

GRACE FILE BARCODE



CBR0000553990



COMMONWEALTH
FINANCIAL RELATIONS
WITH OTHER LEVELS
OF GOVERNMENT
1991-92

CIRCULATED BY
THE HONOURABLE JOHN KERIN, M.P.,
TREASURER OF THE COMMONWEALTH OF AUSTRALIA
FOR THE INFORMATION OF
HONOURABLE MEMBERS ON THE OCCASION
OF THE BUDGET 1991-92

BUDGET PAPER No. 4

COPY NO. - 06

THIS COPY FOR:

ASSISTANT SECRETARY
REVENUE AND RESEARCH BRANCH

1991-92 BUDGET PAPERS

Budget Speech

- No. 1 **Budget Statements 1991-92**
Contains detailed information on the Budget figuring and measures, an historical perspective and explanatory material on the broader economic context.
- No. 2 **The Commonwealth Public Account 1991-92**
Contains information relating to the Consolidated Revenue Fund (including the Appropriation Bills Nos 1 and 2 and Appropriation (Parliamentary Departments) Bill), the Loan Fund and the Trust Fund.
- No. 3 **Portfolio Program Estimates 1991-92**
Presents an analysis of appropriations, outlays and staffing for each portfolio in program format.
- No. 4 **Commonwealth Financial Relations with other levels of Government 1991-92**
Provides information on Commonwealth financial relations with the States, Territories and local government, and on budget developments in the State/local sector.

1991-92 BUDGET RELATED PAPERS

- No. 1 **Government Securities on Issue at 30 June 1991**
Provides data on the structure and movement of securities of the Commonwealth, the States and the Territories.
 - No. 2 **National Income and Expenditure 1990-91**
Gives estimates of gross domestic product, gross national expenditure and national income for the last five years.
 - No. 3 **Income Tax Statistics 1989-90 Income Year**
Contains a summary of certain income tax data for individuals and companies for the income year 1989-90.
 - No. 4 **Australia's Overseas Aid Program 1991-92**
Details Australia's overseas aid programs.
 - No. 5 **Women's Budget Statement 1991-92**
An assessment of the impact on women of the 1991-92 Budget.
 - No. 6 **Science and Technology Budget Statement 1991-92**
Outlines Commonwealth support for science and technology with a particular focus on major Commonwealth research agencies and programs supporting research-related activities.
 - No. 7 **Social Justice for Indigenous Australians 1991-92.**
Outlines Commonwealth programs and services for Aboriginal and Torres Strait Islander people.
 - No. 8 **Program Performance Statements**
19 Volumes—Presents details of 1990-91 expenditure and estimates for 1991-92 on a program basis and relates these figures to program performance.
 - No. 9 **Health Care in Australia—Directions for reform in the 1991-92 Budget**
Describes the major structural problems facing Australia's health care system, and outlines reforms in the 1991-92 Budget to the equity and efficiency of the health care system.
- Report of the Auditor-General**
A report on the Financial Statements prepared by the Minister for Finance for the year ended 30 June 1991.
(This document is to be released in November 1991.)

1991-92 BUDGET PAPER No. 4

COMMONWEALTH
FINANCIAL RELATIONS
WITH OTHER LEVELS
OF GOVERNMENT
1991-92

CIRCULATED BY
THE HONOURABLE JOHN KERIN, M.P.,
TREASURER OF THE COMMONWEALTH OF AUSTRALIA
FOR THE INFORMATION OF
HONOURABLE MEMBERS ON THE OCCASION
OF THE BUDGET 1991-92

AUSTRALIAN GOVERNMENT PUBLISHING SERVICE
CANBERRA 1991

© Commonwealth of Australia 1991

ISBN 0 644 14810 1

This work is copyright. Apart from any use as permitted under the *Copyright Act 1968*, no part may be reproduced by any process without written permission from the Director Publishing and Marketing AGPS. Inquiries should be directed to the Manager, AGPS Press, Australian Government Publishing Service, GPO Box 84, Canberra, ACT 2601.

