amount of \$6.6 million in 1990–91 and \$22.6 million in 1991–92 is to be paid to the States for deposit assistance for low income earners. This will be supplemented by \$7.4 million drawn from existing Mortgage and Rent Relief funds (which will continue to be matched).

Table 35 shows the distribution of payments under the CSHA in 1990-91.

Table 35—Details of Payments to be made under the Commonwealth State Housing Agreement, 1990-91 (a) (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
Pensioner Housing	18.5	10.9	9.6	4.2	3.8	1.2	0.5	48.8	0.5	49.3
Aboriginal Housing	17.8	3.6	25.2	15.9	8.3	0.7	19.5	91.0	..	91.0
Local Government and Community Housing	8.4	6.3	4.1	2.3	2.1	0.7	0.2	24.0	0.4	24.4
Untied Assistance	252.9	194.0	108.4	69.2	74.7	37.4	40.7	777.3	15.7	792.9
Mortgage and Rent Relief (b)	8.1	6.0	4.0	2.2	2.0	0.6	0.2	23.1	0.4	23.5
Crisis Accommodation (b)	13.6	10.2	6.7	3.8	3.4	1.1	0.4	39.0	0.7	39.7
Deposit Assistance (c)	4.8	3.6	2.4	1.3	1.2	0.4	0.2	13.9	0.1	14.0
Total	324.0	234.6	160.3	98.8	95.5	42.0	61.6	1016.9	17.8	1034.8

(a) Estimate.

(b) Payments under these programs are classified to the 'Social Security and Welfare' function.

(c) Includes supplementary funding of \$6.6 million provided through Appropriation Bill No 2.

ROADS

The Australian Centennial Roads Development (ACRD) Program provides grants to the States and the Territories for road construction and maintenance (including engineering improvements at locations with a poor safety record—the so-called 'black spots'). The program also provides funds for urban public transport projects and mainline railway projects which yield high economic returns, as well as to approved organisations for land transport research and road safety programs. The ACRD Program commenced on 1 January 1989, replacing both the Australian Land Transport Program and the Australian Bicentennial Road Development Program.

Table 36 shows the distribution of funding from 1988–89 to 1990–91 by category of road.

Table 36—Capital Grants for Road Programs by Road Category (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
National Highways										
1988–89	173.4	80.8	105.0	53.9	35.6	16.1	20.8	485.6	..	485.6
1989–90	191.8	84.3	118.0	51.8	34.2	21.3	21.8	523.1	..	523.1
1990–91 (a)	210.5	66.2	126.4	53.4	35.2	20.0	30.0	541.7	..	541.7
Arterial Roads										
1988–89	136.8	108.5	87.4	67.7	32.2	18.3	5.7	456.6	2.5	459.1
1989–90	160.3	132.5	93.7	65.9	34.4	13.8	5.0	505.6	3.2	508.8
1990–91 (a)	164.8	155.7	90.7	64.3	33.5	13.3	4.9	527.2	2.7	529.9
Local Roads										
1988–89	77.0	54.5	52.1	38.3	20.9	13.4	12.3	268.5	4.0	272.5
1989–90	84.3	59.5	57.1	42.4	22.7	14.7	13.5	294.2	8.9	303.1
1990–91 (a)	90.1	63.5	61.0	45.3	24.3	15.7	14.4	314.3	9.5	323.8
Black Spots										
1990–91 (a)	14.5	11.3	7.2	5.6	5.4	2.7	2.5	49.2	0.8	50.0
Provincial Cities and Rural Highways Program										
1990–91 (a)(b)	na	na	na	na	na	na	na	na	na	100.0
Urban Public Transport Program										
1990–91 (a)(b)	na	na	na	na	na	na	na	na	na	55.0
Total										
1988–89	387.2	243.8	244.5	159.9	88.7	47.8	38.8	1210.7	6.5	1217.2
1989–90	436.5	276.3	268.8	160.1	91.3	49.8	40.3	1323.0	12.1	1335.1
1990–91 (a)(b)(c)	na	na	na	na	na	na	na	na	na	1600.4

(a) Estimate.

(b) State distributions for the Provincial Cities and Rural Highways Program and the Urban Public Transport Program are unavailable due to the discretionary nature of these programs. A notional distribution of these programs has been applied to derive the distribution of total road grants presented in Appendix III.

(c) A total of \$50 million will be allocated to rail from the above land transport programs.

COMPENSATION RELATED TO NEW ARRANGEMENTS FOR COMPANIES AND SECURITIES REGULATION

The Commonwealth and the States have agreed to establish a national scheme of companies, securities and futures regulation to be administered by the Australian Securities Commission, and to commence operations from 1 January 1991. Certain specific areas of corporate activity will remain a State responsibility.

Since the States will lose a source of revenue under these new arrangements, the Commonwealth has agreed to reimburse them through a new specific purpose payment. This will provide for:

- in 1990–91, a payment of \$55 million for the half year commencing 1 January 1991; and

- each year thereafter, \$110 million indexed to the CPI.

These payments will be excluded from the Grants Commission's assessments of general revenue grants relativities.

Table 37 indicates the distribution of the payments for 1990–91. This distribution is based on the formula currently proposed; final figures are subject to agreement among the States.

Table 37—Distribution of Specific Purpose Payments to Compensate States for Loss of Revenue under the new Companies, Securities and Futures Regulation Arrangements, 1990–91

	NSW	VIC	QLD	WA	SA	TAS	NT	Total
\$ million	18.3	16.0	9.0	5.5	4.1	1.3	0.8	55.0
Percentage	33.23	29.05	16.36	10.07	7.49	2.32	1.48	100.00

NATURAL DISASTER RELIEF

Commonwealth payments under Natural Disaster Relief Arrangements (NDRA) assist the States and the Territories to meet the unpredictable and sometimes large costs of providing relief and restoration as a consequence of natural disaster. The arrangements recognise the States' primary responsibility under the Constitution for the administration, provision and financing of relief measures. Disasters eligible for Commonwealth assistance under the NDRA are bushfires, cyclones, earthquakes, floods and storms.

The Commonwealth reimburses at least 50% of State expenditure on measures to relieve personal hardship and distress. For other eligible measures, the Commonwealth has undertaken to assist when a State's total expenditure on these measures in a financial year exceeds its assessed financial capacity, termed its base amount. The base amounts—shown in table 38—are set annually at 0.225% of State annual general government sector revenue and grants two years earlier (the latest available data).

Table 38—Base Amounts for Eligibility for Assistance Under the Natural Disaster Relief Arrangements (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
1989–90	32.75	23.91	15.78	10.31	9.05	3.11	2.47	2.00
1990–91	37.52	25.74	17.37	11.15	9.86	3.29	2.72	2.05

For State expenditure above the base amount and up to 1.75 times the base amount, Commonwealth assistance is on a dollar for dollar basis—thereafter, it is on the basis of three dollars Commonwealth to one dollar State.

Significant changes to the NDRA in recent times include:

- dollar for dollar cost sharing arrangements agreed for the December 1989 Newcastle earthquake;
- the exclusion of drought as an eligible disaster from 1 July 1989. Assistance in respect of drought will be considered by the Government in light of the final report of the Drought Policy Review Task Force; interim arrangements under the Rural Adjustment Scheme will be maintained into 1990–91; and
- the introduction of ceilings on eligible grants and loans by the States to individuals and organisations.

Payments in 1989–90 included \$10.8 million for NSW in respect of the December 1989 Newcastle earthquake. Under the special cost sharing arrangements agreed between the Commonwealth and NSW, the Commonwealth provides dollar for dollar assistance for all State outlays on Newcastle earthquake relief in recognition of the special circumstances of that disaster. Commonwealth payments to NSW and QLD also reflect increased State outlays on eligible measures for the major flooding of April 1990. The 1990–91 estimate of \$80.0 million is a substantial increase on the 1989–90 outcome, as the bulk of States' outlays on the major disasters of 1989–90 will be incurred in 1990–91.

Table 39 records, for recent years, payments to each State allocated to particular types of natural disasters.

Table 39—Payments for Natural Disaster Relief by Type of Disaster (a) (\$ thousand)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
Droughts										
1985-86	..	..	9,430	842	..	..	..	10,272	..	10,272
1986-87	..	..	17,853	167	..	..	..	18,020	..	18,020
1987-88	..	..	12,903	..	..	..	..	12,903	..	12,903
1988-89	1,024	..	12,635	..	..	2,993	793	17,445	..	17,445
1989-90	..	..	233	..	..	-237	60	56	..	56
Floods, Storms and Cyclones										
1985-86	418	..	15,507	275	..	..	..	16,200	..	16,200
1986-87	2,993	..	15,569	27	..	..	..	18,589	..	18,589
1987-88	1,570	..	1,497	..	..	..	-202	2,866	..	2,866
1988-89	24,363	3	16,506	47	..	..	3,470	44,389	..	44,389
1989-90	1,631	200	15,063	16	..	-7	1,026	17,929	..	17,929
Bushfires										
1985-86	..	-316 (b)	..	..	37	4	..	-275	..	-275
1986-87	..	-278 (b)	..	..	..	..	..	-278	..	-278
1987-88	25	3	..	..	..	..	..	28	..	28
1988-89	2	1	..	..	..	..	..	3	..	3
1989-90	12	..	..	..	..	..	..	12	..	12
Earthquakes										
1985-86	..	..	..	..	..	..	..	..	..	..
1986-87	..	..	..	..	..	..	..	..	..	..
1987-88	..	..	..	..	..	..	..	..	..	..
1988-89	..	..	..	..	..	..	75	75	..	75
1989-90	10,753	..	..	..	..	..	4	10,757	..	10,757
All Natural Disasters										
1985-86	418	-316 (b)	24,937	1,117	37	4	..	26,197	..	26,197
1986-87	2,993	-278 (b)	33,422	194	..	..	..	36,331	..	36,331
1987-88	1,595	3	14,400	..	..	..	-202 (c)	15,796	..	15,796
1988-89	25,389	4	29,141	47	..	2,993	4,338	61,913	..	61,913
1989-90	12,396	200	15,296	16	..	-244 (c)	1,090	28,754	..	28,754

(a) Excludes the cost of emergency assistance provided by the Defence Force. Amounts shown are payments made in each financial year less refunds made within the same financial year. Refunds made in subsequent years are deducted in the year in which they are received. Payments are not designed to provide assistance on a disaster-by disaster basis, but rather to assist a State in meeting the costs of relief measures when they exceed that State's assessed annual financial capacity. This table is derived from States' advice on their expenditures by type of disaster and apportions Commonwealth assistance accordingly.

(b) Reflects recoveries by Victoria by the State Electricity Commission of Victoria.

(c) Reflects refund to the Commonwealth of amounts overpaid to the Northern Territory and Tasmania in earlier years.

ASSISTANCE RELATED TO STATE DEBTS

Under the Financial Agreement of 1927, the Commonwealth and six State Governments make standard contributions to the National Debt Sinking Fund in respect of State debt or debt raised by the Commonwealth on behalf of the six States. Each of the six States currently contributes each year an amount of 0.85% of its net public debt as at the preceding 30 June towards the repayment of that debt, while the Commonwealth contributes 0.28%. Analogous arrangements apply for the NT, which is not a party to the Financial Agreement, whereby the Commonwealth and the Territory make payments to the NT Debt Sinking Fund.

The Financial Agreement also provides for the six States to make additional contributions to the National Debt Sinking Fund for the redemption of debt. At the 28–29 June 1990 Loan Council meeting, it was agreed that the six States would progressively take over responsibility for their debt by making such additional payments at a rate sufficient to redeem the debt as the securities currently issued to finance it mature. The NT will make similar additional contributions.

The Commonwealth will provide assistance for debt redemption to compensate the States for the additional cost of this change. It is proposed that this assistance be related to:

- the additional interest cost that would be faced by the States in replacing the debt with borrowings in their own names or through their authorities; and
- the reduced Commonwealth contributions which will be available through the existing sinking fund arrangements to subsidise debt redemption owing to the decline in outstanding net debt on which the subsidy is based.

The amount of this assistance is subject to negotiation between the Commonwealth and the States but is estimated to total \$3.3 million in 1990–91.

Formal debt sinking fund arrangements have not yet been put in place for the ACT but arrangements will be negotiated having a similar effect to those applying to the States.

Appendix II provides details of Commonwealth advances and the resulting interest and repayment obligations, including payments to the National and NT Debt Sinking Funds. Estimates of assistance for debt redemption are included in Appendix III.

Further details of sinking fund arrangements of the six State Governments are presented in the annual reports of the National Debt Commission.

ASSISTANCE TO LOCAL GOVERNMENT AUTHORITIES

General purpose assistance for local government (described in Chapter III) is provided by the Commonwealth as a specific purpose payment to the States on the condition that it is passed on to local governments. In addition, there are two other types of Commonwealth assistance to local governments:

- direct grants—payments made direct to local government authorities for specific purposes designated by the Commonwealth. These grants differ from specific purpose payments to the States in that they are not made in relation to programs designed solely to assist local government. Not all local government authorities necessarily are involved in each of the activities for which assistance is provided under the various Commonwealth programs (for example the Aerodrome Local Ownership Plan); and
- assistance passed on through the States—some funds provided to the States for specific purposes are passed on to local government. The amounts passed on are generally at the discretion of the State Governments, although in certain instances (such as road funding) the amounts passed on are subject to the approval of the Commonwealth. As

is the case with direct grants, this assistance is not provided under programs specifically designed to assist local government.

The ACT Government (which has both territorial and municipal responsibilities) is eligible to receive comparable assistance in respect of its local government functions.

Details of these payments, as well as of general purpose assistance for local government, are provided in Appendix I.

APPENDIX I—TABLES OF PAYMENTS TO OR FOR LOCAL GOVERNMENT AUTHORITIES, 1986–87 TO 1990–91

This appendix provides details of Commonwealth payments to or for local government authorities in each of the six States and the NT. The payments are in three categories:

- general purpose assistance which is initially paid to the six States and the NT who are required to pass on the entire amount as untied assistance to local government authorities;
- direct grants paid under a number of specific purpose programs for which local government authorities are eligible and have received assistance; and
- assistance passed on through the six States and the NT which is generally passed on at the discretion of the State and NT governments, although in some instances (such as road funding) Commonwealth approval is required. Elsewhere in this Paper, such assistance is classified as a specific purpose payment to the six States and the NT. The amounts shown are those supplied by State Treasuries for the period 1986–87 to 1989–90. In some years, for certain programs, lags can result in amounts passed on by a State to local government exceeding Commonwealth payments to that State. There are no estimates for 1990–91.

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Table 40—Commonwealth Government Payments to or for Local Government Authorities in New South Wales (\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
General Purpose Assistance (a)	211,754	228,800	229,435	237,124	243,138
Direct Payments—Current					
Nursing Homes	1,445	27	28	-2	..
Home and Community Care	1,383	..	..	..	..
Aged and Disabled Persons' Homes and Hostels	364	529	822	1,389	1,945
Handicapped Persons' Assistance	24	113	177	279	279
Children's Services	23,655	23,537	23,810	24,951	22,970
Subsidy for Migrant Aid	28	19	..	..	..
Aboriginal Advancement	57	1,683	394	..	..
Local Government Development Program	812	528	503	764	767
Aerodrome Local Ownership Plan	1,865	2,014	2,082	2,353	2,470
Total Current	29,633	28,448	27,815	29,732	28,431
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	1,229	156	2,069	3,099	2,031
Handicapped Persons' Assistance	..	..	..	46	46
Children's Services	841	2,740	1,024	375	134
Aerodrome Local Ownership Plan	3,185	2,085	679	182	304
Total Capital	5,255	4,981	3,772	3,701	2,515
Total Direct Payments	34,888	33,430	31,586	33,433	30,946
Total Direct plus General Assistance	246,642	262,230	261,022	270,557	274,084
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	84	176	104	149	na
Home and Community Care	1,630	3,547	6,336	6,066	na
Supported Accommodation Assistance	..	89	44	42	na
Children's Services	297	598	713	743	na
Family Support Services	..	68	119	..	na
Local Government and Community Housing Grants	3,883	1,649	1,154	1,253	na
National Estate	125	167	152	28	na
Roads Assistance	71,332	68,861	81,125	83,590	na
Flood Mitigation	2,698	2,510	3,390	4,100	na
Community Employment Program	27,663	19,665	..	..	na
Support for Steel Regions	..	883	2,312	..	na
Australian Bicentenary	..	..	775	..	na
Total On-passed Specific Purpose Funds	107,711	98,213	96,224	96,025	na

(a) The general purpose assistance is paid in the first instance to the State Government.

(b) Based on information provided by State Governments. Data for 1990-91 not yet available.

Table 41—Commonwealth Government Payments to or for Local Government Authorities in Victoria (\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
General Purpose Assistance (a)	147,664	165,763	172,726	177,280	182,408
Direct Payments—Current					
Nursing Homes	1,236	141	..	-2	..
Home and Community Care	2,170	..	..	..	..
Aged and Disabled Persons' Homes and Hostels	1,268	2,003	2,454	3,308	4,580
Handicapped Persons' Assistance	..	147	88	176	176
Children's Services	25,120	29,043	28,711	29,312	26,985
Aboriginal Advancement	7	207	2	..	..
Local Government Development Program	343	512	456	462	465
Aerodrome Local Ownership Plan	576	624	832	721	764
Total Current	30,720	32,677	32,542	33,977	32,970
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	1,646	1,093	1,961	651	305
Handicapped Persons' Assistance	..	3	..	24	24
Children's Services	789	3,573	3,047	683	358
Aerodrome Local Ownership Plan	183	204	177	147	88
Total Capital	2,618	4,873	5,186	1,504	775
Total Direct Payments	33,338	37,550	37,728	35,481	33,745
Total Direct plus General Assistance	181,002	203,313	210,453	212,762	216,152
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	493	466	460	426	na
Home and Community Care	23,665	31,227	35,179	38,574	na
Supported Accommodation Assistance	9	36	133	229	na
Children's Services	1,960	1,814	3,562	2,748	na
Family Support Services	214	413	..	..	na
Local Government and Community Housing Grants	884	1,666	385	1,954	na
National Estate	83	89	88	51	na
Roads Assistance	45,430	63,900	61,600	59,500	na
Flood Mitigation	551	708	705	379	na
Community Employment Program	20,974	11,618	1,287	..	na
National Sports Facilities	160	..	..	..	na
Australian Bicentenary	..	972	3,430	..	na
Total On-passed Specific Purpose Funds	94,424	112,909	106,829	103,861	na

(a) The general purpose assistance is paid in the first instance to the State Government.

(b) Based on information provided by State Governments. Data for 1990-91 not yet available.

Table 42-Commonwealth Government Payments to or for Local Government Authorities in Queensland (\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
General Purpose Assistance (a)	97,823	106,834	108,322	114,989	120,398
Direct Payments-Current					
Aged and Disabled Persons' Homes and Hostels	68	154	270	435	742
Handicapped Persons' Assistance	..	..	..	164	164
Children's Services	3,564	4,516	5,945	6,429	5,919
Aboriginal Advancement	3,958	4,531	4,121	3,430	..
Local Government Development Program	308	369	399	290	292
Bid Assistance 1992 Olympics	300	..	..	..	..
Aerodrome Local Ownership Plan	1,624	1,799	1,479	1,523	2,359
Total Current	9,822	11,369	3,972	12,271	9,476
Direct Payments-Capital					
Aged and Disabled Persons' Homes and Hostels	48	910	815	2,780	2,315
Handicapped Persons' Assistance	..	..	..	106	106
Children's Services	21	743	1,068	177	119
Aboriginal Advancement	745	791	..	686	..
Aerodrome Local Ownership Plan	839	2,001	18,596	832	1,780
Total Capital	1,652	4,445	20,479	4,580	4,320
Total Direct Payments	11,475	15,813	24,451	16,851	13,796
Total Direct plus General Assistance	109,297	122,648	132,772	131,840	134,195
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	107	137	245	137	na
Home and Community Care	689	816	471	590	na
Supported Accommodation Assistance	24	97	54	52	na
Children's Services	83	131	36	34	na
Family Support Services	41	162	169	..	na
Local Government and Community Housing Grants	1,124	1,774	2,015	4,060	na
National Estate	124	31	65	121	na
Roads Assistance	32,867	50,898	48,090	60,146	na
Flood Mitigation	142	23	2,732	3,102	na
Community Employment Program	9,926	6,649	686	..	na
Australian Bicentenary	483	1,557	..	..	na
Total On-passed Specific Purpose Funds	45,610	62,273	54,561	68,242	na

(a) The general purpose assistance is paid in the first instance to the State Government.