CONTENTS

Preface	1
Chapter I: Introduction	5
Forms of Commonwealth Financial Assistance to the States and the Territories	5
State and Local Authority Borrowings	10
Institutional Arrangements	10
Summary of 1991 Premiers' Conference and Loan Council Meeting Outcome	11
Reform of Inter-Governmental Relations	13
Chapter II: Structure and Trends in State and Local Government Finances	15
The Structure of the Public Sector	15
Developments in State and Local Government Financial Aggregates	19
An Overview of Developments to 1990-91	19
Outlook	28
Interstate Comparisons of Financial Developments	30
Factors Influencing Interstate Comparisons	30
Major Fiscal Aggregates	32
Analysis of Outlays and Revenue	39
Public Sector Employment	44
Net Debt and Net Interest Payments	48
Chapter III: General Revenue Assistance	51
General Revenue Assistance to the States and the Territories in 1990-91 and 1991-92	51
Level of Financial Assistance Grants	53
Distribution of Financial Assistance Grants	54
Special Revenue Assistance Grants	60
General Revenue Assistance to the ACT	60
Arrangements for the States and the Territories Beyond 1991-92	63
The States	63
The ACT	63
General Purpose Assistance for Local Government in 1991-92	64
General Purpose Assistance for Local Government in the States	64
General Purpose Assistance for Local Government in the ACT	66

Fiscal Equalisation and the Distribution of General Revenue Assistance	67
Chapter IV: General Purpose Capital Assistance and Borrowings by the State/Local Sector	72
General Purpose Capital Assistance	72
Redemption of State Debt	74
Financing of General Purpose Capital Assistance	76
Loan Council Arrangements Applying to Authority Borrowings	78
The Global Approach	80
Overseas Borrowings within the Global Approach	81
Global Borrowing Limits for 1991-92	82
Local Government Authority Borrowings	84
Chapter V: Specific Purpose Payments	86
Overview	86
Nature and Purpose of Specific Purpose Payments	86
SPC Review of Tied Grants	87
Classification of Specific Purpose Payments	88
Level of Specific Purpose Payments	90
Distribution of Specific Purpose Payments	92
Education	96
Hospital Funding Grants	98
Disability Services Programs	99
Community Services Programs	100
Aboriginal Advancement	101
Housing	101
Roads	102
Compensation Related to New Arrangements for Companies and Securities Regulation	102
Natural Disaster Relief	104
Assistance Related to State Debts	104
Assistance to Local Government Authorities	106
Appendix I: Total Commonwealth Payments to States and Territories 1987-88 to 1991-92	A-1
Appendix II: Tables of Payments to the States and the Territories for 1987-88 to 1991-92	A-9
Appendix III: Tables of Payments to or for Local Government Authorities, 1987-88 to 1991-92	A-51

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. In Budget Paper No. 1, this distinction shows in the use of the term 'payment' as a gross measure and the term 'outlay' as a net measure, an approach which is also 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 focusses on payments on a gross basis, although tables showing repayments are included to enable net figures to be derived.

In this Paper, 'payment' is also used 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 its use in Budget Paper No. 1. In instances where the net measure is more appropriate, the term 'net payment' is used.

Statement 6 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 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.

(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 Budget Paper No. 7 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 an historical summary of general purpose assistance showing general revenue payments from 1950-51 and special grants from 1910-11.

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

On the other hand, data in this Paper for the ACT are presented on a basis which allows a more useful comparison of 1988–89 and later year figures:

- amounts paid into the ACT fiscus in 1988–89—that is, prior to self-government—are treated as payments to the ACT; 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 1990–91 and 1991–92, 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 1990 have

been used for 1990–91 and Treasury projections of population at 31 December 1991 for 1991–92. These population figures are in Table 9.

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 (5513.0)*; and
- *Classifications Manual for Government Finance Statistics, Australia (1217.0)*.

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

- *Report on General Revenue Grant Relativities 1991 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

- The following abbreviations are used for names of the States and Territories:

NSW New South Wales
VIC Victoria
QLD Queensland
WA Western Australia
SA South Australia
TAS Tasmania
NT Northern Territory
ACT Australian Capital Territory

CHAPTER I—INTRODUCTION

This chapter provides an overview of the Commonwealth Government's financial relations with other levels of government and the institutional arrangements underpinning 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 total public sector spending. This situation, referred to as one of **vertical fiscal 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 progressively taking over the full responsibility for debt previously 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 per cent of Commonwealth Budget outlays in 1990–91 and were equivalent to around 35 per cent of State and Territory outlays.