(b) Based on information provided by State Governments. Data for 1990-91 not yet available.

Table 43—Commonwealth Government Payments to or for Local Government Authorities in Western Australia (\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
General Purpose Assistance (a)	54,477	59,285	59,892	64,821	67,718
Direct Payments—Current					
Nursing Homes	1,324	50	-16	8	..
Home and Community Care	62	..	..	..	..
Aged and Disabled Persons' Homes and Hostels	175	260	335	638	1,243
Handicapped Persons' Assistance	..	..	..	-1	8
Children's Services	5,893	6,945	7,476	7,078	6,516
Aboriginal Advancement	56	398	2	..	..
Local Government Development Program	231	137	246	214	215
Aerodrome Local Ownership Plan	638	842	832	3,212	3,160
Total Current	8,379	8,631	8,874	11,148	11,142
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	464	77	619	2,374	2,939
Children's Services	1,452	123	96	53	14
Aerodrome Local Ownership Plan	120	267	4,262	20	663
Total Capital	2,036	467	4,978	2,447	3,616
Total Direct Payments	10,415	9,098	13,852	13,595	14,758
Total Direct plus General Assistance	64,892	68,383	73,744	78,416	82,476
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	79	31	7	54	na
Home and Community Care	1,195	2,708	2,765	3,825	na
Supported Accommodation Assistance	304	339	313	654	na
Children's Services	93	132	171	217	na
Family Support Services	114	172	..	..	na
Local Government and Community Housing Grants	70	423	396	656	na
National Estate	199	127	96	127	na
America's Cup Defence	3,475	234	..	..	na
Roads Assistance	46,325	38,396	46,361	42,196	na
Flood Mitigation	..	..	..	200	na
Community Employment Program	4,764	5,546	326	..	na
Australian Bicentenary	..	..	264	..	na
Senior Citizens' Centres	32	..	..	..	na
Total On-passed Specific Purpose Funds	56,651	48,109	50,697	47,928	na

(a) The general purpose assistance is paid in the first instance to the State Government.

(b) Based on information provided by State Governments. Data for 1990-91 not yet available.

Table 44—Commonwealth Government Payments to or for Local Government Authorities in South Australia (\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
General Purpose Assistance (a)	49,901	55,519	57,348	58,496	60,044
Direct Payments—Current					
Nursing Homes	2,975	559	..	131	..
Aged and Disabled Persons' Homes and Hostels	480	722	1,614	1,970	1,842
Handicapped Persons' Assistance	14	8	5	61	62
Children's Services	1,096	964	968	1,032	951
Aboriginal Advancement	30	211	1	..	..
Local Government Development Program	207	319	255	185	186
Aerodrome Local Ownership Plan	134	268	281	168	328
Total Current	4,936	3,052	3,123	3,549	3,369
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	1,361	22	440	46	58
Handicapped Persons' Assistance	..	..	..	41	41
Children's Services	35	23	111	14	12
Aerodrome Local Ownership Plan	172	62	338	301	230
Total Capital	1,568	107	890	401	341
Total Direct Payments	6,504	3,159	4,012	3,949	3,710
Total Direct plus General Assistance	56,405	58,679	61,361	62,446	63,754
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	..	30	62	60	na
Home and Community Care	113	1,495	745	913	na
Children's Services	23	34	15	..	na
Family Support Services	55	128	189	204	na
Local Government and Community Housing Grants	469	178	179	912	na
National Estate	53	51	51	54	na
Roads Assistance	12,922	12,945	13,913	15,121	na
Community Employment Program	6,588	3,437	278	..	na
Support for Steel Regions	986	1,806	..	..	na
Total On-passed Specific Purpose Funds	21,209	20,104	15,432	17,265	na

(a) The general purpose assistance is paid in the first instance to the State Government.

(b) Based on information provided by State Governments. Data for 1990-91 not yet available.

Table 45—Commonwealth Government Payments to or for Local Government Authorities in Tasmania (\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
General Purpose Assistance (a)	18,564	19,285	18,530	18,565	19,022
Direct Payments—Current					
Aged and Disabled Persons' Homes and Hostels	..	..	..	..	58
Handicapped Persons' Assistance	10	..	..	..	..
Children's Services	2,888	3,739	3,616	4,781	4,401
Aboriginal Advancement	..	..	44	..	..
Local Government Development Program	99	98	106	140	141
Aerodrome Local Ownership Plan	24	..	..	44	46
Total Current	3,021	3,837	3,766	4,965	4,646
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	8	..	..	112	140
Children's Services	152	439	113	64	17
Aerodrome Local Ownership Plan	..	19	..	..	..
Total Capital	160	458	113	176	157
Total Direct Payments	3,181	4,294	3,879	5,141	4,803
Total Direct plus General Assistance	21,745	23,580	22,409	23,706	23,825
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	10	10	..	21	na
Home and Community Care	250	..	120	131	na
Children's Services	24	22	66	30	na
Family Support Services	24	..	..	..	na
Local Government and Community Housing Grants	..	..	266	6	na
National Estate	21	28	..	..	na
Roads Assistance	10,285	13,170	13,548	14,179	na
Flood Mitigation	..	381	1,562	1,328	na
Community Employment Program	4,893	1,305	81	..	na
Assistance for South-West Tasmania	937	112	70	6	na
Total On-passed Specific Purpose Funds	16,444	15,029	15,712	15,701	na

(a) The general purpose assistance is paid in the first instance to the State Government.

(b) Based on information provided by State Governments. Data for 1990-91 not yet available.

Table 46—Commonwealth Government Payments to or for Local Government Authorities in Northern Territory (\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
General Purpose Assistance (a)	5,430	6,045	6,248	6,464	6,564
Direct Payments—Current					
Home and Community Care	2	..	..	..	..
Aged and Disabled Persons' Homes and Hostels	..	124	..	..	10
Handicapped Persons' Assistance	9	..	..	13	13
Children's Services	904	1,081	976	1,376	1,267
Aboriginal Advancement	179	288	28	..	..
Local Government Development Program	..	37	37	85	85
Aerodrome Local Ownership Plan	..	113	..	..	..
Total Current	1,094	1,642	1,041	1,474	1,375
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	603	..	..	19	4
Handicapped Persons' Assistance	..	..	..	24	25
Children's Services	13	354	50	9	6
Total Capital	616	354	50	52	35
Total Direct Payments	1,711	1,997	1,091	1,526	1,410
Total Direct plus General Assistance	7,141	8,042	7,338	7,990	7,974
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
Home and Community Care	185	339	1	221	na
Supported Accommodation Services	..	..	..	58	na
Children's Services	41	51	294	57	na
Family Support Services	149	196	135	..	na
Local Government and Community Housing Grants	..	..	..	24	na
Roads Assistance	2,343	2,321	2,764	3,023	na
Community Employment Program	394	133	..	..	na
Total On-passed Specific Purpose Funds	3,112	3,041	3,195	3,382	na

(a) The general purpose assistance is paid in the first instance to the State Government.

(b) Based on information provided by State Governments. Data for 1990-91 not yet available.

Table 47—Commonwealth Government Payments to or for Local Government Authorities in the Six States and the Northern Territory (\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
General Purpose Assistance (a)	585,613	641,532	652,500	677,740	699,292
Direct Payments—Current					
Nursing Homes	6,980	777	12	135	..
Home and Community Care	3,619	..	..	..	..
Aged and Disabled Persons' Homes and Hostels	2,355	3,792	5,495	7,740	10,420
Handicapped Persons' Assistance	57	267	269	691	702
Children's Services	63,120	69,824	71,501	74,959	69,009
Subsidy for Migrant Aid	28	19	..	..	..
Aboriginal Advancement	4,287	7,317	-3,650	3,430	..
Local Government Development Program	2,000	1,999	1,999	2,140	2,150
Bid Assistance 1992 Olympics	300	..	..	..	..
Aerodrome Local Ownership Plan	4,860	5,660	5,505	8,021	9,127
Total Current	87,605	89,656	81,132	97,116	91,408
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	5,359	2,257	5,904	9,080	7,793
Handicapped Persons' Assistance	..	3	..	240	242
Children's Services	3,303	7,995	5,511	1,374	660
Aboriginal Advancement	745	791	..	686	..
Aerodrome Local Ownership Plan	4,500	4,639	24,052	1,482	3,065
Total Capital	13,906	15,686	35,467	12,861	11,760
Total Direct Payments	101,511	105,342	116,599	109,977	103,168
Total Direct plus General Assistance	687,124	746,874	769,099	787,716	802,460
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	773	850	878	847	na
Home and Community Care	27,554	40,132	45,616	50,320	na
Supported Accommodation Assistance	337	560	544	1,034	na
Children's Services	2,495	2,782	4,857	3,829	na
Family Support Services	459	1,140	612	204	na
Local Government and Community Housing Grants	6,430	5,690	4,395	8,865	na
National Estate	605	494	452	382	na
America's Cup Defence	3,475	234	..	..	na
Roads Assistance	221,504	250,491	267,400	277,754	na
Flood Mitigation	3,391	3,621	8,389	9,109	na
Community Employment Program	75,201	48,353	2,657	..	na
Support for Steel Regions	986	2,689	2,312	..	na
Assistance for South-West Tasmania	937	112	70	6	na
National Sports Facilities	160	..	..	..	na
Australian Bicentenary	..	2,529	4,469	..	na
Senior Citizens' Centres	32	..	..	..	na
Total On-passed Specific Purpose Funds	344,340	359,678	342,651	352,351	na

(a) The general purpose assistance is paid in the first instance to the State Government.

(b) Based on information provided by State Governments. Data for 1990-91 not yet available.

**APPENDIX II—TABLES OF ADVANCES, DEBT CHARGES,
NET ADVANCES, AND NET PAYMENTS TO THE SIX STATES
AND THE NT, 1986–87 TO 1990–91**

This appendix sets out the advances and debt charges on advances (interest and repayments) applicable to each of the six States and the NT. Similar information is provided in Appendix III for the ACT. Provision of this information permits a reconciliation between Commonwealth payments on a gross and net basis. The advances covered take two forms:

- advances of borrowings made on behalf of the six States and the NT under the State Governments' Loan Council programs and general purpose capital assistance to the NT (other than those amounts nominated for public housing purposes). Repayments of these advances take the form of payments to the National and NT Debt Sinking Funds. No new advances in this form have been made since 1986–87 and none are expected to be made in the future; and
- advances made by the Commonwealth for specific purposes on terms and conditions determined by the Commonwealth. These include advances from the State Governments' Loan Council programs and general purpose capital assistance to the NT nominated for public housing purposes.

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Table 48 - New South Wales - Advances, Debt Charges on Advances and Net Advances (\$ thousand)

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
ADVANCES					
Loan Council Borrowings					
Loan Council	100,152	..	..	..	..
Commonwealth Government Loans					
Loan Council - Housing Nomination	150,227	114,447	86,336	..	..
Defence -					
Housing for Servicemen	1,634	1,471	373	..	..
Housing and Community nec -					
Captains Flat Project	36	..	..	..	..
Not Allocated to Function -					
Natural Disaster Relief	..	..	805	1,376	5,732
Total Commonwealth Loans	151,897	115,918	87,514	1,376	5,732
TOTAL ADVANCES	252,049	115,918	87,514	1,376	5,732
REPAYMENTS OF ADVANCES					
Payments to National Debt Sinking Fund	69,017	69,169	76,580	67,527	361,243
Repayment of Commonwealth Government Loans					
Loan Council - Housing Nominations	934	1,703	2,332	2,855	2,983
Defence -					
Housing For Servicemen	495	524	556	589	622
Housing and Community Amenities - nec					
CSHA Block Assistance	16,556	17,222	17,913	18,633	17,504
Growth Centres	62	67	13,034	6,561	6,569
Urban Rehabilitation	65	..	191	..	220
Sewerage	544	443	657	722	793
Captains Flat Project	14	16	18	20	22
Economic Services -					
Transport -					
Railway Projects	1,616	1,616	1,616	1,616	1,616
Industry Assistance and Development -					
Dairy Adjustment Program	102	59	63	66	71
Canned Fruit Industry	383	383	383	383	383
Rural Adjustment Scheme	1,272	1,489	1,772	1,960	2,077
Rural Reconstruction	2,859	3,029	3,217	4,242	3,618
War Service Land Settlement	238	247	256	265	276
Blowering Reservoir	732	230	20	..	..
Chowilla Reservoir	49	11	..	..	..
Dartmouth Dam	462	587	587	587	587
Softwood Forestry	628	728	743	743	689
Other Mining Assistance	393	66	..	..	..
Not Allocated to Function -					
Natural Disaster Relief	7,350	7,071	6,967	6,967	3,885
Total Repayments of Commonwealth Government Loans	34,753	35,490	50,323	46,208	41,915
TOTAL SINKING FUND PAYMENTS AND					
TOTAL LOAN REPAYMENTS	103,771	104,660	126,903	113,735	403,159
NET ADVANCES					
(Advances less Repayments)					
Loan Council Borrowings	31,134	-69,169	-76,580	-67,526	-361,243
Commonwealth Government Loans	117,145	80,428	37,190	-44,832	-36,183
Total Net Advances	148,279	11,259	-39,389	-112,359	-397,426

*Table 48 - New South Wales - Advances, Debt Charges on Advances and Net Advances
(\$ thousand) - continued*

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
INTEREST ON ADVANCES					
Interest on Loan Council Borrowings	682,554	695,793	691,104	707,771	689,000
Interest on Commonwealth Government Loans					
Housing Nomination	10,308	17,550	21,584	24,282	24,084
Housing for Servicemen	10,530	10,681	10,841	10,858	10,990
CSHA Loans	60,080	59,415	58,724	58,004	57,275
Growth Centres	307	301	294	287	279
Captains Flat Project	39	45	41	41	38
Sewerage	7,889	6,036	7,751	7,693	7,615
Railway Projects	2,958	2,729	2,485	2,249	2,012
Dairy Adjustment Program	52	48	45	41	37
Canned Fruit Industry	40	40	40	40	41
Rural Adjustment Scheme	3,287	3,192	3,072	2,932	2,715
Rural Reconstruction	1,639	1,464	1,274	1,375	876
War Service Land Settlement	354	345	336	327	316
Blowering Reservoir	38	8	1	..	..
Chowilla Reservoir	2	..	..	..	..
Dartmouth Dam	797	750	694	638	582
Softwood Forestry	1,989	2,214	2,274	2,214	2,025
Natural Disaster Relief	..	..	..	39	112
Total Interest on Commonwealth Government Loans	100,311	104,819	109,455	111,019	108,997
TOTAL INTEREST ON LOAN COUNCIL BORROWINGS AND TOTAL INTEREST ON COMMONWEALTH GOVERNMENT LOANS	782,865	800,612	800,559	818,790	797,997

Table 49 - Victoria - Advances, Debt Charges on Advances and Net Advances
(\$ thousand)

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
ADVANCES					
Loan Council Borrowings					
Loan Council	77,839	..	..	..	..
Commonwealth Government Loans					
Loan Council - Housing Nomination	116,758	94,636	71,477	..	..
Defence -					
Housing for Servicemen	415	270	233	..	..
Total Commonwealth Loans	117,173	94,906	71,710	..	..
TOTAL ADVANCES	195,012	94,906	71,710	..	..
REPAYMENTS OF ADVANCES					
Payments to National Debt Sinking Fund	52,182	52,540	51,786	51,306	280,566
Repayment of Commonwealth Government Loans					
Loan Council - Housing Nominations	1,243	1,864	2,405	2,859	2,987
Defence -					
Housing For Servicemen	361	379	398	417	441
Social Security and Welfare -					
Unemployment Relief Works	3	3	3	..	10
Housing and Community Amenities nec -					
CSHA Block Assistance	13,827	14,372	14,939	15,530	16,155
Growth Centres	41	44	48	53	58
Land Acquisition	700	..	..	..	..
Urban Rehabilitation	205	205	205	205	205
Sewerage	479	526	578	633	698
Economic Service -					
Transport -					
Railway Projects	732	942	1,169	1,224	1,399
Industry Assistance and Development -					
Dairy Adjustment Program	210	193	200	212	225
Beef Industry Assistance	12	2	..	..	..
Rural Adjustment Scheme	1,323	1,606	1,905	3,030	2,200
Rural Reconstruction	2,053	2,177	2,310	2,367	2,600
War Service Land Settlement	253	263	273	283	293
Dartmouth Dam	462	587	587	587	587
Softwood Forestry	217	285	287	287	267
Not Allocated to Function -					
Natural Disaster Relief	3,675	3,502	3,499	3,499	3,499
Total Repayments of Commonwealth Government Loans	25,798	26,951	28,806	31,186	31,624
TOTAL SINKING FUND PAYMENTS AND TOTAL LOAN REPAYMENTS	77,981	79,490	80,592	82,493	312,190
NET ADVANCES					
<i>(Advances less Repayments)</i>					
Loan Council Borrowings	25,656	-52,539	-51,786	-51,307	-280,566
Commonwealth Government Loans	91,375	67,955	42,904	-31,186	-31,624
Total Net Advances	117,031	15,416	-8,882	-82,493	-312,190

Table 49 - Victoria Advances, Debt Charges on Advances and Net Advances (\$ thousand) - continued

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
INTEREST ON ADVANCES					
Interest on Loan Council Borrowings	517,116	527,220	524,669	536,522	522,500
Interest on Commonwealth Government Loans					
Housing Nomination	12,310	18,042	21,712	23,219	23,024
Housing for Servicemen	3,105	3,110	3,129	3,056	3,095
CSHA Loans	47,159	46,614	46,046	45,456	44,880
Growth Centres	203	199	195	190	184
Urban Rehabilitation	301	284	266	249	231
Sewerage	6,552	6,859	6,807	6,751	6,687
Railway Projects	3,591	3,600	3,576	3,302	3,122
Dairy Adjustment Program	218	207	196	183	170
Rural Adjustment Scheme	3,259	3,169	3,085	1,838	2,703
Rural Reconstruction	1,182	1,058	925	1,875	635
War Service Land Settlement	376	367	357	346	336
Dartmouth Dam	797	750	694	638	582
Softwood Forestry	386	462	489	466	426
Total Interest on Commonwealth Government Loans	79,440	84,720	87,477	87,571	86,075
TOTAL INTEREST ON LOAN COUNCIL BORROWINGS AND TOTAL INTEREST ON COMMONWEALTH GOVERNMENT LOANS	596,556	661,940	612,145	624,093	608,575

Table 50 - Queensland- Advances, Debt Charges on Advances and Net Advances
(\$ thousand)

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
ADVANCES					
Loan Council Borrowings					
Loan Council	41,082	..	..	..	..
Commonwealth Government Loans					
Loan Council - Housing Nomination	61,622	24,966	18,725	..	..
<i>Defence -</i>					
Housing for Servicemen	257	158	46	..	..
<i>Industries Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis Eradication	..	347	251	57	136
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	23,950	7,498	5,862	931	6,162
Total Commonwealth Loans	85,829	32,969	24,884	987	6,298
TOTAL ADVANCES	126,911	32,969	24,884	987	6,298
REPAYMENTS OF ADVANCES					
Payments to National Debt Sinking Fund	28,194	27,966	27,901	27,673	144,758
Repayment of Commonwealth Government Loans					
Loan Council - Housing Nominations	445	763	918	1,050	1,098
<i>Defence -</i>					
Housing For Servicemen	326	344	363	384	406
<i>Social Security and Welfare -</i>					
Aboriginal Advancement	17	..	..	..	..
<i>Housing and Community Amenities nec -</i>					
CSHA Block Assistance	4,483	4,662	4,849	5,042	5,245
Sewerage	138	151	166	183	201
Community Facilities - Townsville	9	10	11	12	13
<i>Economic Services -</i>					
<i>Transport -</i>					
Railway Projects	780	904	1,047	1,213	1,406
Weipa Development	129	136	143	151	159
<i>Industry Assistance and Development -</i>					
Dairy Adjustment Program	358	351	373	396	420
Bovine Brucellosis and Tuberculosis Eradication	..	17	133	301	112
Beef Industry Assistance	84	66	56	11	..
Rural Adjustment Scheme	1,946	2,973	1,944	2,658	1,647
Rural Reconstruction	1,701	1,805	1,914	2,031	2,155
Brigalow Lands Development Scheme	693	693	693	693	693
Softwood Forestry	487	549	549	549	510
Gladstone Power Station	3,352	3,556	3,773	4,002	4,246
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	10,401	11,339	14,178	15,099	14,934
Total Repayments of Commonwealth Government Loans	25,349	28,320	31,111	33,775	33,244
TOTAL SINKING FUND PAYMENTS AND TOTAL LOAN REPAYMENTS	53,543	56,285	59,012	61,448	178,003

*Table 50 - Queensland - Advances, Debt Charges on Advances and Net Advances
(\$ thousand) - continued*

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
NET ADVANCES					
<i>(Advances Less Repayments)</i>					
Loan Council Borrowings	12,888	-27,966	-27,901	-27,672	-144,758
Commonwealth Government Loans	60,480	4,648	-6,227	-32,788	-26,947
Total Net Advances	73,368	-23,317	-34,128	-60,460	-171,705
INTEREST ON ADVANCES					
Interest on Loan Council Borrowings	259,015	263,976	262,219	274,268	279,000
Interest on Commonwealth Government Loans					
Housing Nomination	4,802	7,282	8,234	8,616	8,539
Housing for Servicemen	6,265	6,255	6,256	6,242	6,322
CSHA Loans	16,550	16,373	16,185	15,991	15,798
Sewerage	1,943	2,033	2,018	2,002	1,984
Community Facilities - Townsville	37	36	35	34	33
Railway Projects	3,996	3,873	3,730	3,564	3,371
Weipa Development	96	89	82	75	67
Dairy Adjustment Program	292	272	251	228	204
Bovine Brucellosis and Tuberculosis Eradication	..	6	25	53	68
Rural Adjustment Scheme	3,245	2,794	4,725	2,586	2,244
Rural Reconstruction	968	864	755	638	514
Brigalow Lands Development Scheme	611	565	518	472	426
Softwood Forestry	826	928	926	881	806
Gladstone Power Station	9,897	9,693	9,476	9,246	9,003
Natural Disaster Relief	..	..	..	..	281
Total Interest on Commonwealth Government Loans	49,529	51,062	53,218	50,629	49,661
TOTAL INTEREST ON LOAN COUNCIL BORROWINGS AND TOTAL INTEREST ON COMMONWEALTH GOVERNMENT LOANS					
	308,543	315,038	315,437	324,897	328,661

Table 51 - Western Australia - Advances, Debt Charges on Advances and Net Advances (\$ thousands)

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
ADVANCES					
Loan Council Borrowings					
Commonwealth Government Loans					
Loan Council - Housing Nomination	71,672	34,503	22,877	..	..
<i>Defence -</i>					
Housing for Servicemen	121	26	..	..	..
<i>Economic Services -</i>					
<i>Transport -</i>					
Railway Projects	38	..	..	..	965
<i>Industries Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis Eradication	23	..	..	..	216
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	194	..	..	..	..
Total Commonwealth Loans	72,048	34,529	22,877	..	1,181
TOTAL ADVANCES	72,048	34,529	22,877	..	1,181
REPAYMENTS OF ADVANCES					
Payments to National Debt Sinking Fund	18,269	18,066	17,836	17,643	112,423
Repayment of Commonwealth Government Loans					
Loan Council - Housing Nominations	1,015	1,407	1,637	1,821	1,903
<i>Defence -</i>					
Housing For Servicemen	74	78	82	86	91
<i>Housing and Community Amenities nec -</i>					
CSHA Block Assistance	4,271	4,442	4,620	4,806	5,000
Urban Water Supply and Treatment	23	26	24	28	32
Land Acquisition	4,000	1,500	..	..	..
Sewerage	196	214	231	311	287
<i>Culture and Recreation -</i>					
Perth Entertainment Centre	200	200	200	200	..
<i>Economic Services -</i>					
<i>Transport -</i>					
Railway Projects	3,431	3,614	3,814	1,312	1,396
<i>Industry Assistance and Development -</i>					
Dairy Adjustment Program	87	65	54	49	58
Bovine Brucellosis and Tuberculosis Eradication	..	5	10	37	9
Beef Industry Assistance	..	..	..	2	..
Rural Adjustment Scheme	808	1,097	1,300	738	1,622
Rural Reconstruction	1,415	1,501	1,592	857	1,792
Irrigation and Other Water Project	998	999	999	999	957
Softwood Forestry	211	242	242	243	225
Exmouth Township - Electricity Services	15	10	14	14	14
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	7,151	5,115	4,393	3,213	1,885
Total Repayments of Commonwealth Government Loans	23,893	20,515	19,212	14,715	15,271
TOTAL SINKING FUND PAYMENTS AND TOTAL LOAN REPAYMENTS	42,164	38,581	37,048	32,357	127,695

*Table 51 - Western Australia - Advances, Debt Charges on Advances and Net Advances
(\$ thousand) - continued*

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
NET ADVANCES					
<i>(Advances less Repayments)</i>					
Loan Council Borrowings	-18,268	-18,067	-17,835	-17,642	-112,423
Commonwealth Government Loans	48,154	14,014	3,665	-14,715	-14,090
Total Net Advances	29,886	-4,052	-14,171	-32,357	-126,514
INTEREST ON ADVANCES					
Interest on Loan Council Borrowings	177,986	180,154	179,026	182,727	177,500
Interest on Commonwealth Government Loans					
Housing Nominations	10,753	13,092	14,325	14,769	14,622
Housing for Servicemen	686	697	696	692	701
CSHA Loans	15,844	15,673	15,496	15,310	15,117
Sewerage	2,709	2,828	2,801	2,497	2,756
Perth Entertainment Centre	104	74	55	28	..
Railway Projects	1,985	1,780	1,562	1,366	1,262
Dairy Adjustment Program	48	45	42	46	36
Bovine Brucellosis and Tuberculosis Eradication	..	4	5	6	4
Rural Adjustment Scheme	2,552	2,497	2,405	2,298	2,101
Rural Reconstruction	831	745	653	266	454
Irrigation and Other Water Projects	540	476	412	346	284
Softwood Forestry	778	845	849	831	760
Urban Water Supply and Treatment	97	95	92	89	85
Exmouth Township - Electricity Services	13	8	7	6	6
Natural Disaster Relief	..	2	1	279	..
Total Interest on Commonwealth Government Loans	36,940	38,860	39,401	38,828	38,188
TOTAL INTEREST ON LOAN COUNCIL BORROWINGS AND TOTAL INTEREST ON COMMONWEALTH GOVERNMENT LOANS	214,926	219,015	218,427	221,555	215,688

Table 52 - South Australia - Advances, Debt Charges on Advances and Net Advances (\$ thousand)

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
ADVANCES					
Loan Council Borrowings	..	..	..	..	..
Commonwealth Government Loans					
Loan Council - Housing Nomination	100,943	51,779	39,585	..	..
Defence -					
Housing for Servicemen	10	18	..	..	..
Housing and Community Amenities nec -					
Urban Water Supply and Treatment	4,200	3,850	3,675	3,675	3,675
Economic Services -					
Industry Assistance and Development					
Bovine Brucellosis and Tuberculosis Eradication	..	..	..	..	7
Total Commonwealth Loans	105,153	55,647	43,259	3,675	3,682
TOTAL ADVANCES	105,153	55,647	43,259	3,675	3,682
REPAYMENTS OF ADVANCES					
Payments to National Debt Sinking Fund	22,866	148,282	86,261	122,354	145,524
Repayment of Commonwealth Government Loans					
Loan Council - Housing Nominations	2,133	2,717	3,089	3,419	3,573
Defence -					
Housing For Servicemen	28	30	31	33	35
Housing and Community Amenities nec -					
CSHA Block Assistance	6,575	6,850	7,137	7,437	7,736
Urban Water Supply and Treatment	212	70	80	..	..
Sewerage	69	75	8	..	..
Economic Services -					
Industry Assistance and Development -					
Dairy Adjustment Program	15	13	14	..	..
Bovine Brucellosis and Tuberculosis Eradication	..	79	134	..	69
Rural Adjustment Scheme	679	843	1,023	7	..
Rural Reconstruction	1,014	1,076	1,141	..	..
Dartmouth Dam	462	587	125	..	..
Softwood Forestry	127	110	110	..	..
Not Allocated to Function -					
Natural Disaster Relief	5,037	3,556	3,001	..	..
Total Repayments of Commonwealth Government Loans	16,350	16,005	15,894	10,896	11,412
TOTAL SINKING FUND PAYMENTS AND TOTAL LOAN REPAYMENTS	39,214	164,287	102,155	133,250	156,937
NET ADVANCES (Advance less Repayments)					
Loan Council Borrowings	-22,865	-148,282	-86,261	-122,354	-145,524
Commonwealth Government Loans	88,803	39,642	27,366	-7,221	-7,730
TOTAL NET ADVANCES	65,939	-108,640	-58,895	-129,575	-153,255

*Table 52 - South Australia - Advances, Debt Charges on Advances and Net Advances
(\$ thousands) - continued*

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
INTEREST ON ADVANCES					
Interest on Loan Council Borrowings	219,864	219,368	206,677	199,799	184,000
Interest on Commonwealth Government Loans					
Housing Nomination	21,049	24,383	26,325	27,080	26,812
Housing for Servicemen	607	602	602	562	569
CSHA Loans	26,872	26,596	26,309	26,010	25,649
Sewerage	897	940	99	..	..
Dairy Adjustment Program	12	11	11	..	..
Bovine Brucellosis and Tuberculosis Eradication	..	2	70	..	34
Rural Adjustment Scheme	1,799	1,740	1,677	2	..
Rural Reconstruction	622	560	495	..	..
Dartmouth Dam	797	750	179	..	..
Softwood Forestry	251	265	257	..	..
Urban Water Supply and Treatment	3,051	1,722	1,495	..	..
Total Interest on Commonwealth Government Loans	55,957	57,571	57,518	53,654	53,064
TOTAL INTEREST ON LOAN COUNCIL BORROWINGS AND TOTAL INTEREST ON COMMONWEALTH GOVERNMENT LOANS	275,821	276,939	264,195	253,453	237,064

Table 53 - Tasmania - Advances, Debt Charges on Advances and Net Advances
(\$ thousand)

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
ADVANCES					
Loan Council Borrowings					
Loan Council	21,714	..	..	..	..
Commonwealth Government Loans					
Loan Council - Housing Nomination	32,572	36,877	27,658	..	..
<i>Defence -</i>					
Housing for Servicemen	..	50	55	..	..
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	..	..	2,993	302	..
Total Commonwealth Loans	32,572	36,927	30,706	302	..
TOTAL ADVANCES	54,286	36,927	30,706	302	..
REPAYMENTS OF ADVANCES					
Payments to National Debt Sinking Fund	14,312	14,364	14,182	14,033	70,981
Repayment of Commonwealth Government Loans					
Loan Council - Housing Nominations	345	518	720	886	926
<i>Defence -</i>					
Housing For Servicemen	4	5	5	5	6
<i>Housing and Community Amenities nec -</i>					
CSHA Block Assistance	2,435	2,538	2,646	2,759	4,756
Legana Industrial Estate	20	20	20	39	..
Sewerage	53	57	69	34	..
<i>Economic Services -</i>					
<i>Transport -</i>					
King Island Harbour Works	45	45	8	8	8
<i>Industry Assistance and Development -</i>					
Dairy Adjustment Program	41	20	15	16	18
Rural Adjustment Scheme	39	..	111	123	133
Rural Reconstruction	212	225	239	129	269
Softwood Forestry	224	281	281	140	130
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	64	64	64	64	392
Total Repayments of Commonwealth Government Loans	3,480	3,773	4,177	4,203	6,638
TOTAL SINKING FUND PAYMENTS AND TOTAL LOAN REPAYMENTS	17,792	18,137	18,359	18,236	77,619
NET ADVANCES					
<i>(Advances less Repayments)</i>					
Loan Council Borrowings	7,402	-14,365	-14,182	-14,033	-70,981
Commonwealth Government Loans	29,092	33,154	26,528	-3,901	-6,638
Total Net Advances	36,494	18,790	12,346	-17,934	-77,619

*Table 53 - Tasmania - Advances, Debt Charges on Advances and Net Advances
(\$ thousand) - continued*

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
INTEREST ON ADVANCES					
Interest on Loan Council Borrowings	142,313	145,066	144,364	147,220	133,500
Interest on Commonwealth Government Loans					
Housing Nomination	3,457	5,290	6,724	7,317	7,229
Housing for Servicemen	65	65	71	78	79
CSHA Loans	10,706	10,603	10,494	10,381	10,244
Legana Industrial Estate	12	10	7	3	..
Sewerage	298	307	307	150	..
King Island Harbour Works	8	5	2	1	1
Dairy Adjustment Program	16	15	14	13	12
Rural Adjustment Scheme	215	208	201	191	181
Rural Reconstruction	120	107	94	38	64
Softwood Forestry	357	459	471	227	208
Natural Disaster Relief	..	..	..	134	114
Total Interest on Commonwealth Government Loans	15,255	17,068	18,385	18,533	18,132
TOTAL INTEREST ON LOAN COUNCIL BORROWINGS AND TOTAL INTEREST ON COMMONWEALTH GOVERNMENT LOANS	157,568	162,134	162,749	165,753	151,632

Table 54 - Northern Territory - Advances, Debt Charges on Advances and Net Advances (\$ thousand)

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
ADVANCES					
NT Government Loans	33,954	..	..	..	..
Commonwealth Government Loans					
Loan Council - Housing Nomination	50,931	56,797	43,848	..	..
Industries Assistance and Development -					
Bovine Brucellosis and Tuberculosis					
Eradication	441	306	16	69	136
Not Allocated to Function -					
Natural Disaster Relief	..	..	..	61	106
Total Commonwealth Loans	51,372	57,103	43,864	129	242
TOTAL ADVANCES	85,326	57,103	43,864	129	242
REPAYMENTS OF ADVANCES					
Payments to NT Debt Sinking Fund	6,300	6,624	6,527	6,453	29,159
Repayment of Commonwealth Government Loans					
Loan Council - Housing Nominations	160	413	707	950	994
Housing and Community Amenities nec -					
CSHA Block Assistance	231	241	252	264	275
Other Housing Assistance	910	2,503	1,058	1,108	1,159
Water and Sewerage Assistance	136	136	136	136	136
Economic Services -					
Industry Assistance and Development -					
Bovine Brucellosis and Tuberculosis					
Eradication	..	..	158	88	234
Rural Adjustment Scheme	93	177	111	120	159
PAWA (NT) Assistance	2,121	2,327	2,552	..	..
Not Allocated to Function -					
Natural Disaster Relief	..	..	..	..	7
Total Repayments of Commonwealth Government Loans	3,651	5,798	4,974	2,666	2,964
TOTAL SINKING FUND PAYMENTS AND TOTAL LOAN REPAYMENTS	9,951	12,421	11,501	9,119	32,123
NET ADVANCES (Advances less Repayments)					
Northern Territory Government Borrowings	27,654	-6,624	-6,527	-6,453	-29,159
Commonwealth Government Loans	47,722	51,305	38,890	-2,536	-2,722
Total Net Advances	75,375	44,681	32,363	-8,989	-31,881

**Table 54 - Northern Territory - Advances, Debt Charges on Advances and Net Advances
(\$ thousand) - continued**

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
INTEREST ON ADVANCES					
Interest on NT Government Borrowings	73,963	75,469	73,748	75,209	71,500
Interest on Commonwealth Government Loans					
Housing Nomination	2,175	5,038	7,293	8,252	8,178
CSHA Loans	1,752	1,742	1,731	1,719	1,707
Other Housing	7,494	5,834	5,446	5,396	5,344
Sewerage	746	739	732	725	718
Bovine Brucellosis and Tuberculosis Eradication	..	..	116	72	56
Rural Adjustment Scheme	250	245	238	229	166
Water and Sewerage	746	739	732	725	718
NTEC/PAWA Assistance	4,321	4,115	3,889	..	..
Natural Disaster Relief	..	..	..	3	3
Total Interest on Government Loans	16,737	17,713	19,445	16,397	16,172
TOTAL INTEREST ON LOAN COUNCIL BORROWINGS AND TOTAL INTEREST ON COMMONWEALTH GOVERNMENT LOANS	90,700	93,182	93,193	91,605	87,672

Table 55 - Six States and the Northern Territory - Advances, Debt Charges on Advances and Net Advances (\$ thousand)

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
ADVANCES					
Loan Council and NT Government Borrowings					
Loan Council	240,787	..	..	..	..
NT Government Borrowings	33,954	..	..	..	..
Total	274,741	..	..	..	..
Commonwealth Government Loans					
Loan Council - Housing Nomination	584,725	414,005	310,504	..	..
<i>Defence -</i>					
Housing for Servicemen	2,437	1,993	707	..	..
<i>Housing and Community Amenities nec -</i>					
Urban Water Supply and Treatment	4,200	3,850	3,675	3,675	3,675
Captains Flat Project	36	..	..	..	..
<i>Economic Service -</i>					
<i>Transport -</i>					
Railway Projects	38	..	..	..	965
<i>Industries Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis Eradication	464	653	267	126	495
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	24,144	7,498	9,660	2,669	12,000
Total Commonwealth Loans	616,044	427,999	324,813	6,470	17,135
TOTAL ADVANCES	890,785	427,999	324,813	6,470	17,135
REPAYMENTS OF ADVANCES					
Payments to National and NT Debt Sinking Funds	211,140	337,011	281,073	306,987	1,144,656
Repayment of Commonwealth Government Loans					
Loan Council - Housing Nominations	6,275	9,385	11,808	13,841	14,464
<i>Defence -</i>					
Housing For Servicemen	1,289	1,360	1,436	1,516	1,601
<i>Social Security and Welfare -</i>					
Unemployment Relief Works	3	3	3	..	10
Aboriginal Advancement	17	..	..	..	..
<i>Housing and Community Amenities nec -</i>					
CSHA Block Assistance	48,379	50,328	52,357	54,471	56,670
Other Housing	910	2,503	1,058	1,108	1,159
Urban Water Supply and Treatment	235	96	104	28	32
Water and Sewerage Assistance	136	136	136	136	136
Growth Centres	103	112	13,082	6,614	6,627
Land Acquisition	4,700	1,500	..	..	..
Urban Rehabilitation	270	205	396	205	425
Legans Industrial Estate	20	20	20	39	..
Sewerage	1,477	1,468	1,708	1,883	1,979
Community Facilities - Townsville	9	10	11	12	13
Captains Flat Project	14	16	18	20	22
<i>Culture and Recreation -</i>					
Perth Entertainment Centre	200	200	200	200	..
<i>Economic Services -</i>					
<i>Transport -</i>					
Railway Projects	6,560	7,075	7,645	5,365	5,817
King Island Harbour Works	45	45	8	8	8
Weipa Development	129	136	143	151	159