Commonwealth payments to local government amounted to about 1 per cent of Commonwealth Budget outlays and were equivalent to about 10 per cent 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 per cent of estimated Commonwealth net payments to the States and the Territories in 1991–92.

- **General purpose capital payments** are untied payments to assist with outlays for capital purposes. In the past, they have comprised advances at market interest rates of the proceeds of borrowings by the Commonwealth on behalf of the States as well as concessional loans and capital grants. Under current arrangements, they are 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 provide particular services or undertake particular projects. In 1991–92, around 80 per cent of specific purpose payments are for current purposes and most 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 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** which comprise untied grants and which are the local government equivalent of general purpose assistance to the State government sector. The grants are paid initially to the States which 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** which are made to local government authorities under various Commonwealth expenditure programs (eg children's services). They account for less than 1 per cent of estimated Commonwealth payments to other levels of government in 1991–92.

Table 1 shows payments to the State/local sector under these headings for the years since 1987–88. Table 2 shows the major aggregates on a *per capita* basis. Additional details are provided in Chapters III to V and in the appendices to 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										
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	1,494	1,397	501	695	12,905	373	13,278
1990-91	3,702	2,712	2,521	1,548	1,435	522	729	13,167	434	13,601
1991-92(a)	3,628	2,678	2,645	1,597	1,503	558	773	13,382	417	13,800
Specific Purpose - Current										
1987-88	2,229	1,885	911	600	590	208	117	6,541	na	6,541
1988-89	2,890	2,389	1,341	793	756	264	170	8,604	148	8,752
1989-90	3,178	2,625	1,494	882	830	309	93	9,410	136	9,547
1990-91	3,464	3,316	1,638	986	909	317	157	10,786	162	10,948
1991-92(a)	3,947	3,305	1,911	1,165	1,048	402	159	11,939	191	12,129
Total Current										
1987-88	6,506	4,998	3,473	2,220	2,060	737	795	20,789	na	20,789
1988-89	6,570	5,064	3,583	2,253	2,072	753	851	21,147	578	21,725
1989-90	6,847	5,335	3,932	2,376	2,227	810	788	22,315	510	22,825
1990-91	7,166	6,027	4,158	2,534	2,343	839	886	23,953	597	24,550
1991-92(a)	7,575	5,983	4,556	2,762	2,551	961	933	25,321	608	25,929
General Purpose Capital										
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	71	19	23	40	28	44	311	61	372
1990-91	80	68	16	22	39	27	44	297	33	330
1991-92(a)	99	83	26	28	44	29	44	351	34	386
Specific Purpose - Capital										
1987-88	895	616	513	358	256	107	83	2,829	na	2,829
1988-89	838	617	497	296	269	102	90	2,710	39	2,750
1989-90	1,001	665	530	351	261	175	131	3,113	36	3,150
1990-91	1,241	756	663	359	267	117	130	3,531	40	3,571
1991-92(a)	1,118	721	615	295	224	99	90	3,161	31	3,193
Total Capital (Gross)										
1987-88	1,068	759	551	404	335	162	171	3,450	na	3,450
1988-89	1,011	760	534	342	349	157	178	3,331	122	3,454
1989-90	1,087	736	549	374	301	202	175	3,424	98	3,522
1990-91	1,321	824	679	381	306	144	174	3,828	73	3,901
1991-92(a)	1,216	804	641	322	267	128	134	3,513	66	3,579
Specific Purpose Payments to the States										
1987-88	1,758	1,329	790	589	505	213	178	5,362	na	5,362
1988-89	2,366	1,815	1,212	718	684	267	235	7,298	148	7,446
1989-90	2,691	2,047	1,361	818	728	373	194	8,211	135	8,346
1990-91	3,080	2,714	1,546	876	766	311	249	9,542	159	9,701
1991-92(a)	3,183	2,480	1,633	906	807	363	206	9,578	166	9,744
Specific Purpose Payments through the States										
1987-88	1,366	1,172	634	370	341	102	22	4,008	na	4,008
1988-89	1,362	1,192	626	371	341	100	25	4,017	39	4,056
1989-90	1,488	1,243	663	414	363	111	30	4,313	38	4,351
1990-91	1,625	1,358	755	469	409	122	38	4,776	43	4,819
1991-92(a)	1,882	1,546	893	554	465	139	43	5,522	56	5,578