Table 55 - Six States and the Northern Territory - Advances, Debt Charges on Advances and Net Advances (\$ thousand) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
Rural Adjustment Scheme	6,160	8,186	8,165	8,635	7,838
Rural Reconstruction	9,254	9,814	10,415	9,625	10,434
War Service Land Settlement	491	509	528	548	569
Brigalow Lands Development Scheme	693	693	693	693	693
Blowering Reservoir	732	230	20	..	..
Irrigation and Other Water Project	998	999	999	999	957
Chowilla Reservoir	49	11	..	..	..
Dartmouth Dam	1,385	1,760	1,298	1,173	1,173
Softwood Forestry	1,894	2,194	2,212	1,962	1,822
Other Mining Assistance	393	66	..	..	..
PAWA (NT) Assistance	2,121	2,327	2,552	..	..
Gladstone Power Station	3,352	3,556	3,773	4,002	4,246
Exmouth Township - Electricity Services	15	10	14	14	14
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	33,677	30,647	32,101	28,841	24,602
Total Repayments of Commonwealth Government Loans	133,274	136,851	154,497	143,649	143,069
TOTAL SINKING FUND PAYMENTS AND TOTAL OF LOAN REPAYMENTS	344,414	473,862	435,570	450,637	1,287,725
NET ADVANCES (Advances Less Repayments)					
Loan Council and NT Government Borrowings	63,601	-337,011	-281,072	-306,988	-1,144,656
Commonwealth Government Loans	482,770	291,148	170,316	-137,179	-125,934
TOTAL NET ADVANCES	546,372	-45,863	-110,757	-444,167	-1,270,590
INTEREST ON ADVANCES					
Interest on Loan Council & NT Government Borrowings	2,072,811	2,107,046	2,081,807	2,123,517	2,057,000
Interest on Commonwealth Government Loans					
Housing Nomination	64,854	90,677	106,196	113,536	112,488
Housing for Servicemen	21,259	21,410	21,595	21,488	21,756
CSHA Loans	178,963	177,014	174,985	172,872	170,670
Other Housing	7,494	5,834	5,446	5,396	5,344
Growth Centres	510	500	489	477	463
Urban Rehabilitation	301	284	266	249	231
Captains Flat Project	39	45	41	41	38
Legana Industrial Estate (Tasmania)	12	10	7	3	..
Sewerage	20,289	19,003	19,783	19,094	19,043
Community Facilities - Townsville	37	36	35	34	33
Perth Entertainment Centre	104	74	55	28	..
Railways Project	12,530	11,982	11,353	10,482	9,768
King Island Harbour Works	8	5	2	1	1
Weipa Development	96	89	82	75	67
Dairy Adjustment Program	638	599	557	511	459
Canned Fruit Industry	40	40	40	40	41
Bovine Brucellosis and Tuberculosis Eradication	..	12	217	131	162
Rural Adjustment Scheme	14,607	13,843	15,402	10,075	10,110
Rural Reconstruction	5,362	4,798	4,195	4,191	2,543
War Service Land Settlement	730	712	693	673	652
Brigalow Lands Development Scheme	611	565	518	472	426
Blowering Reservoir	38	8	1	..	..
Irrigation and Other Water Projects	540	476	411	346	284
Chowilla Reservoir	2	..	..	..	..

Table 55 - Six States and the Northern Territory - Advances, Debt Charges on Advances and Net Advances (\$ thousand) - continued

	1986 - 87	1987 - 88	1988 - 89	1989 - 90	1990 - 91 (estimate)
Dartmouth Dam	2,390	2,250	1,567	1,276	1,163
Softwood Forestry	4,587	5,173	5,266	4,619	4,226
Urban Water Supply and Treatment	3,148	1,817	1,587	89	85
Water and Sewerage Assistance NT	746	739	732	725	718
NTEC/PAWA Assistance	4,321	4,115	3,889	..	..
Gladstone Power Station	9,897	9,693	9,476	9,246	9,003
Exmouth Township - Electricity Services	13	8	7	6	6
Natural Disaster Relief	..	2	1	455	510
Total Interest on Commonwealth Government Loans	354,168	371,813	384,898	376,630	370,290
TOTAL INTEREST ON LOAN COUNCIL BORROWINGS AND TOTAL INTEREST ON COMMONWEALTH GOVERNMENT LOANS	2,426,979	2,478,859	2,466,704	2,500,148	2,427,290

APPENDIX III—TABLES OF PAYMENTS TO OR FOR THE SIX STATES AND THE NT, 1986–87 TO 1990–91, AND TO THE ACT, 1988–89 TO 1990–91

This appendix provides, for each State and the NT, details of Commonwealth gross payments and total net payments, including advances of borrowings made on behalf of the six States and the NT under the State Governments' Loan Council programs and general purpose capital assistance to the NT. A corresponding table of payments to the ACT, which also includes information on advances, debt charges and net advances, is included from 1988–89 to 1990–91.

The payments are classified as follows:

- general purpose
 - revenue (current)
 - capital; and
- specific purpose
 - current
 - capital.

Specific purpose payments are classified on the functional basis used in Budget Paper No. 1, which aggregates outlays directed towards like objectives and purposes. The general purpose or 'untied' funds identified in this appendix are classified under the 'Not Allocated to Function' heading in Budget Paper No. 1, except for amounts nominated for public housing purposes from the State Governments' Loan Council programs and general purpose capital assistance to the NT. These amounts, classified in this appendix as general purpose capital funds, are included in Budget Paper No. 1 under the 'Housing and Community Amenities' functional heading.

Detailed discussions of general revenue assistance, general purpose capital assistance and specific purpose payments can be found in Chapters III, IV and V respectively.

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Table 56 - Commonwealth Payments and Loan Council Borrowings to the States and the Territories (\$ thousands)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
GENERAL REVENUE FUNDS					
Financial Assistance Grants	10,889,647	11,756,085	12,405,040	12,859,578	13,160,888
Special Revenue Assistance	46,860	33,802	150,818	45,478	50,227
Health Grants	1,651,313	1,782,701	..	..	..
General Revenue Grants	628,132	689,980	416,932	373,113	436,665
Special Grants	..	-14,381	..	..	..
TOTAL	13,215,953	14,248,187	12,972,790	13,278,169	13,647,780
GENERAL PURPOSE CAPITAL FUNDS					
<i>Loan Council Borrowings -</i>					
Loan Portion	240,787	..	..	..	..
<i>General Purpose Loans to Territories -</i>					
Loan Portion	33,954	..	21,989	22,501	..
Housing Nominations	584,725	414,005	317,571	..	..
Capital Grants	476,486	207,003	357,286	342,472	330,207
Transitional Funding Payment	..	..	..	7,000	..
Loans in Lieu of Semi-Government	..	..	25,000	..	..
TOTAL	1,335,952	621,008	704,120	371,972	330,206
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Defence -</i>					
Emergency Services	3,068	3,201	3,341	3,479	3,851
<i>Education -</i>					
Higher Education	1,997,342	2,146,073	2,146,655	2,260,818	2,490,919
State Contribution to Higher Educa	..	-10,199	-24,206	-29,276	-33,384
Technical and Further Education	149,536	124,475	125,350	139,245	143,717
Government Schools	532,531	574,852	655,289	745,066	801,088
Non Government Schools	819,984	885,857	1,008,323	1,112,102	1,172,483
Joint Schools Programs	40,109	29,626	32,794	39,115	44,568
Aboriginal Advancement	9,498	10,355	12,958	11,210	86,017
National Policy on Language	..	5,968	8,452	7,825	8,747
Cost Escalation Allowance	..	..	..	..	181,769
Participation Equity Program	41,195	27,117	..	..	..
<i>Health -</i>					
Health Program Grants	..	500	26,656	31,020	36,217
Transfer Pathology Laboratory	1,725	1,397	7,048	24,731	25,079
Lithotripter Program	..	..	..	328	815
Public Hospital Running Costs	119	..	..	..	..
Medicare	1,017,903	1,094,988	..	..	..
Hospital Funding Grants	..	..	3,079,915	3,370,092	3,651,183
Hospital Waiting List Reduction	..	24,678	24,700	..	..
Nurse Education	7,242	7,176	15,254	22,044	30,348
Home and Community Care	25,401	53,240	62,657	74,354	87,378
Geriatric Assessment	6,249	7,365	14,767	19,341	24,595
Women's Health Screenings	..	870	1,486	4,469	700
National Diseases Control	533	404	..	..	..
National Better Health	..	..	400	2,348	2,352
Youth Health Services	..	..	..	346	2,614
Funds to Combat AIDS	5,734	10,017	12,790	19,041	23,754
Drug Education Campaigns	14,727	15,710	16,836	18,805	21,889
Blood Transfusion Services	14,106	16,091	18,245	21,422	26,058
Asbestos Removal Assistance	..	..	..	3,200	11,700
Liver/Heart Transplant Program	620	650	679	719	762

Table 56 - Commonwealth Payments and Loan Council Borrowings to the States and the Territories (\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Social Security and Welfare -</i>					
Geriatric Assessment	..	..	..	..	1,120
Home and Community Care	73,616	107,612	133,181	162,070	188,964
Rehabilitation Centres	4,716	479	481	506	431
Children's Services	12,063	14,363	13,871	14,686	12,496
Family Support Services	5,926	9,365	..	..	..
Mortgage and Rent Relief	24,100	25,000	26,830	30,914	23,514
Mortgage Relief	..	..	..	12,415	..
Supported Accommodation Assistance	45,439	39,646	62,458	74,203	85,923
Translating and Interpreting Service	1,033	1,090	835	769	465
Unattached Refugee Children	348	365	340	307	363
Aboriginal Advancement	20,417	19,552	16,245	11,931	..
<i>Housing and Community Amenities nec -</i>					
International Year of Homeless	147	..	..	..	..
Deposit Assistance	..	..	..	..	14,000
Rental Housing Subsidy	..	..	..	..	5,600
Other Assistance for Housing	5,500	5,500	5,500	5,500	5,500
Urban Water Supply and Treatment	858	748	651	545	510
Assistance for Water and Sewerage	..	..	5,651	6,846	7,274
Urban Flood Mitigation	423	74	124	81	130
Environmental Restoration	510	231	..	1,000	3,000
Rainforest Conservation	1,065	2,271	2,137	2,242	2,909
<i>Culture and Recreation -</i>					
Expo 88 Participation	..	600	..	..	..
Americas Cup Defence	5,957	..	..	..	..
Wet Tropics Queensland - Heritage Area	..	..	..	..	4,000
South West Tasmania - Heritage Area	2,000	2,200	2,336	5,496	5,855
<i>Economic Services -</i>					
<i>Transport -</i>					
Aerodrome Local Ownership Plan	419	336	417	601	956
Interstate Road Transport	1,409	4,230	10,836	17,107	17,800
<i>Industry Assistance and Development -</i>					
TAS Wheat Freight Subsidy	..	..	..	2,960	3,375
Bovine Brucellosis and Tuberculosis Eradication	38,623	34,834	29,917	28,107	47,083
Dried Vine Fruit Assistance	1,405	7	..	..	..
Wine Industry Assistance	3,543	5	..	..	..
Sugar Industry	23,521	2,854	2,922	3,015	650
Destruction of Organochlorines	..	..	1,000	..	..
Rural Adjustment Scheme	33,878	43,248	53,263	53,347	60,700
Exotic Disease Eradication	151	162	189	205	218
Agricultural Research	524	1,209	1,807	2,026	200
Fertiliser Assistance	42,600	16,986	4,018	..	..
Irrigation and Other Water Projects	3,347	1,995	1,010	857	1,024
Afforestation Program	..	1,363	3,850	5,548	1,420
Forestry Development	..	..	8,000	13,674	19,575
Soil Conservation	4,400	4,800	7,938	20,730	18,358
Assistance to Tin Mining	980	..	..	-821	..
Coal Rail Freight	..	10,000	..	10,000	..
Other Mining Assistance	..	262	..	..	..
PAWA (NT) Assistance	29,456	47,535	90,890	..	30,000
National Industry Extension Service	6,904	7,415	8,045	8,791	10,470
TAS Consultancy - International Tourism	..	..	..	7,780	..

Table 56 - Commonwealth Payments and Loan Council Borrowings to the States and the Territories (\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Labour and Employment -</i>					
Special Employment Programs	-3,950	..	..	..	..
Community Employment Program	181,001	94,328	153	..	..
Forestry Development	..	..	..	3,540	1,500
Employment Training - Aboriginal	9,255	7,433	7,558	9,248	10,162
Coal Mining Industry - Long Service Leave	19,769	43,450	28,621	23,581	24,200
<i>Other Economic Services -</i>					
Company Fees-Revenue Sharing	420	622	885	841	486
ACT Unclaimed Monies	..	..	..	..	127
<i>General Public Services -</i>					
Sharing of Criminal Asset Recover	..	..	..	..	484
Legal Aid	52,919	80,308	89,042	96,810	107,893
Human Rights	1,385	1,100	1,049	1,506	1,190
Reimbursement of Costs - Law Library	330	465	525	485	553
ARC Research Funds	..	..	12,103	77,313	175,120
<i>Not Allocated to Function -</i>					
Sinking Fund on State Debt	51,428	51,725	50,697	49,953	49,094
Debt Redemption Assistance	..	..	..	..	3,332
Financial Assistance - Local Government	585,613	641,532	663,791	689,467	711,392
Compensation - Companies Regulation	..	..	..	..	54,980
Natural Disaster Relief	8,510	7,125	11,282	987	12,000
Assistance for South - West Tasmania	26,529	28,431	30,036	31,659	33,654
Grants in Lieu of Royalties	4,471	3,987	3,211	2,792	3,637
ACT National Capital Influences	..	..	15,990	17,029	18,093
TOTAL	6,027,257	6,397,252	8,660,034	9,410,494	10,626,994
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Defence -</i>					
Housing for Servicemen	2,437	1,993	707	..	..
<i>Education -</i>					
Higher Education	189,870	233,415	160,632	128,228	210,056
Technical and Further Education	165,421	178,681	158,314	199,412	198,051
Support for Steel Regions	3,386	..	..	..	..
Government Schools	150,726	161,328	178,232	187,584	189,068
Non-Government Schools	51,790	57,587	67,698	59,098	68,840
Aboriginal Education	..	..	..	6,747	..
Video Facilities	1,300	600	..	..	..
WA Defence Infrastructure	..	10,000	..	..	..
<i>Health -</i>					
Albury RALA Sub-Centre	..	85	..	..	..
Teaching Hospitals/Enhancement	47,540	47,540	24,000	50,500	50,000
Launceston General Hospital	5,707	11,204	8,500	5,142	300
Home and Community Care	..	42	112	..	7
Blood Transfusion Services	2,110	2,168	2,267	2,546	3,161
<i>Social Security and Welfare -</i>					
Home and Community Care	12,288	6,990	8,797	4,730	5,517
Attendant Care Scheme	..	2,435	..	..	..
Children's Services	6,405	17,430	6,571	1,195	4,532
Supported Accommodation Assist	..	..	1,000	1,000	..
Crisis Accommodation Assistance	14,000	15,500	19,783	39,821	39,655
Youth Accommodation	..	..	..	9,834	..
Aboriginal Advancement	8,693	6,819	14,935	6,935	..
<i>Housing and Community Amenities nec -</i>					
Pensioner Housing Grants	37,000	37,500	38,074	49,273	49,273

Table 56 - Commonwealth Payments and Loan Council Borrowings to the States and the Territories (\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
Housing Assistance For Aborigines	58,000	60,000	70,000	91,000	91,000
Local Government and Community					
Housing Grants	11,000	12,000	16,234	24,403	24,403
CSHA Block Assistance	549,600	550,000	539,784	792,931	792,931
Special Assistance for Water	17,000	25,000	50,000	12,000	..
Urban Water Supply and Treatment	9,234	10,419	11,880	9,596	10,148
Support for Steel Regions	5,250	664	..	..	..
Urban Flood Mitigation	4,857	5,509	6,842	8,126	7,333
Urban Rehabilitation	3,000	..	..	..	..
Captains Flat Project	182	..	..	..	..
Environment Restoration	..	..	1,500	..	..
<i>Culture and Recreation -</i>					
National Maritime Museum	18,000	10,000	..	..	..
Bicentennial Programs	20,110	18,409	6,759	..	..
Assistance for 1991 Swimming	..	..	..	..	3,000
National Standard Sports Facilities	6,539	133	..	..	..
America's Cup Defence	9	..	..	..	..
WA Defence Infrastructure	..	5,000	..	..	..
National Estate	3,175	3,282	3,633	3,979	3,986
Cradle Mountain Visitor Centre	..	..	800	..	..
Wet Tropics Queensland - Heritage Area	..	..	..	..	1,500
Nature Conservation	12	..	..	..	..
<i>Economic Services -</i>					
<i>Transport -</i>					
Aerodrome Local Ownership Plan	5	16	..	..	..
Australian Land Transport Program	805,450	764,293	425,626	..	..
Australian Bicentennial Road Development	439,600	480,200	272,953	..	..
Australian Centennial Road Development	..	..	518,635	1,335,142	1,600,412
Support For Steel Regions	982	..	..	..	..
Second Hobart Bridge	61	..	..	..	..
Burbong Bridge Construction	294	..	..	..	..
Railway Projects	38	..	..	..	965
Transport Improvement Grant	..	..	50,000	20,000	..
WA Defence Infrastructure	..	30,000	..	..	..
<i>Industry Assistance and Development -</i>					
Support For Steel Regions	18,013	5,321	..	..	..
Bovine Brucellosis and Tuberculosis					
Eradication	464	653	267	126	495
Fisheries Management	1	2,101	40	336	960
Plant Genetic Resource Program	485	111	148	..	..
Salinity Reduction Control	4,301	3,945	8,008	13,454	7,065
Irrigation and Other Water Projects	34,057	20,524	6,175	5,769	17,106
Forestry Development	..	..	..	800	500
PAWA (NT) Assistance	40,575	810	..	..	..
TAS Industrial Development	..	..	..	10,500	..
WA Defence Infrastructure	..	15,000	..	..	..
Portland Aluminium Smelter	1,500	..	..	..	..

Table 56 - Commonwealth Payments and Loan Council Borrowings to the States and the Territories (\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Labour and Employment -</i>					
Support for Steel Regions	8,979	5,029	1,410	..	..
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	27,821	8,672	50,631	27,767	68,000
ACT Establishment Assistance	..	..	..	..	3,000
Public Sector Restructuring	..	..	..	40,000	..
Supplementation Grants (ACT)	..	..	9,800	..	..
Unaligned Payments	..	..	7,926	..	..
Assistance For South West Tasmania	3,347	759	1,061	1,813	50
TOTAL	2,790,615	2,829,168	2,749,732	3,149,785	3,451,914
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	14,551,905	14,869,195	13,676,910	13,650,141	13,977,986
For Specific Purposes	8,817,873	9,226,420	11,409,766	12,560,279	14,078,908
Total Gross Payments	23,369,778	24,095,615	25,086,676	26,210,420	28,056,895
Repayments	-344,445	-473,895	-447,098	-514,366	-1,310,813
Total Net Payments	23,025,333	23,621,720	24,639,578	25,696,054	26,746,082

Table 57 - Commonwealth Payments to the Australian Capital Territory
(\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
GENERAL REVENUE FUNDS					
Special Revenue Assistance	12,911	..	..
General Revenue Grants	416,932	373,113	436,665
TOTAL	429,843	373,113	436,665
GENERAL PURPOSE CAPITAL FUNDS					
<i>General Purpose Loans to Territories -</i>					
Loan Portion	21,989	22,501	..
Housing Nominations	7,067	..	..
Capital Grants	29,056	31,968	33,421
Loans in Lieu of Semi-Government	25,000	..	..
Transitional Funding Payment	7,000	..
TOTAL	83,112	61,468	33,421
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Education -</i>					
Higher Education	31,197	1,083	617
Technical and Further Education	1,557	3,099	3,194
Government Schools	5,281	13,389	14,396
Non Government Schools	25,711	22,391	23,607
Joint Schools Programs	1,863	632	720
Aboriginal Advancement	1,007
National Policy on Languages	181	202
Cost Escalation Allowance	2,663
<i>Health -</i>					
Health Program Grants	3,190	3,730	4,989
Hospital Funding Grants	39,240	42,916	47,132
Hospital Waiting List Reduction	345	..	..
Nurse Education	994	440
Home and Community Care	479
Geriatric Assessment	95	243	187
Womens Health Screening	20	57	34
National Better Health	20	107	107
Youth Health Services	52
Funds to Combat AIDS	297	536	581
Drug Education Campaigns	231	321	331
Blood Transfusion Services	358	446	591
Asbestos Removal Assistance	3,200	11,700
<i>Social Security and Welfare -</i>					
Geriatric Assessment	9
Home and Community Care	1,726	2,200	2,086
Children's Services	2,197	962
Mortgage and Rent Relief	430	510	441
Mortgage Relief	248	..
Supported Accommodation Assist	2,047	2,354	2,707
<i>Housing and Community Amenities nec -</i>					
Home Deposit Assistance	130
Assistance for Water and Sewerage	5,611	6,846	7,274
<i>Economic Services-</i>					
<i>Transport -</i>					
Interstate Road Transport	65	102	104

Table 57 - Commonwealth Payments to the Australian Capital Territory (\$ thousands) -
continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimated)
<i>Industry Assistance and Development-</i>					
Bovine Brucellosis and Tuberculosis Eradication	46	28	30
Exotic Diseases Eradication	15	20	53
Soil Conservation	38	110	58
National Industry Extension Service	104	110	124
<i>Labour and Employment -</i>					
Employment Training - Aboriginal	38	37	41
<i>Other Economic Services -</i>					
Unclaimed Moneys	127
<i>General Public Services -</i>					
Legal Aid	1,395	1,779	2,001
<i>Not Allocated to Function -</i>					
Financial Assistance - Local Government	11,291	11,727	12,100
<i>Functions</i>					
National Capital Influences	15,990	17,029	18,093
TOTAL	148,201	138,625	159,370
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Education -</i>					
Higher Education	1,080	..	..
Technical and Further Education	9
Government Schools	1,397	3,490	3,518
Non-Government Schools	1,608	2,369	2,759
<i>Health -</i>					
Teaching Hospitals/Enhancement	494	756	831
Home and Community Care	7
Blood Transfusion Services	18	31	30
<i>Social Security and Welfare -</i>					
Home and Community Care	59	155	162
Children's Services	280	164
Crisis Accommodation Assistance	283	821	655
<i>Housing and Community Amenities nec -</i>					
* Pensioner Housing	574	523	523
Local Government and Community	234	403	403
* CSHA Block Assistance	9,184	15,681	15,681
<i>Culture and Recreation -</i>					
National Estate	92	101	101
<i>Economic Services-</i>					
<i>Transport -</i>					
Australian Centennial Road Development	6,500	12,100	14,200
<i>Not Allocated to Function -</i>					
Establishment Assistance	3,000
Supplementation Grants	9,800	..	..
Underline Payments	7,926	..	..
TOTAL	39,250	36,710	42,043
REPAYMENTS					
ACT Government Loan	4,224	..	..
Housing Nominations	3,177	..	6,859
Land Development Costs	59,600	..
Other	4,092	4,092	16,192
TOTAL	11,493	63,692	23,051

Table 57 - Commonwealth Payments to the Australian Capital Territory (\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-90 (estimated)
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	512,995	434,581	470,085
For Specific Purposes	187,451	175,335	201,413
Total Gross Payments	700,405	609,915	671,498
Repayments	-11,493	-63,692	-23,051
Total Net Payments	688,913	546,233	648,447
ADVANCES					
ACT Government Loan	21,989	22,501	..
Housing Nominations	7,067	..	..
Loan in Lieu of Semi Government Borrowing	25,000	..	..
TOTAL	54,056	22,501	..
INTEREST					
ACT Government Loan	31,186	..	6,000
Housing Nominations	13,244	..	26,371
Land Development Costs	16,400	..
Loans in Lieu of Semi Government Borrowing	5,020	3,275
Other	19,492	12,283	33,817
TOTAL	63,923	33,703	69,463

Table 58 - New South Wales - Commonwealth Payments and Loan Council Borrowings (\$ thousands)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
GENERAL REVENUE FUNDS					
Financial Assistance Grants	3,350,031	3,594,903	3,665,075	3,668,369	3,685,914
Special Revenue Assistance	2,063	7,871	15,062	26	..
Health Grants	626,560	674,001	..	..	..
TOTAL	3,978,654	4,276,775	3,680,137	3,668,395	3,708,035
GENERAL PURPOSE CAPITAL FUNDS					
<i>Loan Council Borrowings -</i>					
Loan Portion	100,152	..	..	..	..
Housing Nominations	150,227	114,447	86,336	..	..
Capital Grants	138,809	58,224	86,336	86,335	79,756
TOTAL	389,188	172,671	172,671	86,335	79,756
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Defence -</i>					
Emergency Services	721	840	822	855	1,001
<i>Education -</i>					
Higher Education	652,153	705,747	686,974	745,923	821,792 ✓
State Contribution to Higher Education					
Superannuation	..	-4,229	-9,430	-12,481	-14,232 ✓
Technical and Further Education	55,603	46,291	46,212	49,541	51,050
Government Schools	189,392	208,038	237,903	260,266	279,835 ✓
Non Government Schools	289,543	310,729	344,897	381,727	402,453 ✓
Aboriginal Advancement	1,267	1,583	2,850	1,513	17,187 ✓
Joint Schools Programs	12,250	9,210	9,465	11,833	13,483 ✓
National Policy on Languages	..	1,867	2,434	2,389	2,671 ✓
Cost Escalation Allowance	..	..	..	..	61,909 ✓
Participation and Equity Program	11,881	11,824	..	..	..
<i>Health -</i>					
Health Program Grants	..	..	1,180	1,180	1,180 ✓
Transfer Pathology Laboratory	..	..	1,139	7,030	7,595
Medicare	414,988	443,520	..	..	..
Hospital Funding Grants	..	..	1,087,271	1,185,683	1,281,098 ✓
Hospital Waiting List Reduction	..	9,073	9,573	..	.. ✓
Nurse Education	..	..	5,065	6,829	12,810 ✓
Home and Community Care	5,721	12,969	14,425	17,169	20,066 ✓
Geriatric Assessment	2,071	2,554	4,783	6,787	8,299 ✓
Women's Health Screening	..	169	433	714	306 ✓
National Diseases Control	82	90	..	..	..
National Better Health	..	..	123	826	826 ✓
Youth Health Services	..	..	..	313	702 ✓
Funds to Combat AIDS	2,325	4,757	5,221	7,640	9,466 ✓
Drug Education Campaigns	5045	5,384	5,691	6,259	8,201 ✓
Blood Transfusion Services	3,782	4,404	4,637	5,060	7,199 ✓
Liver/Heart Transplant Program	620	650	679	719	762 ✓
<i>Social Security and Welfare -</i>					
Geriatric Assessment	..	..	..	..	378 ✓
Home and Community Care	36,888	44,614	54,895	65,930	77,067 ✓
Rehabilitation Centres	976	423	428	400	431
Children's Services	2,012	1,285	1,918	1,091	1,317 ✓
Family Support Services	1,525	2,581	..	..	..
Mortgage and Rent Relief	8,508	8,817	9,257	10,646	8,062 ✓
Mortgage Relief	..	..	..	2,583	..
Supported Accommodation Assistance	13,937	12,432	21,026	26,087	30,007 ✓
Translating and Interpret Services	255	247	173	149	..
Unattached Refugee Children	221	164	177	117	144

*Table 58 - New South Wales - Commonwealth Payments and Loan Council Borrowings
(\$ thousands) - continued*

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
Aboriginal Advancement	2,090	1,298	50	36	..
<i>Housing and Community Amenities nec -</i>					
International Year of Homeless	38	..	..	..	..
Home Deposit Assistance	..	..	..	..	4,800✓
Rental Housing Subsidy	..	..	..	..	4,480
Assistance for Housing	1,848	1,848	1,848	1,848	1,848
Urban Water Supply and Treatment	105	105	140	70	110
Urban Flood Mitigation	207	14	8	..	..
Rainforest Conservation	881	1,617	980	1,386	395
<i>Culture and Recreation -</i>					
Expo 88 Participation	..	100	..	..	..
<i>Economic Services-</i>					
<i>Transport</i>					
Aerodrome Local Ownership Plan	39	..	..	61	65
Interstate Road Transport	570	1,711	4,357	6,817	7,635✓
<i>Industry Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis					
Eradication	3,137	1,956	1,271	1,354	1,198✓
Sugar Industry	762	1,779	605	93	..
Destruction of Organochlorines	..	..	255	..	..
Rural Adjustment Scheme	8,285	11,691	16,674	16,044	18,392
Exotic Disease Eradication	64	49	19	100	32✓
Agricultural Research	141	419	304	319	15
Fertiliser Assistance	7,271	2,788	307	..	..
Irrigation and Other Water Projects	311	120	50	50	200
Afforestation Program	..	338	1,324	1,547	670
Soil Conservation	1,157	1,295	1,802	5,909	5,100✓
Assistance to Tin Mining	112	..	..	-112	..
Coal Rail Freight	..	10,000	..	10,000	..
Other Mining Assistance	..	262	..	..	..
National Industry Extension Service	2,319	2,499	2,713	2,998	3,500✓
<i>Labour and Employment -</i>					
Special Employment Programs	-1,807	..	..	..	..
Community Employment Program	63,903	35,573	..	..	..
Employment Training - Aboriginal	2,909	3,434	2,974	2,694	2,961✓
Coal Mining Industry - Long Service Leave	13,866	29,800	22,792	18,152	15,540
<i>Other Economic Services -</i>					
Company Fees-Revenue Sharing	179	191	343	307	166
<i>General Public Services -</i>					
Sharing of Criminal Asset Recovery	..	..	..	..	122
Legal Aid	6,032	27,939	29,552	30,941	36,055✓
Human Rights	500	415	431	460	388
Reimbursement of Costs - Law Library	330	465	525	485	553
ARC Research Funds	..	..	4,503	26,993	61,139
<i>Not Allocated to Function -</i>					
Sinking Fund on State Debt	16,775	16,902	16,678	16,486	16,297
Debt Redemption Assistance	..	..	..	..	883
Financial Assistance - Local Government	211,754	228,800	229,435	237,124	243,138✓
Compensation - Companies Regulation	..	..	..	..	18,270
Natural Disaster Relief	2,993	1,595	2,175	1,074	5,732
TOTAL	2,058,538	2,231,035	2,892,338	3,178,016	3,562,747

*Table 58 - New South Wales - Commonwealth Payments and Loan Council Borrowings
(\$ thousands) - continued*

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Defence -</i>					
Housing for Servicemen	1,634	1,471	373	..	..
<i>Education -</i>					
Higher Education	65,905	72,782	53,226	58,806	96,333
Technical and Further Education	57,004	65,113	53,167	72,311	71,027
Support for Steel Regions	3,386	..	..	..	..
Government Schools	50,245	54,149	58,709	64,552	65,062
Non-Government Schools	17,948	18,195	20,355	19,290	22,470
Aboriginal Education	..	..	..	879	..
Video Facilities	202	93	..	..	..
<i>Health -</i>					
Albury RALA Sub-Centre	..	85	..	..	..
Teaching Hospitals/Enhancement Program	16,811	16,811	8,100	16,042	17,146
Blood Transfusion Services	401	449	543	372	560
<i>Social Security and Welfare -</i>					
Home and Community Care	994	1,934	3,062	3,645	4,266
Attendant Care Scheme	..	839	..	..	..
Children's Services	26	3,544	2,440	649	1,802
Supported Accommodation Assistance	..	..	1,000	1,000	..
Crisis Accommodation Assistance	4,933	5,447	6,835	13,656	13,595
Youth Accommodation	..	..	..	3,444	..
Aboriginal Advancement	..	206	1,093	..	..
<i>Housing and Community Amenities nec -</i>					
Pensioner Housing Grants	14,282	14,517	13,869	18,520	18,520
Housing Assistance For Aborigines	12,345	12,345	13,641	17,777	17,777
Local Government and Community					
Housing Grants	3,883	4,201	5,596	8,404	8,366
CSHA Block Assistance	182,340	184,439	179,027	244,874	252,918
Urban Water Supply and Treatment	632	1,844	1,586	1,340	1,527
Support for Steel Regions	5,250	664	..	..	..
Urban Flood Mitigation	2,442	3,158	3,356	4,100	5,050
Urban Rehabilitation	3,000	..	..	..	..
Captains Flat Project	182	..	..	..	..
<i>Culture and Recreation -</i>					
National Maritime Museum	18,000	10,000	..	..	..
Bicentennial Programs	8,949	3,928	..	..	..
National Standard Sports Facilities	485	..	..	..	..
National Estate	490	508	547	597	600
<i>Economic Services -</i>					
<i>Transport -</i>					
Australian Land Transport Program	255,050	243,600	134,895	..	..
Australian Bicentennial Road Development	140,000	164,900	82,254	..	..
Australian Centennial Road Development	..	..	170,051	436,500	527,586
Support For Steel Regions	982	..	..	..	..
Burbong Bridge Construction	294	..	..	..	..
<i>Industry Assistance and Development -</i>					
Support For Steel Regions	18,013	5,321	..	..	..
Plant Genetic Resource Program	..	6	..	..	..
Salinity Reduction Control	2,266	1,576	1,300	1,550	2,675
Irrigation and Other Water Projects	50	24	25	463	1,779
Forestry Development	..	..	..	800	500

Table 58 - New South Wales - Commonwealth Payments and Loan Council Borrowings
(\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimated)
<i>Labour and Employment -</i>					
Support for Steel Regions	5,064	3,068	..	..	..
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	..	..	23,214	11,322	32,548
TOTAL	893,488	895,217	838,265	1,000,892	1,162,107
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	4,367,842	4,449,446	3,852,808	3,754,730	3,787,791
For Specific Purposes	2,952,026	3,126,251	3,730,603	4,178,908	4,724,853
Total Gross Payments	7,319,868	7,575,698	7,583,411	7,933,638	8,512,853
Repayments	-103,771	-104,660	-126,903	-113,735	-403,159
Total Net Payments	7,216,098	7,471,039	7,456,508	7,819,903	8,109,486

Table 59- Victoria - Commonwealth Payments and Loan Council Borrowings
(\$ Thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
GENERAL REVENUE FUNDS					
Financial Assistance Grants	2,493,990	2,667,345	2,661,202	2,710,076	2,721,741
Special Revenue Assistance	435	3,604	13,934	..	..
Health Grants	411,908	441,616	..	..	..
TOTAL	2,906,333	3,112,565	2,675,136	2,710,076	2,721,741
GENERAL PURPOSE CAPITAL FUNDS					
<i>Loan Council Borrowings -</i>					
Loan Portion	77,839	..	..	..	..
Housing Nominations	116,758	94,636	71,477	..	..
Capital Grants	107,884	48,318	71,477	71,477	68,263
TOTAL	302,481	142,954	142,954	71,477	68,263
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Defence -</i>					
Emergency Services	496	487	481	457	636
<i>Education -</i>					
Higher Education	599,579	640,995	641,562	669,653	738,542
State Contribution to Higher Education	..	..	..	..	..
Superannuation	..	-3,715	-9,535	-10,871	-12,396
Technical and Further Education	37,409	30,998	29,550	34,041	35,078
Government Schools	138,023	146,095	165,102	187,043	201,106
Non-Government Schools	259,083	277,180	307,558	330,919	348,886
Aboriginal Advancement	1,726	1,770	1,790	1,918	5,084
Joint Schools Programs	10,788	7,709	8,042	9,649	10,994
National Policy on Language	..	1,413	1,836	1,922	2,149
Cost Escalation Allowance	..	..	..	..	50,704
Participation and Equity Program	10,996	5,996	..	..	..
<i>Health -</i>					
Health Program Grants	..	..	1,180	2,680	2,680
Transfer Pathology Laboratory	..	..	1,683	3,028	2,786
Lithotripter Program	..	..	..	328	815
Medicare	266,839	286,114	..	..	..
Hospital Funding Grants	..	..	790,820	863,526	932,159
Hospital Waiting List Reduction	..	9,350	7,929	..	..
Nurse Education	4,256	4,177	6,563	8,353	8,492
Home and Community Care	5,978	14,544	20,419	22,925	26,793
Geriatric Assessment	2,464	2,793	5,149	5,562	7,078
Women's Health Screening	..	222	150	680	113
National Diseases Control	180	102	..	..	..
National Better Health	..	..	94	618	618
Youth Health Services	..	..	..	..	750
Funds to Combat AIDS	1,469	2,123	3,124	4,578	5,696
Drug Education Campaigns	3,803	4,059	4,290	4,739	5,500
Blood Transfusion Services	4,519	5,341	6,269	6,724	7,678
<i>Social Security and Welfare -</i>					
Geriatric Assessment	..	..	..	..	322
Home and Community Care	16,801	36,445	42,724	49,688	58,082
Children's Services	1514	2,736	2,881	1,833	2,062
Family Support Services	1,715	2,943	..	..	..
Mortgage and Rent Relief	6,400	6,623	6949	7961	6038
Mortgage Relief	..	..	..	3,861	..
Supported Accommodation Assistance	10,485	9,327	13,445	15,801	18,522
Translating and Interpreting Services	482	502	353	377	283
Unattached Refugee Children	75	82	71	94	104

*Table 59 --Victoria- Commonwealth Payments and Loan Council Borrowings
(\$ thousand) - continued*