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
Total General Purpose										
1987-88	4,449	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	768	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	3,781	2,780	2,537	1,570	1,474	549	772	13,464	468	13,932
1991-92(a)	3,727	2,760	2,671	1,625	1,547	587	818	13,734	452	14,186
Total Specific Purpose										
1987-88	3,124	2,501	1,424	958	846	315	200	9,370	na	9,370
1988-89	3,728	3,007	1,838	1,089	1,026	367	260	11,315	187	11,502
1989-90	4,179	3,290	2,024	1,233	1,091	483	224	12,524	173	12,697
1990-91	4,705	4,071	2,301	1,344	1,175	433	287	14,318	202	14,519
1991-92(a)	5,065	4,026	2,527	1,460	1,272	502	249	15,100	222	15,322
Total Payments to the States and Territories										
1987-88	7,574	5,757	4,024	2,623	2,396	899	966	24,239	na	24,239
1988-89	7,581	5,825	4,117	2,595	2,421	911	1,029	24,479	700	25,179
1989-90	7,934	6,071	4,481	2,750	2,528	1,012	963	25,739	608	26,347
1990-91	8,486	6,851	4,837	2,915	2,649	983	1,060	27,781	670	28,451
1991-92(a)	8,791	6,786	5,197	3,084	2,818	1,089	1,067	28,834	674	29,508
Payments Made Direct to Local Government Authorities										
1987-88	33	38	16	9	3	4	2	105	..	105
1988-89	32	38	24	14	4	4	1	117	..	117
1989-90	33	35	17	14	4	5	2	110	..	110
1990-91	32	38	14	14	5	4	1	110	..	110
1991-92(a)	51	55	20	17	4	7	2	157	..	157
Total Payments (Gross)										
1987-88	7,607	5,795	4,040	2,633	2,399	903	968	24,344	na	24,344
1988-89	7,613	5,862	4,142	2,609	2,425	915	1,030	24,595	700	25,295
1989-90	7,967	6,107	4,498	2,763	2,532	1,017	965	25,849	608	26,457
1990-91	8,519	6,890	4,852	2,929	2,655	987	1,061	27,891	670	28,561
1991-92(a)	8,843	6,841	5,217	3,102	2,823	1,096	1,069	28,991	674	29,665
Repayments by the States, Territories and Local Government Authorities										
1987-88	105	79	56	39	164	18	12	474	na	474
1988-89	127	81	59	37	102	18	12	436	11	447
1989-90	114	82	61	32	133	18	9	451	64	514
1990-91	413	731	177	130	286	77	33	1,847	31	1,878
1991-92(a)	908	687	276	251	257	198	92	2,668	32	2,700
Total Payments (Net)										
1987-88	7,503	5,715	3,984	2,594	2,234	885	956	23,870	na	23,870
1988-89	7,486	5,782	4,083	2,572	2,323	896	1,018	24,160	689	24,848
1989-90	7,854	6,024	4,437	2,731	2,398	999	955	25,399	544	25,942
1990-91	8,106	6,158	4,675	2,799	2,369	910	1,028	26,044	639	26,683
1991-92(a)	7,935	6,154	4,941	2,850	2,566	898	977	26,323	642	26,965

(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										
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	4,442	774	1,324	783
1990-91	631	615	858	938	991	1,138	4,601	778	1,505	790
1991-92(a)	611	601	882	949	1,026	1,207	4,815	780	1,414	791
General Purpose Capital										
1987-88	31	34	14	30	56	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	14	15	5	14	27	60	277	18	116	19
1991-92(a)	17	19	9	17	30	62	276	20	116	22
Specific Purpose Payments to the States										
1987-88	311	314	292	387	360	475	1,134	332	na	327
1988-89	412	423	435	457	483	593	1,504	444	537	446
1989-90	464	470	474	506	508	822	1,236	492	480	492
1990-91	525	616	526	531	529	679	1,573	564	549	564
1991-92(a)	536	557	545	539	551	785	1,283	558	564	558
Total Specific Purpose										
1987-88	552	591	526	630	604	703	1,275	581	na	571
1988-89	649	700	659	693	724	816	1,664	689	677	689
1989-90	721	756	705	763	762	1,065	1,430	751	614	749
1990-91	803	924	783	815	812	945	1,814	846	699	844
1991-92(a)	854	904	842	868	868	1,084	1,551	880	752	878
Total Payments to the States, Territories and Local Government Authorities (Net)										
1987-88	1,326	1,349	1,471	1,704	1,594	1,976	6,096	1,480	na	1,455
1988-89	1,303	1,346	1,464	1,637	1,639	1,993	6,511	1,471	2,495	1,488
1989-90	1,355	1,385	1,545	1,691	1,675	2,202	6,103	1,523	1,930	1,530
1990-91	1,383	1,398	1,591	1,696	1,636	1,983	6,494	1,539	2,214	1,550
1991-92(a)	1,337	1,382	1,647	1,695	1,752	1,941	6,086	1,534	2,175	1,545