	1986-87	1987-88,	1988-89	1989-90	1990-91 (estimate)
<i>Housing and Community Amenities nec -</i>					
International Year of Homeless	78	..	..	..	..
Home Deposit Assistance	..	..	..	..	3,595
Other Housing Assistance	1,347	1,347	1,347	1,347	1,347
Urban Flood Mitigation	85	4	..	..	..
Urban Water Supply and Treatment	664	510	386	200	250
Rainforest Conservation	69	205	537	95	312
<i>Culture and Recreation --</i>					
Expo 88 Participation	..	100	..	..	..
<i>Economic Services--</i>					
<i>Transport --</i>					
Interstate Road Transport	339	1,018	2,593	4,057	4,123
<i>Industry Assistance and Development --</i>					
<i>Bovine Brucellosis and Tuberculosis</i>					
Eradication	3,266	1,520	1,020	1,075	1,076
Dried Vine Fruit Assistance	1,021	..	..	..	..
Wine Industry Assistance	692	..	..	..	..
Destruction of Organochlorines	..	..	133	..	..
Rural Adjustment Scheme	9,608	10,552	11,553	11,821	13,357
Exotic Disease Eradication	12	5	13	11	25
Agricultural Research	129	206	419	451	..
Fertiliser Assistance	8,105	2,329	224	..	..
Irrigation and Other Water Projects	2,280	1,763	748	318	440
Afforestation Program	..	178	579	1,505	250
Forestry Development	..	..	..	..	5,250
Soil Conservation	578	624	1,413	2,680	2,300
National Industry Extension Service	2,043	2,227	2,398	2,659	3,202
<i>Labour and Employment --</i>					
Special Employment Programs	-2,060	..	..	..	..
Community Employment Program	48,061	23,534	..	..	..
Employment Training - Aboriginal	244	88	331	147	162
<i>Other Economic Services --</i>					
Company Fees-Revenue Sharing	65	78	145	123	73
<i>General Public Services --</i>					
Sharing of Criminal Asset Recovery	..	..	..	..	300
Legal Aid	19,279	20,158	23,291	26,426	29,506
Human Rights	320	277	194	594	324
ARC Research Funds	..	..	3,022	20,608	46,676
<i>Not Allocated to Function --</i>					
Sinking Fund on State Debt	12,728	12,830	12,660	12,526	12,383
Debt Redemption Assistance	..	..	..	..	833
Financial Assistance - Local Government	147,664	165,763	172,726	177,280	182,408
Compensation-Companies Regulation	..	..	..	..	15,972
Natural Disaster Relief	-278	4	4	200	..
TOTAL	1,641,782	1,742,051	2,296,525	2,492,211	2,791,515
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Defence --</i>					
Housing for Servicemen	415	270	233	..	..
<i>Education --</i>					
Higher Education	49,689	71,035	46,950	24,379	39,937
Technical and Further Education	45,025	48,161	38,525	55,342	53,836
Government Schools	37,469	39,736	43,148	45,696	46,058
Non-Government Schools	15,116	17,279	20,289	20,113	23,429

Table 59 --Victoria - Commonwealth Payments and Loan Council Borrowings
(\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
Aboriginal Education	..	..	..	547	..
Video Facilities	20	9	..	..	..
<i>Health -</i>					
Teaching Hospitals/Enhancement Program	12,652	12,652	6,100	12,744	12,320
Blood Transfusion Services	745	1,028	377	328	672
<i>Social Security and Welfare --</i>					
Home and Community Care	5,195	2,396	1,580	..	..
Attendant Care Scheme	..	630	..	..	..
Children's Services	2,322	5,094	1,569	..	916
Crisis Accommodation Assistance	3,711	4,092	5,131	10,212	10,182
Youth Accommodation	..	..	..	2,575	..
Aboriginal Advancement	..	..	..	300	..
<i>Housing and Community Amenities nec -</i>					
Pensioner Housing Grants	8,509	8,560	8,794	10,882	10,882
Housing Assistance For Aborigines	3,417	3,417	3,417	3,638	3,638
Local Government and Community Housing	2,921	3,156	4,200	6,284	6,266
CSHA Block Assistance	140,377	141,004	135,989	190,776	193,991
Urban Water Supply and Treatment	761	605	357	379	710
Urban Flood Mitigation	1,409	1,629	1,374	1,490	1,200
Environment Restoration	..	..	1,500	..	..
<i>Culture and Recreation -</i>					
Bicentennial Programs	3,000	4,747	2,505	..	..
National Standard Sports Facilities	2,281	133	..	..	..
National Estate	490	508	547	597	600
Nature Conservation	12	..	..	..	..
<i>Economic Services-</i>					
<i>Transport -</i>					
Australian Land Transport Program	160,200	151,200	84,966	..	..
Australian Bicentennial Road Development	93,500	98,100	55,823	..	..
Australian Centennial Road Development	..	..	103,011	276,300	340,786
Transport Improvement Grant	..	..	50,000	..	..
<i>Industry Assistance and Development -</i>					
Plant Genetic Resource Program	..	75	35	..	..
Salinity Reduction Control	875	837	1,062	1,742	3,105
Irrigation and Other Water Projects	..	..	..	334	2,354
Portland Aluminium Smelter	1,500	..	..	..	..
TOTALS	591,612	616,352	617,482	664,657	750,880
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	3,208,814	3,255,519	2,818,090	2,781,553	2,790,004
For Specific Purposes	2,233,394	2,358,404	2,914,007	3,156,868	3,542,395
Total Gross Payments	5,442,208	5,613,923	5,732,097	5,938,422	6,332,399
Repayments	-77,981	-79,490	-80,592	-82,493	-312,190
Total Net Payments	5,364,227	5,534,433	5,651,505	5,855,928	6,020,209

Table 60 - Queensland - Commonwealth Payments and Loan Council Borrowings
(\$ thousands)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
GENERAL REVENUE FUNDS					
Financial Assistance Grants	2,205,989	2,414,305	2,233,381	2,438,704	2,532,150
Special Revenue Assistance	3,193	8,657	8,528	..	..
Health Grants	126,984	139,316	..	..	..
TOTAL	2,336,166	2,562,278	2,241,909	2,438,704	2,532,150
GENERAL PURPOSE CAPITAL FUNDS					
<i>Loan Council Borrowings -</i>					
Loan Portion	41,082	..	..	..	..
Housing Nominations	61,622	24,966	18,725	..	..
Capital Grants	56,939	12,483	18,725	18,724	16,095
TOTAL	159,643	37,449	37,499	18,724	16,095
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Defence -</i>					
Emergency Services	690	769	815	822	692
<i>Education -</i>					
Higher Education	298,633	321,897	312,637	333,153	366,645
Technical and Further Education	21,355	17,526	18,935	22,169	22,845
Government Schools	85,631	94,137	105,301	123,092	132,348
Non Government Schools	128,038	140,564	156,235	177,386	187,017
Joint Schools Programs	7,090	5,141	5,382	7,067	8,052
Aboriginal Advancement	889	1,010	1,234	1,278	16,843
National Policy on Language	..	921	1,252	1,444	1,614
Cost Escalation Allowance	..	..	..	..	28,325
Participation and Equity Program	7,876	3,689	..	..	..
<i>Health -</i>					
Health Program Grants	..	..	730	730	730
Transfer Pathology Laboratory	..	..	2,756	13,032	12,979
Hospital Funding Grants			508,162	561,896	615,153
Medicare	78,560	84,695	..	..	..
Hospital Waiting List Reduction	..	2,378	2,430	..	..
Nurse Education	..	500	..	830	2,567
Home and Community Care	2,845	9,388	9,320	13,405	15,667
Geriatric Assessment	213	1,072	1,804	2,392	3,661
Women's Health Screening	..	184	330	789	34
National Diseases Control	120	80	..	..	..
National Better Health	..	..	59	381	385
Youth Health Services	..	..	..	..	492
Funds to Combat AIDS	519	927	1,434	2,155	2,947
Drug Education Campaigns	2,420	2,582	2,729	3,035	3,325
Blood Transfusion Services	2,130	2,307	2,481	3,439	4,326
<i>Social Security and Welfare -</i>					
Home and Community Care	5,004	8,340	11,249	15,617	18,256
Geriatric Assessment	..	..	..	..	167
Children's Services	481	607	638	398	453
Family Support Services	671	1,149	..	..	..
Mortgage and Rent Relief	3,968	4,132	4,418	5,142	3,,960
Mortgage Relief	..	..	..	2,496	..
Supported Accommodation Assistance	8,040	6,699	9,700	11,355	13,189
Translating and Interpreting Services	..	183	56	58	45
Unattached Refugee Children	2	19	22	32	38
Aboriginal Advancement	4,779	5,093	5,477	5,069	..

*Table 60 -Queensland - Commonwealth Payments and Loan Council Borrowings
(\$ thousands) - continued*

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
International Year of Homeless	20	..	..	..	..
Home Deposit Assistance-	..	..	..	..	2,357
Assistance for Housing	423	423	423	423	423
Rainforest Conservation	..	..	..	..	1,463
<i>Economic Services-</i>					
<i>Transport -</i>					
Aerodrome Local Ownership Plan	24	34	297	137	146
Interstate Road Transport	185	555	1,414	2,216	2,153
<i>Industry Assistance and Development -</i>					
<i>Bovine Brucellosis and Tuberculosis</i>					
Eradication	19,950	15,700	12,808	9,379	8,302
Wine Industry Adjustment	211	4	..	..	..
Sugar Industry	22,760	1,075	2,316	2,922	650
Destruction of Organochlorines	..	..	231	..	..
Rural Adjustment Scheme	4,347	6,296	8,246	8,312	9,496
Exotic Diseases Eradication	43	10	42	19	10
Agricultural Research	139	390	609	784	59
Fertiliser Assistance	6,626	7,206	1,953	..	..
Afforestation Program	..	..	141	63	25
Soil Conservation	886	966	1,223	3,192	3,700
Assistance to Tin Mining	757	..	..	-674	..
National Industry Extension Service	866	951	1,006	1,127	1,405
Tourism Developmen	..	..	..	2,167	..
<i>Labour and Employment -</i>					
Special Employment Programs	-21	..	..	..	..
Community Employment Program	29,790	14,771	..	..	..
Employment Training - Aboriginal	2,329	1,607	1,211	2,792	3,067
Coal Mining Industry - Long Service Leave	5,123	12,938	4,560	4,296	7,260
<i>Other Economic Services -</i>					
Company Fees-Revenue Sharing	59	90	114	118	69
<i>General Public Services -</i>					
Legal Aid	11,871	13,374	14,639	16,364	15,704
ARC Research Funds	..	..	1,406	10,746	24,339
<i>Not Allocated to Function -</i>					
Sinking Fund on State Debt	6,879	6,930	6,844	6,770	6,699
Debt Redemption Assistance	..	..	..	..	423
Financial Assistance - Local Government	97,823	106,834	108,322	114,989	120,399
Compensation- Companies Regulation	..	..	..	..	8,995
Natural Disaster Relief	5,796	5,729	8,590	-17	6,162
TOTAL	876,841	911,873	1,341,983	1,494,787	1,690,060
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Defence -</i>					
Housing for Servicemen	257	158	46	..	..
<i>Education -</i>					
Higher Education	26,386	40,833	30,312	15,439	25,291
Technical and Further Education	26,353	26,682	26,976	33,358	32,958
Government Schools	26,276	28,417	31,300	32,262	32,517
Non-Government Schools	5,443	10,929	12,293	7,280	8,480
Aboriginal Advancement	..	..	..	1,448	..
Video Facilities	527	243	..	..	..

*Table 60 - Queensland - Commonwealth Payments and Loan Council Borrowings
(\$ thousands) - continued*

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Health -</i>					
Teaching Hospitals/Enhancement Program	7,713	7,713	4,258	8,002	8,257
Home and Community Care	..	42	98	..	..
Blood Transfusion Services	100	145	501	530	683
<i>Social Security and Welfare -</i>					
Home and Community Care	4,449	1,655	1,963	..	..
Attendant Care Scheme	..	401	..	..	..
Children's Services	1,859	2,939	1,234	7	724
Crisis Accommodation Assistance	2,301	2,553	3,262	6,598	6,678
Youth Accommodation -	..	..	..	1,664	..
Aboriginal Advancement	100	185	338	..	..
<i>Housing and Community Amenities nec -</i>					
Pensioner Housing Grants	7,096	7,396	7,382	9,644	9,644
Housing Assistance For Aborigines	14,109	15,186	19,000	25,228	25,227
Local Government and Community Housing Grants	1,811	1,969	2,671	4,060	4,109
CSHA Block Assistance	73,328	77,545	79,428	92,592	108,368
Urban Water Supply and Treatment	1,145	1,444	2,617	1,268	1,292
Urban Flood Mitigation	243	..	901	1,051	510
<i>Culture and Recreation -</i>					
Bicentennial Programs	5,656	620	..	..	..
National Estate	490	508	547	597	600
Wet Tropics Heritage Area	..	..	..	..	1,500
<i>Economic Services</i>					
<i>Transport -</i>					
Australian Land Transport Program	162,600	159,100	88,768	..	..
Australian Bicentennial Road Development	94,700	95,100	58,655	..	..
Australian Centennial Road Development	..	..	97,076	268,792	312,780
<i>Industry Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis Eradication	..	347	251	57	136
Fisheries Management	1	2,101	40	336	960
Plant Genetic Resource Program	485	..	113	..	..
Irrigation and Other Water Projects	34,007	20,500	6,150	4,728	12373
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	27,627	8,672	20,550	15,314	34,858
TOTAL	525,061	513,384	496,731	530,253	627,944
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	2,495,809	2,599,727	2,279,358	2,457,429	2,548,245
For Specific Purposes	1,401,902	1,425,258	1,838,714	2,025,039	2,318,004
Total Gross Payments	3,897,711	4,024,984	4,118,073	4,482,468	4,866,249
Repayments	-53,575	-56,318	-59,047	-61,484	-178,040
Total Net Payments	3,844,136	3,968,666	4,059,026	4,420,984	4,688,209

Table 61 - Western Australia - Commonwealth Payments and Loan Council Borrowings (\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
GENERAL REVENUE FUNDS					
Financial Assistance Grants	1,263,833	1,393,339	1,451,955	1,494,457	1,560,839
Special Revenue Assistance	2,528	6,479	8,281	..	..
Health Grants	198,584	219,468	..	..	..
TOTAL	1,464,945	1,619,286	1,460,236	1,494,457	1,560,839
GENERAL PURPOSE CAPITAL FUNDS					
<i>Loan Council Borrowings -</i>					
Housing Nominations	71,672	34,503	22,877	..	..
Capital Grants	39,735	11,251	22,877	22,877	22,425
TOTAL	111,407	45,754	45,754	22,877	22,425
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Defence -</i>					
Emergency Services	453	379	418	428	593
<i>Education -</i>					
Higher Education	194,872	209,406	208,581	223,516	245,951
State Contribution to Higher Education					
Superannuation	..	-935	-2,339	-2,779	-3,169
Technical and Further Education	14,832	12,078	11,642	11,858	12,219
Government Schools	50,106	53,609	60,451	69,609	74,842
Non Government Schools	65,235	72,342	80,574	94,316	99,437
Joint Schools Programs	4,448	3,317	3,464	4,517	5,147
Aboriginal Advancement	2,889	2,590	2,749	2,782	14,085
National Policy on Language	..	534	780	690	771
Cost Escallation Allowance	..	..	..	..	16,533
Participation Equity Program	4,287	2,284	..	..	..
<i>Health -</i>					
Health Program Grants	..	..	8,036	8,036	9,293
Public Hospital Running Costs	119	..	..	..	..
Medicare	92,754	100,986	..	..	..
Hospital Funding Grants	..	..	273,869	302,238	329,900
Hospital Waiting List Reduction	..	1,122	1,803	..	..
Nurse Education	1,826	1,282	1,519	1,682	1,722
Home and Community Care	5,814	8,335	9,274	10,708	12,514
Geriatric Assessment	362	273	1,133	1,931	2,685
Women's Health Screening	..	150	200	569	59
National Diseases Control	76	53	..	..	..
National Better Health	..	..	27	..	..
Youth Health Services	..	..	..	..	275
Funds to Combat AIDS	645	1,035	1,255	1,834	2,251
Drug Education Campaigns	1,386	1,478	1,562	1,767	1,807
Blood Transfusion Services	1,590	1,865	2,192	2,142	3,157
<i>Social Security and Welfare -</i>					
Geriatric Assessment	..	..	..	..	122
Home and Community Care	6,272	8,831	11,461	12,696	14,841
Rehabilitation Centres	2,000	..	..	..	..
Childrens' Services	415	428	458	269	318
Family Support Services	908	1,263	..	..	..
Mortgage and Rent Relief	2,197	2,299	2,471	2,898	2,226
Mortgage Relief	..	..	..	1,406	..
Supported Accommodation Assistance	4,784	4,192	6,031	7,024	8,097
Unattached Refugee Children	..	42	43	30	36

*Table 61 - Western Australia - Commonwealth Payments and Loan Council Borrowings
(\$ thousand) - continued*

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
Aboriginal Advancement	9,299	8,634	5,962	2,589	..
<i>Housing and Community Amenities nec -</i>					
International Year of Homeless	11	..	..	..	..
Home Deposit Assistance	..	..	..	..	1,326
Assistance for Housing	627	627	627	627	627
Urban Water Supply and Treatment	80	80	75	..	..
Urban Flood Mitigation	77	..	..	..	..
Rainforest Conservation	71	286	119	111	25
<i>Culture and Recreation -</i>					
Expo 88 Participation	..	100	..	..	..
Americas Cup Defence	5,957	..	..	..	..
<i>Economic Services</i>					
<i>Transport -</i>					
Aerodrome Local Ownership Plan	..	..	..	..	150
Interstate Road Transport	76	229	583	912	888
<i>Industry Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis					
Eradication	1,882	2,183	2,761	4,191	7,107
Dried Vine Fruit Assistance	..	7	..	..	..
Wine Industry Assistance	..	1	..	..	..
Destruction of Organochlorines	..	..	262	..	..
Rural Adjustment Scheme	4,980	5,925	6,763	6,983	7,933
Exotic Disease Eradication	..	23	20	23	28
Agricultural Research	45	117	255	5267	75
Fertiliser Assistance	10,782	3,138	1,308	..	..
Irrigation and Other Water Projects	..	..	..	..	104
Afforestation Program	..	235	359	855	150
Soil Conservation	846	904	1,871	4,370	3,500
National Industry Extension Service	569	620	665	738	911
Tourism Development	..	..	..	1,250	..
<i>Labour and Employment -</i>					
Community Employment Program	16,505	7,793	..	..	..
Employment Training - Aboriginal	1,477	1,308	1,756	1,606	1,631
Coal Mining Industry - Long Service Leave	684	619	1,111	1,045	1,300
<i>Other Economic Services -</i>					
Company Fees-Revenue Sharing	44	72	86	86	51
<i>General Public Services -</i>					
Sharing of Criminal Asset Recovery	..	..	..	..	62
Legal Aid	8,782	10,116	10,801	11,337	11,975
Human Rights	265	193	201	214	226
ARC Research Funds	..	..	1,283	7,148	16,190
<i>Not Allocated to Function -</i>					
Sinking Fund on State Debt	4,452	4,411	4,352	4,307	4,257
Debt Redemption Assistance	..	..	..	..	375
Financial Assistance - Local Government	54,477	59,285	59,892	64,821	67,718
Compensation - Companies Regulations	..	..	..	..	5,536
Natural Disaster Relief	..	..	47	16	..
TOTAL	580,257	596,145	788,814	873,662	987,857
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Defence</i>					
Housing for Servicemen	121	26	..	..	..