(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 and 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 over a number of years. 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 purpose 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 regularly 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. Arrangements concerning program implementation are established with State, Territory and local governments. Discussions to that end 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 the financing of outstanding debt arising from borrowings on behalf of the six State Governments. 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 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 the States are now taking responsibility for this debt as it matures—this process should be finalised by about 2005.

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 1991 PREMIERS' CONFERENCE AND LOAN COUNCIL MEETING OUTCOME

Arrangements for the States

The main funding issues decided at the 1991 Premiers' Conference and Loan Council meeting on 31 May 1991 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:

- consistent with undertakings provided to the States at the previous year's Premiers' Conference, the level of general revenue assistance for the States is to be maintained in 1991–92 at the same real level as was provided in 1990–91. Except for special assistance to the NT (see below), that assistance is to be distributed amongst the States in accordance with the Grants Commission's recommended relativities contained in its 1991 Update Report (see Chapter III);
- the NT would receive \$40m 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 1990–91 with comparable general purpose capital assistance grants of \$43.8m to the NT and \$33.4m to the ACT;
- general purpose payments to local government for 1991–92 would also be maintained at the same real level as in 1990–91; and
- the agreed basic global borrowing limits of authorities of the six States for 1991–92 would total \$3750m—that is, the same nominal level as for 1990–91. Their interstate distribution is consistent with the phased transition to a *per capita* basis by 1994–95, agreed at the 1990 Loan Council meeting. The following temporary additions to the global limits have also been agreed:
 - \$300m for VIC to finance redundancies as one of the measures designed to improve the efficiency of the public sector;
 - \$100m for NSW to assist in financing infrastructure associated with the 2000 Olympic bid and \$200m to finance redundancies;
 - \$50m for WA to assist with redundancies and bunching of infrastructure in 1991–92. Loan Council also agreed to a special addition of \$50m to WA's

1990–91 borrowing limit to assist with a bunching of infrastructure expenditure. (Under arrangements agreed at the May 1985 Loan Council meeting, WA was also granted a special addition of \$70.6m to finance abnormal levels of SECWA gas inventories acquired from the North West Shelf project—this amount is provided from within the aggregate basic global limit for State authorities rather than as an addition to aggregate basic global limits); and

- \$15m for the NT to assist in the rationalisation of computer and communications services, and the government vehicle fleet; and \$33m for the State Square project.

Arrangements for the ACT

Under previously agreed 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 then progressively moved to a basis similar to the States during the two following years. However for 1989–90 and 1990–91 it was agreed that the difference between the level of general revenue assistance implied by the ACT's real terms guarantee and that consistent with equal treatment with the States would be paid into the ACT Transitional Funding Account on the basis that the principal and accrued interest would be available to the ACT to assist in its transition to State-like levels of funding. Consistent with this agreement, the 1991 Premiers' Conference agreed that the level of general revenue assistance for the ACT in 1991–92 would be based upon the Commonwealth Grants Commission's 1991 assessment of ACT finances (on a State-like basis) supplemented by the release of all the accumulated funds in the ACT Transitional Funding Trust Account. This implies a general revenue grant for the ACT of \$417m in 1991–92 compared with \$434m received in 1990–91. (Chapter III provides further details).