*Table 61 - Western Australia - Commonwealth Payments and Loan Council Borrowings
(\$ thousand) - continued*

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Education -</i>					
Higher Education	24,935	23,349	13,704	19,434	31,836
Technical and Further Education	14,431	15,032	14,617	15,414	18,007
Government Schools	14,913	15,990	17,860	17,819	17,960
Non-Government Schools	6,891	4,894	5,419	4,132	4,813
Aboriginal Education	..	..	..	1,103	..
Video Facilities	135	63	..	..	..
WA Defence Infrastructure	..	10,000	..	..	..
<i>Health -</i>					
Teaching Hospitals/Enhancement Program	4,258	4,258	2,167	5,418	4,632
Home and Community Care	..	..	14	..	..
Blood Transfusion Services	475	264	323	352	475
<i>Social Security and Welfare -</i>					
Home and Community Care	1,254	651	936	236	276
Attendant Care Scheme	..	225	..	..	..
Childrens Services	1,230	2,821	494	123	360
Crisis Accommodation Assistance	1,274	1,420	1,824	3,717	3,754
Youth Accommodation	..	..	..	937	..
Aboriginal Advancement	7,046	5,785	5,365	1,924	..
<i>Housing and Community Amenities nec -</i>					
Pensioner Housing Grants	3,095	3,051	3,268	4,153	4,153
Housing Assistance For Aborigines	10,047	10,264	12,121	15,862	15,862
Local Government and Community Housing	1,003	1,095	1,494	2,288	2,310
CSHA Block Assistance	49,239	49,561	48,502	66,266	69,202
Urban Water Supply and Treatment	384	296	1,242	520	498
Urban Flood Mitigation	228	396	117	400	175
<i>Culture and Recreation -</i>					
Bicentennial Programs	1,360	2,861	958	..	..
Assistance for 1991 Swimming	..	..	..	..	3,000
National Standard Sports Facilities	1,366	..	..	..	..
WA Defence Infrastructure	..	5,000	..	..	..
Americas Cup Defence	9	..	..	..	..
World Heritage Assistance	..	..	..	..	600
National Estate	490	508	547	597	600
<i>Economic Services -</i>					
<i>Transport -</i>					
Australian Land Transport Program	99,200	95,400	53,061	..	..
Australian Bicentennial Road Development	55,100	58,700	40,652	..	..
Australian Centennial Road Development	..	..	66,188	160,100	187,580
Railway Projects	38	..	..	..	965
Transport Improvement Grant	..	..	..	20,000	..
WA Defence Infrastructure	..	30,000	..	..	..
<i>Industry Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis	..	..	..	..	..
Eradication	23	..	..	..	216
Salinity Reduction Control	1,160	1,250	5,446	9,861	835
WA Defence Infrastructure	..	15,000	..	..	..
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	194	..	..	..	..
TOTAL	299,901	358,160	296,318	350,656	368,109

*Table 61 - Western Australia - Commonwealth Payments and Loan Council Borrowings
(\$ thousand) - continued*

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	1,576,352	1,665,040	1,505,990	1,517,334	1,583,264
For Specific Purposes	880,157	954,305	1,085,131	1,224,318	1,355,966
Total Gross Payments	2,456,509	2,619,345	2,591,121	2,741,651	2,939,230
Repayments	-42,164	-38,581	-37,048	-32,357	-127,695
Total Net Payments	2,414,347	2,580,764	2,554,074	2,709,294	2,811,536

Table 62 - South Australia - Commonwealth Payments and Loan Council Borrowings (\$ thousands)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
GENERAL REVENUE FUNDS					
Financial Assistance Grants	1,147,046	1,233,323	1,301,100	1,397,060	1,440,008
Special Revenue Assistance	17,996	2,954	14,897	..	..
Health Grants	216,817	233,695	..	..	..
TOTAL	1,381,859	1,469,972	1,315,997	1,397,060	1,440,008
GENERAL PURPOSE CAPITAL FUNDS					
<i>Loan Council Borrowings -</i>					
<i>General Purpose Loans to Territories -</i>					
Housing Nominations	100,943	51,779	39,585	..	..
Capital Grants	55,962	27,390	39,585	39,585	38,963
TOTAL	156,905	79,169	79,169	39,584	38,963
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Defence -</i>					
Emergency Services	366	388	399	468	503
<i>Education -</i>					
Higher Education	189,732	201,512	198,208	210,833	231,912
State Contribution to Higher Education					
Superannuation	..	-1,265	-2,806	-3,014	-3,437
Technical and Further Education	13,616	11,653	11,662	11,635	12,258
Government Schools	47,002	49,081	54,601	62,438	67,133
Non Government Schools	55,581	60,802	66,818	74,083	78,105
Joint School Programs	3,598	2,638	2,846	3,707	4,224
Aboriginal Advancement	2,596	3,261	4,231	3,478	7,757
National Policy on Languages	..	666	1,372	795	889
Cost Escalation Allowance	..	..	..	..	15,131
Participation and Equity Program	3,970	2,171	..	..	..
<i>Health -</i>					
Health Program Grants	..	500	12,340	14,664	17,345
Transfer Pathology Laboratory	426	..	..	..	..
Medicare	117,342	126,583	..	..	..
Hospital Funding Grants	..	..	276,707	301,191	324,436
Hospital Waiting List Reduction	..	2,500	2,317	..	..
Nurse Education	937	952	1,582	2,674	3,239
Home and Community Care	4,578	6,349	7,231	7,810	9,127
Geriatric Assessment	726	270	982	1,523	1,465
Women's Health Screening	..	145	329	733	112
National Diseases Control	40	42	..	..	..
National Better Health	..	..	37	206	206
Youth Health Services	..	..	..	18	228
Funds to Combat AIDS	551	685	904	1,300	1,633
Drug Education Campaigns	1,346	1,435	1,516	1,715	1,756
Blood Transfusion Services	1,561	1,599	1,691	2,761	2,314
<i>Social Security and Welfare -</i>					
Geriatric Assessment	..	..	..	..	67
Home and Community Care	7,332	6,902	7,732	11,029	12,892
Rehabilitation Centres	19	11	..	..	..
Children Services	7,279	8,990	7,610	5,853	5,891
Family Support Services	713	915	..	..	..
Mortgage and Rent Relief	2,114	2,182	2,302	2,630	1,991
Mortgage Relief	..	..	..	1,275	..
Supported Accommodation Assistance	4,649	4,017	5,719	6,459	7,542
Translating and Interpret Services	104	92	168	112	84
Unattached Refugee Children	49	58	26	34	40
Aboriginal Advancement	3,780	3,211	2,088	2,238	..

Table 62 - South Australia - Commonwealth Payments and Loan Council Borrowings
(\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Housing and Community Amenities nec -</i>					
Home Deposit Assistance	..	..	..	..	1,186
Rental Housing Subsidy	..	..	..	..	1,120
Assistance for Housing	941	941	941	941	941
Urban Water Supply and Treatment	..	20	..	275	110
<i>Culture and Recreation -</i>					
Expo 88 Participation	..	100	..	..	..
<i>Economic Services -</i>					
<i>Transport -</i>					
Aerodrome Local Ownership Plan	23	20	121	12	157
Interstate Road Transport	180	541	1,378	2,306	2,219
<i>Industry Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis					
Eradication	1,206	1,323	870	541	785
Dried Vine Fruit Assistance	384	..	..	..	..
Wine Industry Assistance	2,640	..	..	..	..
Destruction of Organochlorines	..	..	88	..	..
Rural Adjustment Scheme	5,439	7,095	7,780	7,905	8,952
Exotic Diseases Eradication	..	26	5	5	34
Agricultural Research	42	22	87	65	..
Fertiliser Assistance	9,816	1,318	226	..	..
Irrigation and Other Water Projects	756	112	212	489	230
Afforestation Program	..	136	449	358	75
Soil Conservation	458	463	860	2,914	1,700
National Industry Extension Service	613	664	706	778	888
<i>Labour and Employment -</i>					
Community Employment Program	15,879	9,375	153	..	..
Employment Training - Aboriginal	526	684	1,094	1,484	1,764
<i>Other Economic Services -</i>					
Company Fees-Revenue Sharing	41	64	79	82	50
<i>General Public Services -</i>					
Legal Aid	6,879	8,637	9,281	9,433	10,185
Human Rights	300	215	224	238	252
ARC Research Funds	..	..	1,548	8,854	20,055
<i>Not Allocated to Function -</i>					
Sinking Fund on State Debt	5,547	5,497	5,079	4,834	4,480
Debt Redemption Assistance	..	..	..	..	458
Financial Assistance - Local Government	49,901	55,519	57,348	58,496	60,044
Compensation Companies regulation	..	..	..	..	4,118
TOTAL	571,581	591,118	757,139	828,659	924,648
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Defence -</i>					
Housing for Servicemen	10	18	..	..	..
<i>Education -</i>					
Higher Education	15,735	19,681	12,529	6,960	11,402
Technical and Further Education	16,612	11,336	16,362	15,401	16,175
Government Schools	13,320	14,351	15,738	15,922	16,048
Non-Government Schools	4,178	3,982	4,957	4,203	4,896
Aboriginal Education	..	..	..	1,535	..
Video Facilities	90	42	..	..	..
<i>Health -</i>					
Teaching Hospitals/Enhancement Program	4,206	4,206	2,041	5,217	4,754
Blood Transfusion Services	256	235	413	466	638

Table 62 - South Australia - Commonwealth Payments and Loan Council Borrowings
(\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Social Security and Welfare -</i>					
Home and Community Care	43	294	849	499	584
Attendant Care Scheme	..	209	..	..	..
Children's Services	401	2,252	559	133	404
Crisis Accommodation Assistance	1,226	1,349	1,700	3,372	3,358
Youth Accommodation	..	..	..	850	..
Aboriginal Advancement	1,170	589	3,639	212	..
<i>Housing and Community Amenities nec -</i>					
Pensioner Housing Grants	2,640	2,614	2,819	3,849	3,849
Housing Assistance For Aborigines	5,595	5,595	6,391	8,341	8,342
Local Government and Community Housing	965	1,040	1,391	2,075	2,067
CSHA Block Assistance	61,004	57,468	52,053	82,060	74,715
Special Assistance for Water	17,000	25,000	50,000	12,000	..
Urban Water Supply and Treatment	6,224	5,797	5,542	5,509	5,477
Urban Flood Mitigation	464	245	3	..	128
<i>Culture and Recreation -</i>					
Bicentennial Programs	227	4,318	1,491	..	..
National Standard Sports Facilities	501	..	..	..	..
National Estate	490	508	547	597	600
<i>Economic Services -</i>					
<i>Transport -</i>					
Australian Land Transport Program	66,600	56,400	31,864	..	..
Australian Bicentennial Road Development	30,300	36,200	19,450	..	..
Australian Centennial Road Development	..	..	37,386	91,300	108,390
<i>Industry Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis Eradication	..	..	..	..	7
Plant Genetic Resource Program	..	30	..	..	..
Salinity Reduction Control	..	282	200	301	450
Irrigation and Other Water Projects	..	..	..	244	600
<i>Labour and Employment -</i>					
Support for Steel Regions	3,915	1,961	1,410	..	..
TOTAL	253,172	256,002	269,332	261,045	262,883
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	1,538,764	1,549,141	1,395,165	1,436,644	1,478,971
For Specific Purposes	824,753	847,120	1,026,471	1,089,704	1,187,531
Total Gross Payments	2,363,517	2,396,260	2,421,636	2,526,349	2,666,502
Repayments	-39,214	-164,287	-102,155	-133,250	-156,937
Total Net Payments	2,324,302	2,231,974	2,319,481	2,393,098	2,509,565

Table 63-Tasmania - Commonwealth Payments and Loan Council Borrowings
(\$ thousands)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
GENERAL REVENUE FUNDS					
Financial Assistance Grants	428,759	452,870	470,672	501,129	522,900
Special Revenue Assistance	19,410	1,392	18,106	..	..
Health Grants	70,461	74,605	..	..	..
TOTAL	518,630	528,867	488,778	501,129	522,900
GENERAL PURPOSE CAPITAL FUNDS					
<i>Loan Council Borrowings -</i>					
Loan Portion	21,714	..	..	..	..
Housing Nominations	32,572	36,877	27,658	..	..
Capital Grants	30,097	18,438	27,658	27,658	27,468
TOTAL	84,383	55,315	55,315	27,657	27,468
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Defence -</i>					
Emergency Services	192	149	216	249	240
<i>Education -</i>					
Higher Education	53,730	57,198	56,287	60,660	67,880
State Contribution to Higher Education					
Superannuation	..	-5	-96	-131	-149
Technical and Further Education	4,417	3,881	3,988	5,119	5,237
Government Schools	15,358	16,572	18,200	20,522	22,065
Non Government Schools	17,794	18,964	20,635	23,821	25,115
Joint Schools Programs	1,006	886	928	978	1,115
Aboriginal Advancement	131	141	103	192	2,261
National Policy on Language	..	..	536	213	238
Cost Escallation Allowance	..	..	..	..	4,752
Participation and Equity Program	1,571	758	..	..	..
<i>Health -</i>					
Transfer Pathology Laboratory	1,299	1,397	1,470	1,641	1,719
Medicare	35,020	36,672	..	..	..
Hospital Funding Grants	..	..	84,606	91,968	99,028
Hospital Waiting List Reduction	..	255	303	..	..
Nurse Education	106	202	440	639	923
Home and Community Care	464	1,654	1,988	2,298	2,685
Geriatric Assessment	273	291	421	473	732
Womens Health Screening,	..	..	..	430	25
National Better Health	..	..	20	87	87
Youth Health Services	..	..	..	..	79
Funds to Combat AIDS	71	223	271	520	560
Drug Education Campaigns	515	548	579	694	694
Blood Transfusion Services	333	375	387	602	469
<i>Social Security and Welfare -</i>					
Geriatric Assessment	..	..	..	..	33
Home and Community Care	734	1,868	2,506	3,815	4,460
Rehabilitation Centres	1,690	..	..	..	..
Childrens Services	138	153	148	2,859	1,316
Family Support Services	200	298	..	..	..
Mortgage and Rent Relief	686	710	742	836	630
Mortgage Relief	..	..	..	405	..
Supported Accommodation Assistance	2,265	2,007	2,907	3,252	3,659
Aboriginal Advancement	39	41	44	..	..

*Table 63-Tasmania - Commonwealth Payments and Loan Council Borrowings
(\$ thousands) - continued*

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Housing and Community Amenities nec -</i>					
Home Deposit Assistance	..	..	...	..	376
Assistance for Housing	314	314	314	314	314
Urban Flood Mitigation	6	..	..	..	..
Rainforest Conservation	..	49	456	350	582
<i>Culture and Recreation -</i>					
Expo 88 Participation	..	100	..	..	..
South West Tasmania Heritage Area	2,000	2,200	2,336	5,496	5,855
<i>Economic Services -</i>					
<i>Transport -</i>					
Aerodrome Local Ownership Plan	242	282	..	285	327
Interstate Road Transport	7	21	54	85	82
<i>Industry Assistance and Development -</i>					
Wheat Freight Subsidy	..	..	..	2,960	3,375
Bovine Brucellosis and Tuberculosis Eradication	95	78	94	88	85
Destruction of Organochlorines	..	..	8	..	..
Rural Adjustment Scheme	819	993	1,275	1,353	1,507
Exotic Disease Eradication	..	4	23	..	..
Agricultural Research	29	56	122	133	51
Fertiliser Assistance	..	207	..	..	..
Irrigation and Other Water Projects	..	..	..	..	50
Afforestation Program	..	476	997	1,220	200
Forest Industry Package	..	..	8,000	13,674	14,325
Soil Conservation	197	240	332	962	900
Assistance to Tin Mining	80	..	..	-35	..
National Industry Extension Service	366	367	368	290	340
Tourism Assistance	..	..	..	2,196	..
<i>Labour and Employment -</i>					
Special Employment Programs	-33	..	..	..	..
Community Employment Program	5,152	2,478	..	..	..
Forest Industry Package	..	..	..	3,540	1,500
Employment Training - Aboriginal	61	143	92	31	34
Coal Mining Industry - Long Service Leave	97	92	158	87	100
<i>Other Economic Services -</i>					
Company Fees-Revenue Sharing	24	66	66	68	43
<i>General Public Services -</i>					
Legal Aid	76	84	84	329	..
ARC Research Funds	..	..	339	2,964	6,721
<i>Not Allocated to Function -</i>					
Sinking Fund on State Debt	3,486	3,514	3,468	3,432	3,395
Debt Redemption Assistance	..	..	..	..	247
Financial Assistance - Local Government	18,564	19,285	18,350	18,565	19,027
Compensation- Companies Regulation	..	..	..	..	1,276
Natural Disaster Relief	..	..	..	-546	..
Assistance for South West Tasmania	26,529	28,431	30,036	31,659	33,654
TOTAL	196,144	207,923	264,780	311,642	340,213
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Defence -</i>					
Housing for Servicemen	..	50	55	..	..
<i>Education -</i>					
Higher Education	7,029	5,475	2,706	3,210	5,258
Technical and Further Education	4,824	7,315	3,849	3,663	3,662

*Table 63-Tasmania - Commonwealth Payments and Loan Council Borrowings
(\$ thousands) - continued*

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
Government Schools	4,362	4,730	5,128	5,565	5,610
Non-Government Schools	1,032	1,195	1,322	1,271	1,481
Aboriginal Education	..	..	..	69	..
Video Facilities	6	3	..	..	..
<i>Health -</i>					
Teaching Hospitals/Enhancement Program	1,400	1,400	615	1,900	1,617
Launceston General Hospital	5,707	11,204	8,500	5,142	300
Blood Transfusion Services	106	25	72	428	50
<i>Social Security and Welfare -</i>					
Home and Community Care	353	..	235	..	..
Attendant Care Scheme	..	66	..	..	..
Childrens Services	399	529	275	3	162
Crisis Accommodation Assistance	398	439	548	1,072	1,064
Youth Accommodation	..	..	..	270	..
<i>Housing and Community Amenities nec --</i>					
Pensioner Housing Grants	855	839	845	1,179	1,179
Housing Assistance For Aborigines	696	696	696	696	696
Local Government and Community Housing	313	339	448	660	655
CSHA Block Assistance	24,701	23,222	20,952	44,983	37,383
Urban Water Supply and Treatment	..	314	286	258	298
Urban Flood Mitigation	56	80	1,076	1,080	250
<i>Culture and Recreation -</i>					
Bicentennial Programs	515	993	1,341	..	..
National Standard Sports Facilities	1,430	..	..	..	..
National Estate	490	508	547	597	600
Cradle Mountain Visitor Centre	..	..	800	..	..
<i>Economic Services -</i>					
<i>Transport -</i>					
Aerodrome Local Ownership Plan	5	16	..	..	..
Australian Land Transport Program	32,800	28,493	15,300	..	..
Australian Bicentennial Road Development	15,200	18,400	11,140	..	..
Australian Centennial Road Development	..	..	21,373	49,800	55,890
Second Hobart Bridge	61	..	..	..	..
<i>Industry Assistance and Development -</i>					
Industrial Development	..	..	..	10,500	..
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	..	..	2,993	302	..
Public Sector Restructuring	..	..	..	40,000	..
Assistance For South West Tasmania	3,347	759	1,061	1,813	50
TOTAL	106,085	107,090	102,163	174,461	116,204
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	603,013	584,182	544,093	528,786	550,368
For Specific Purposes	302,229	315,013	366,944	486,103	456,417
Total Gross Payments	905,242	899,195	911,036	1,014,889	1,006,785
Repayments	-17,792	-18,137	-18,359	-18,236	-77,619
Total Net Payments	887,450	881,058	892,677	996,653	929,165

Table 64 - Northern Territory - Commonwealth Payments and Loan Council Borrowings (\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
GENERAL REVENUE FUNDS					
Financial Assistance Grants	..	..	621,656	649,784	675,215
Special Revenue Assistance	1,235	2,845	59,099	45,452	50,227
General Revenue Grants	628,132	689,980	..	..	..
Special Grants	..	-14381	..	..	..
TOTAL	629,367	678,444	680,755	695,236	725,442
GENERAL PURPOSE CAPITAL FUNDS					
<i>General Purpose Loans to NT -</i>					
Loan Portion	33,954	..	..	..	..
Housing Nominations	50,931	56,797	43,848	..	..
Capital Grants	47,060	30,899	43,848	43,848	43,816
TOTAL	131,945	87,696	87,696	43,848	43,816
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Defence -</i>					
Emergency Services	149	189	190	200	186
<i>Education -</i>					
Higher Education	8,642	9,318	11,209	15,997	17,581
Technical and Further Education	2,303	2,049	1,805	1,782	1,836
Government Schools	7,018	7,321	8,450	8,708	9,362
Non Government Schools	4,710	5,276	5,896	7,458	7,863
Joint Schools Programs	929	725	804	731	833
Aboriginal Advancement	..	..	..	50	21,788
National Policy on Language	..	309	242	191	214
Cost Escallation Allowance	..	..	..	..	1,751
Participation and Equity Program	614	390	..	..	..
<i>Health -</i>					
Medicare	12,400	13,418	..	..	..
Hospital Funding Grants	..	..	19,240	20,673	22,278
Nurse Education	117	64	86	42	155
Home and Community Care	..	..	..	40	47
Geriatric Assessment	139	112	401	429	488
Women's Health Screening	..	..	24	496	17
National Diseases Control	34	37	..	..	..
National Better Health	..	..	20	122	122
Youth Health Services	..	..	..	15	37
Funds to Combat AIDS	154	268	284	479	619
Drug Education Campaigns	212	225	238	275	275
Blood Transfusion Services	191	200	230	247	324
<i>Social Security and Welfare -</i>					
Geriatric Assessment	..	..	..	..	22
Home and Community Care	584	613	888	1,095	1,280
Rehabilitation Centres	30	45	53	106	..
Childrens' Services	224	165	219	186	177
Family Support Services	194	217	..	..	..
Mortgage and Rent Relief	227	237	261	291	165
Mortgage Relief	..	..	..	141	..
Supported Accommodation Assistance	1,279	972	1,583	1,871	2,200
Translating and Interpreting Services	191	68	85	73	53
Aboriginal Advancement	70	957	2,314	2,000	..