Other Decisions

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

- agreement that the Commonwealth consult with the Chairman of the Commonwealth Grants Commission and the States and Territories regarding a possible further review of the interstate distribution of local government general purpose payments. This followed the Commonwealth's decision, in the light of the findings of the recent Grants Commission Report on general purpose grants for Local Government, to adhere to the existing equal *per capita* interstate distribution of these funds in 1991–92 (discussed more fully in Chapter III);
- agreement to implement the recommendations of the Working Group on the uniform presentation of Government financial information established at the 1990 Premiers' Conference; and
- the finalisation of detailed arrangements, including compensation, to implement the agreement reached at the 1990 Loan Council meeting for States and Territories to

progressively assume responsibility for debt raised on their behalf under the Financial Agreement and under analogous arrangements for the Territories.

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 was to examine 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 government services. In particular, the processes envisaged a wide-ranging series of joint reviews aimed at:

- reviewing the financial relationship between all levels of government;
- identifying opportunities for more cooperative and integrated action in areas such as microeconomic reform, environmental standards, and industrial relations; and
- developing improved arrangements for delivering programs to avoid overlap and duplication between levels of government and improve efficiency and social equity.

These processes would be guided by a series of Special Premiers' Conferences (SPCs): the first was held in Brisbane on 30–31 October 1990.

In regard to inter-governmental financial relations, the October 1990 SPC:

- agreed to enhanced consultative arrangements between the Commonwealth and the States in preparation for the annual Premiers' Conference and Loan Council meetings. These arrangements—subsequently implemented for the May 1991 Premiers' Conference—included greater exchange of information on the overall macroeconomic situation and prospects, the financial position of the Commonwealth and the States and overall Commonwealth and State fiscal strategies. It also involved the provision of the Commonwealth's financial offer to the States, on a confidential government-to-government basis, two days in advance of the meeting rather than on the morning of the meeting as had previously been the case;
- established a Working Group of officials to consider the question of vertical fiscal imbalance, including the impact of the current distribution of Commonwealth and State taxation powers on government accountability and macroeconomic management, and to identify possible options for reform; and
- established a further Working Group of officials to examine the current range of specific purpose payments to the States and Territories, and to recommend how the conditions associated with them may be eliminated or modified to achieve greater flexibility for State Governments and improve program efficiency. The objective is to increase States' budgetary flexibility by reducing the share of tied grants in total Commonwealth payments to the States while improving services to clients. Within this context, it was agreed that Commonwealth funds provided to States and local government for local roads would be untied with effect from 1991–92. (Chapter V

provides details on the review of tied grants, while Chapter III includes a discussion of the implementation of the decision to untie local roads funding.)

Both working groups are due to report to the next SPC currently scheduled for November 1991, following progress reports endorsed at the 30 July 1991 SPC.

In addition to the financial matters addressed at the 1990 and 1991 SPCs, review processes have been initiated, and in some cases reforms agreed, on a wide range of issues in the areas of:

- **Microeconomic Reform**, including reform of Public Trading Enterprises; regulatory reform; the establishment of a National Rail Corporation; road transport regulation, charging and funding arrangements; electricity generation, transmission and distribution; regulation of Non-bank Financial Institutions; and competition policy;
- **Duplication of Services**, including functional reviews to be conducted by relevant Ministers;
- **Infrastructure Arrangements**, including in regard to Urban Settlement;
- **Environment and Resource Security**, including development of an Intergovernmental Agreement on the Environment; and
- **Industrial Relations**, to enhance co-ordination and cooperative efforts.

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

This chapter reviews financial relations between the various levels of government; and analyses recent fiscal developments in both the State/local sector and individual States.

THE STRUCTURE OF THE PUBLIC SECTOR

The State/local sector is an important component of public sector outlays, employment and final demand. Developments in this sector therefore have a major influence on overall national economic performance. Commonwealth and State policies—and the relationship between them—are crucial to the achievement of national economic policy objectives.

Chart 1 shows, for 1989–90, each sector's share of the major financial aggregates, including their contribution to final demand, together with the distribution of public sector employment.

Own Purpose Outlays and Own Source Revenue

The Commonwealth accounts for about 70 per cent of public sector revenue but only 50 per cent of total public sector outlays when transfers to other levels of government are excluded. Conversely, the State sector directly accounts for only 25 per cent of public sector revenue raising—but 45 per cent 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 per cent of Commonwealth sector outlays and about 40 per cent of revenues for the State/local sector. Table 3 identifies the revenue sources of Commonwealth, State and local government in 1989–90.