Table 64 - Northern Territory - Commonwealth Payments and Loan Council Borrowings
(\$ thousand)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Housing and Community Amenities nec -</i>					
Home Deposit Assistance	..	..	..	..	231
Urban Water Supply and Treatment	9	33	50	..	40
Urban Flood Mitigation	48	56	116	81	130
Environmental Restoration	510	231	..	1,000	3,000
Rainforest Conservation	44	113	45	300	132
<i>Culture and Recreation -</i>					
Expo 88 Participation	..	100	..	..	..
<i>Economic Services -</i>					
<i>Transport -</i>					
Aerodrome Local Ownership Plan	92	..	..	105	111
Interstate Road Transport	51	154	391	612	596
<i>Industry Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis Eradication	9,087	12,073	11,048	11,451	28,500
Destruction of Organochlorines	..	..	23	..	..
Rural Adjustment Scheme	400	696	971	929	1,064
Exotic Disease Eradication	32	44	52	27	37
Agricultural Research	..	..	10	7	..
Afforestation Program	..	..	..	..	50
Soil Conservation	278	308	398	594	1,100
Assistance to Tin Mining	32	..	..	..	..
PAWA (NT) Assistance	29,456	47,535	90,890	..	30,000
National Industry Extension Service	128	86	85	92	100
Tasmanian Consultancy - International	..	..	..	2,167	..
Tourism	..	..	..	..	..
<i>Labour and Employment -</i>					
Special Employment Programs	-31	..	..	..	..
Community Employment Program	1,711	804	..	..	..
Employment Training - Aboriginal	1,709	169	61	457	502
<i>Other Economic Services -</i>					
Company Fees-Revenue Sharing	7	61	51	58	35
<i>General Public Services -</i>					
Legal Aid	..	..	..	200	2,468
<i>Not Allocated to Function -</i>					
Sinking Fund on State Debt	1,561	1,641	1,617	1,599	1,581
Debt Redemption Assistance	..	..	..	..	114
Financial Assistance - Local Government	5,430	6,045	6,248	6,464	6,564
Compensation - Companies Regulation	..	..	..	..	814
Natural Disaster Relief	..	-202	465	261	106
Grants in Lieu of Royalties	4,471	3,987	3,211	2,792	3,637
TOTAL	102,114	117,107	170,254	92,892	170,585
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Education -</i>					
Higher Education	191	260	124	..	..
Technical and Further Education	1,172	5,042	4,818	3,924	2,378
Government Schools	4,142	3,955	4,951	2,277	2,295
Non-Government Schools	1,182	1,114	1,454	439	512
Aboriginal Advancement	..	..	..	1,166	..
Video Facilities	319	147	..	..	..
<i>Health -</i>					
Teaching Hospitals/Enhancement Program	500	500	225	421	443
Blood Transfusion Services	28	22	20	41	54

*Table 64 - Northern Territory - Commonwealth Payments and Loan Council Borrowings
(\$ thousand)*

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Social Security and Welfare -</i>					
Home and Community Care	..	59	113	195	229
Attendant Care Scheme	..	65	..	..	..
Childrens Services	168	251	..	..	..
Crisis Accommodation Assistance	157	200	200	373	369
Youth Accommodation	..	..	..	94	..
Aboriginal Advancement	377	54	4,500	4,500	..
<i>Housing and Community Amenities nec -</i>					
Pensioner Housing Grants	523	523	523	523	523
Housing Assistance For Aborigines	11,791	12,497	14,734	19,158	19,458
Local Government and Community Housing	104	200	200	229	227
CSHA Block Assistance	18,611	16,761	14,649	55,701	40,673
Urban Water Supply and Treatment	87	119	250	322	346
Urban Flood Mitigation	14	..	15	5	20
<i>Culture and Recreation -</i>					
Bicentennial Programs	404	943	465	..	..
National Standard Sports Facilities	475	..	..	..	..
National Estate	235	232	261	296	288
<i>Economic Services -</i>					
<i>Transport -</i>					
Australian Land Transport Program	29,000	30,100	16,772	..	..
Australian Bicentennial Road Development	10,800	8,800	4,978	..	..
Australian Centennial Road Development	..	..	17,050	40,250	53,200
<i>Industry Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis					
Eradication	441	306	16	69	136
PAWA (NT) Assistance	40,575	810	..	..	..
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	..	..	3,873	830	594
TOTAL	121,296	82,962	90,192	131,112	121,744
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	761,312	766,140	768,451	739,084	769,258
For Specific Purposes	223,409	200,069	260,444	224,006	292,329
Total Gross Payments	984,721	966,209	1,028,895	963,090	1,061,588
Repayments	-9,951	-12,422	-11,501	-9,119	-32,123
Total Net Payments	974,771	953,787	1,017,396	953,969	1,029,465

Table 65 - Commonwealth Payments and Loan Council Borrowings to the Six States and the Northern Territory (\$ thousands)

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
GENERAL REVENUE FUNDS					
Financial Assistance Grants	10,889,647	11,756,085	12,405,040	12,859,578	13,160,888
Special Revenue Assistance	46,860	33,802	137,907	45,478	50,227
Health Grants	1,651,313	1,782,701	..	..	..
General Revenue Grants	628,132	689,980	..	..	..
Special Grants	..	-14,381	..	..	..
TOTAL	13,215,953	14,248,187	12,542,947	12,905,056	13,211,115
GENERAL PURPOSE CAPITAL FUNDS					
<i>Loan Council Borrowings -</i>					
Loan Portion	240,787	..	..	..	..
<i>General Purpose Loans to Territories -</i>					
Loan Portion	33,954	..	..	..	..
Housing Nominations	584,725	414,005	310,504	..	..
Capital Grants	476,486	207,003	310,504	310,504	296,786
TOTAL	1,335,952	621,008	621,008	310,504	296,786
SPECIFIC PURPOSE PAYMENTS -CURRENT PURPOSES					
<i>Defence -</i>					
Emergency Services	3,068	3,201	3,341	3,479	3,851
<i>Education -</i>					
Higher Education	1,997,342	2,146,073	2,115,458	2,259,735	2,490,302
State Contribution to Higher Education	..	..	..	..	..
Superannuation	..	-10,199	-24,206	-29,276	-33,384
Technical and Further Education	149,536	124,475	123,793	136,145	140,523
Government Schools	532,531	574,852	650,008	731,677	786,692
Non Government Schools	819,984	885,857	982,613	1,089,711	1,148,876
Joint Schools Programs	40,109	29,626	30,931	38,483	43,848
Aboriginal Advancement	9,498	10,355	12,958	11,210	85,004
National Policy on Language	..	5,968	8,452	7,644	8,545
Cost Escalation Allowance	..	..	..	..	179,106
Participation and Equity Program	41,195	27,115	..	..	..
<i>Health -</i>					
Health Program Grants	..	500	23,466	27,290	31,228
Transfer Pathology Laboratory	1,725	1,397	7,048	24,731	25,079
Lithotripter Program	..	..	..	328	815
Public Hospital Running Costs	119	..	..	..	..
Medicare	1,017,903	1,094,988	..	..	..
Hospital Funding Grants	..	..	3,040,675	3,327,176	3,604,051
Hospital Waiting List Reduction	..	24,678	24,355	..	..
Nurse Education	7,242	7,176	15,254	21,050	29,908
Home and Community Care	25,401	53,240	62,657	74,354	86,899
Geriatric Assessment	6,249	7,365	14,672	19,098	24,408
Women's Health Screening	..	870	1,466	4,412	666
National Diseases Control	533	404	..	..	..
National Better Health	..	..	380	2,241	2,245
Youth Health Services	..	..	..	346	2,563
Funds to Combat AIDS	5,734	10,017	12,493	18,505	23,173
Drug Education Campaigns	14,727	15,710	16,605	18,484	21,558
Blood Transfusion Services	14,106	16,091	17,887	20,976	25,467
Liver/Heart Transplant Program	620	650	679	719	762
<i>Social Security and Welfare -</i>					
Geriatric Assessment	..	..	..	..	1,111
Home and Community Care	73,616	107,612	131,455	159,870	186,878
Rehabilitation Centres	4,716	479	481	506	431

Table 65 - Commonwealth Payments and Loan Council Borrowings to the Six States and Northern Territory (\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
Childrens' Services	12,063	14,363	13,871	12,489	11,534
Family Support Services	5,926	9,365	..	..	..
Mortgage and Rent Relief	24,100	25,000	26,400	30,404	23,073
Mortgage Relief	..	..	..	12,167	..
Supported Accommodation Assistance	45,439	39,646	60,411	71,849	83,216
Translating and Interpreting Service	1,033	1,090	835	769	465
Unattached Refugee Children	348	365	340	307	363
Aboriginal Advancement	20,417	19,552	16,245	11,931	..
<i>Housing and Community Amenities nec -</i>					
International Year of Homeless	147	..	..	..	..
Deposit Assistance	..	..	..	..	13,870
Rental Housing Subsidy	..	..	..	..	5,600
Assistance for Housing	5,500	5,500	5,500	5,500	5,500
Urban Water Supply and Treatment	858	748	651	545	510
Urban Flood Mitigation	423	74	124	81	130
Environmental Restoration	510	231	..	1,000	3,000
Rainforest Conservation	1,065	2,271	2,137	2,242	2,909
<i>Culture and Recreation -</i>					
Expo 88 Participation	..	600	..	..	..
Americas Cup Defence	5,957	..	..	..	..
Wet Tropic Qld - Heritage Area	..	..	..	..	4,000
South West TAS - Heritage Area	2,000	2,200	2,336	5,496	5,855
<i>Economic Services -</i>					
<i>Transport -</i>					
Aerodrome Local Ownership Plan	419	336	417	601	956
Interstate Road Transport	1,409	4,230	10,771	17,005	17,696
<i>Industry Assistance and Development -</i>					
TAS Wheat Freight Subsidy	..	..	..	2,960	3,375
Bovine Brucellosis and Tuberculosis					
Eradication	38,623	34,834	29,871	28,079	47,053
Dried Vine Fruit Assistance	1,405	7	..	..	..
Wine Industry Assistance	3,543	5	..	..	..
Sugar Industry	23,521	2,854	2,922	3,015	650
Destruction of Organochlorines	..	..	1,000	..	..
Rural Adjustment Scheme	33,878	43,248	53,263	53,347	60,700
Exotic Disease Eradication	151	162	174	185	165
Agricultural Research	524	1,209	1,807	2,026	200
Fertiliser Assistance	42,600	16,986	4,018	..	..
Irrigation and Other Water Projects	3,347	1,995	1,010	857	1,024
Afforestation Program	..	1,363	3,850	5,548	1,420
Forestry Industry	..	..	8,000	13,674	19,575
Soil Conservation	4,400	4,800	7,900	20,620	18,300
Assistance to Tin Mining	980	..	..	821	..
Coal Rail Freight	..	10,000	..	10,000	..
Other Mining Assistance	..	262	..	..	..
PAWA (NT) Assistance	29,456	47,535	90,890	..	30,000
National Industry Extension Service	6,904	7,415	7,941	8,681	10,346
Tourism Development	..	..	..	7,780	..
<i>Labour and Employment -</i>					
Special Employment Programs	-3,950	..	..	..	..
Community Employment Program	181,001	94,328	153	..	..
Forestry Development	..	..	..	3,540	1,500
Employment Training - Aboriginal	9,255	7,433	7,520	9,211	10,121
Coal Mining Industry - Long Service Leave	19,769	43,450	28,621	23,581	24,200

Table 65 - Commonwealth Payments and Loan Council Borrowings to the Six States and Northern Territory (\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 (estimate)
<i>Other Economic Services -</i>					
Company Fees-Revenue Sharing	420	622	885	841	486
<i>General Public Services -</i>					
Sharing of Criminal Asset Recovery	..	..	..	..	484
Legal Aid	52,919	80,308	87,647	95,031	105,892
Human Rights	1,385	1,100	1,049	1,506	1,190
Reimbursement of Costs - Law Library	330	465	525	485	553
ARC Research Funds	..	..	12,103	77,313	175,120
<i>Not Allocated to Function -</i>					
Sinking Fund on State Debt	51,428	51,725	50,697	49,953	49,094
Debt Redemption Assistance	..	..	..	..	3,332
Financial Assistance - Local Government	585,613	641,532	652,500	677,740	699,292
Compensation - Companies Regulation	..	..	..	..	54,980
Natural Disaster Relief	8,510	7,125	11,282	987	12,000
Assistance for South - West Tasmania	26,529	28,431	30,036	31,659	33,654
Grants in Lieu of Royalties	4,471	3,987	3,211	2,792	3,637
Recreation Leave - Furlough Entitlement	6,677	..	..	..	..
TOTAL	6,027,257	6,397,252	8,511,833	9,271,869	10,467,625
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Defence -</i>					
Housing for Servicemen	2,437	1,993	707	..	..
<i>Education -</i>					
Higher Education	189,870	233,415	159,552	128,228	210,056
Technical and Further Education	165,421	178,681	158,314	199,412	198,042
Support for Steel Regions	3,386	..	..	..	..
Government Schools	150,726	161,328	176,835	184,093	185,550
Non-Government Schools	51,790	57,587	66,089	56,729	66,081
Aboriginal Advancement	..	..	..	6,747	..
Video Facilities	1,300	600	..	..	..
WA Defence Infrastructure	..	10,000	..	..	..
<i>Health -</i>					
Albury RALA Sub-Centre	..	85	..	..	..
Teaching Hospitals/Enhancement	47,540	47,540	23,506	49,744	49,169
Launceston General Hospital	5,707	11,204	8,500	5,142	300
Home and Community Care	..	42	112	..	..
Blood Transfusion Services	2,110	2,168	2,249	2,515	3,131
<i>Social Security and Welfare -</i>					
Home and Community Care	12,288	6,990	8,738	4,575	5,355
Attendant Care Scheme	..	2,435	..	..	..
Childrens Services	6,405	17,430	6,571	914	4,368
Supported Accommodation Assistance	..	..	1,000	1,000	..
Crisis Accommodation Assistance	14,000	15,500	19,500	39,000	39,000
Youth Accommodation	..	..	..	9,834	..
Aboriginal Advancement -	8,693	6,819	14,935	6,935	..
<i>Housing and Community Amenities nec -</i>					
Pensioner Housing Grants	37,000	37,500	37,500	48,750	48,750
Housing Assistance For Aborigines	58,000	60,000	70,000	91,000	91,000
Local Government and Community	11,000	12,000	16,000	24,000	24,000
CSHA Block Assistance	549,600	550,000	530,600	777,250	777,250
Special Assistance for Water	17,000	25,000	50,000	12,000	..
Urban Water Supply and Treatment	9,234	10,419	11,880	9,596	10,148
Support for Steel Regions	5,250	664	..	..	..
Urban Flood Mitigation	4,857	5,509	6,842	8,126	7,333

Table 65 - Commonwealth Payments and Loan Council Borrowings to the Six States and Northern Territory (\$ thousands) - continued

	1986-87	1987-88	1988-89	1989-90	1990-91 - (estimate)
Urban Rehabilitation	3,000	..	..	..	..
Captains Flat Project	182	..	..	..	..
Environment Restoration	..	..	1,500	..	..
<i>Culture and Recreation -</i>					
National Maritime Museum	18,000	10,000	..	..	..
Bicentennial Programs	20,110	18,409	6,759	..	..
Assistance for 1991 Swimming	..	..	..	..	3,000
National Standard Sports Facilities	6,539	133	..	..	..
WA Defence Infrastructure	..	5,000	..	..	..
America's Cup Defence	9	..	..	..	..
National Estate	3,175	3,282	3,541	3,878	3,885
Cradle Mountain Visitor Centre	..	..	800	..	..
Wet Tropics Qld - Heritage Area	..	..	..	..	1,500
World Heritage Assistance	..	..	..	..	600
Nature Conservation	12	..	..	..	..
<i>Economic Services -</i>					
<i>Transport -</i>					
Aerodrome Local Ownership Plan	5	16	..	..	..
Australian Land Transport Program	805,450	764,293	425,626	..	..
Australian Bicentennial Road Development	439,600	480,200	272,953	..	..
Australian Centennial Road Development	..	..	512,135	1,323,042	1,586,212
Support For Steel Regions	982	..	..	..	..
Second Hobart Bridge	61	..	..	..	..
Burbong Bridge Construction	294	..	..	..	..
Railway Projects	38	..	..	..	965
Transport Improvement Grant	..	..	50,000	20,000	..
WA Defence Infrastructure	..	30,000	..	..	..
<i>Industry Assistance and Development -</i>					
Support For Steel Regions	18,013	5,321	..	..	..
Bovine Brucellosis and Tuberculosis Eradication	464	653	267	126	495
Fisheries Management	1	2,101	40	336	960
Plant Genetic Resource Program	485	111	148	..	..
Salinity Reduction Control	4,301	3,945	8,008	13,454	7,065
Irrigation and Other Water Projects	34,057	20,524	6,175	5,769	17,106
Forestry Development	..	..	..	800	500
PAWA (NT) Assistance	40,575	810	..	..	..
TAS Industrial Development	..	..	..	10,500	..
WA Defence Infrastructure	..	15,000	..	..	..
Portland Aluminium Smelter	1,500	..	..	..	..
<i>Labour and Employment -</i>					
Support for Steel Regions	8,979	5,029	1,410	..	..
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	27,821	8,672	50,631	27,767	68,000
Public Sector Restructuring	..	..	..	40,000	..
Assistance For South West Tasmania	3,347	759	1,061	1,813	50
TOTAL	2,790,615	2,829,168	2,710,482	3,113,075	3,409,871
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	14,551,905	14,869,195	13,163,955	13,215,560	13,507,901
For Specific Purposes	8,817,873	9,226,420	11,222,316	12,384,944	13,877,496
Total Gross Payments	23,369,778	24,095,615	24,386,270	25,600,505	27,385,397
Repayments	-344,445	-473,895	-435,605	-450,674	-1,287,762
Total Net Payments	23,025,333	23,621,720	23,950,665	25,149,831	26,097,635