Table 3—Sources of Revenue for Each Level of Government, 1989–90 (%)

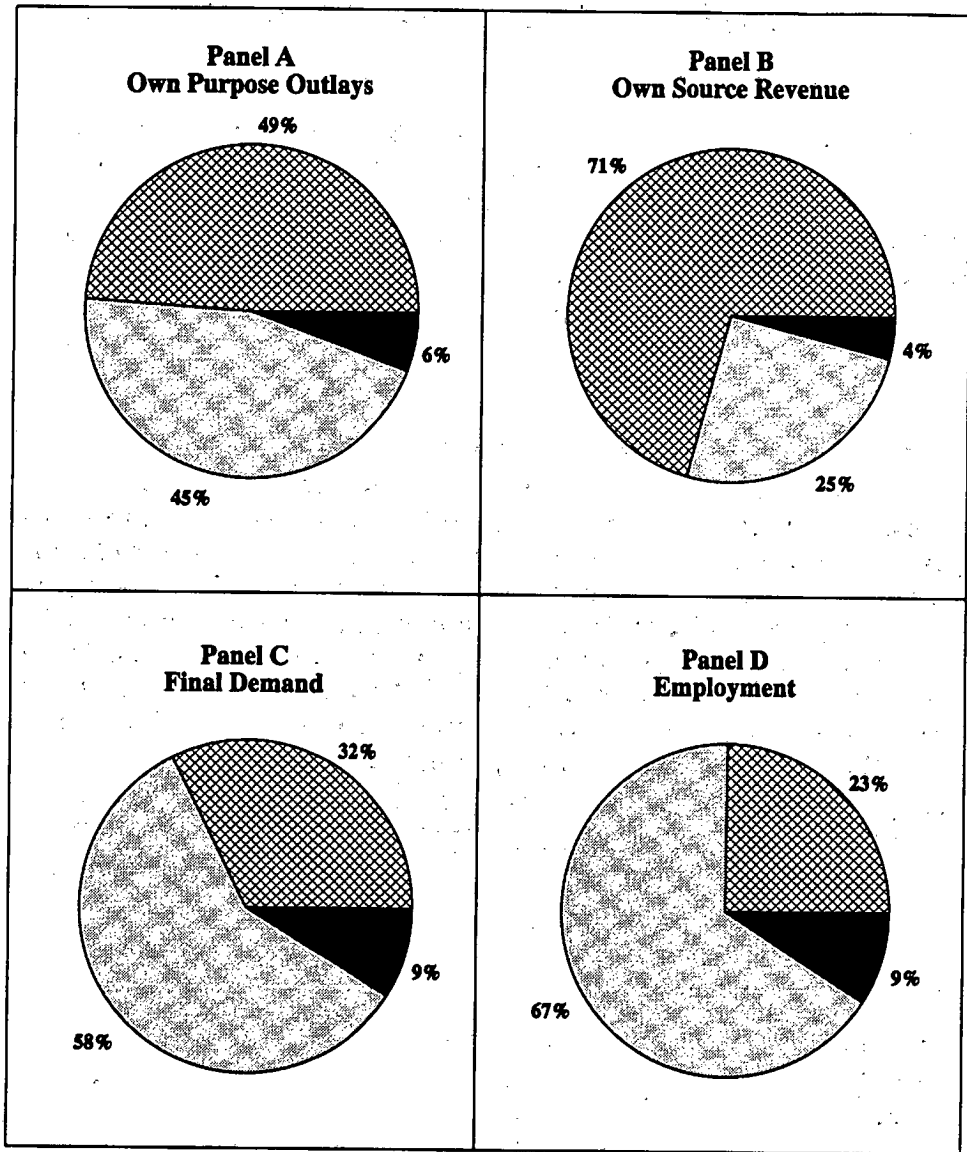
	Commonwealth	State	Local
Own-Source Revenue			
Taxes, Fees and Fines	91	33	53
Net Operating Surplus (a)	3	9	8
Other	7	16	18
Total Own-Source Revenue	100	58	78
Payments from Higher Levels of Government			
- from Commonwealth (b)	na	42	15
- from State	na	na	7
Total Revenue	100	100	100

(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 later in this chapter and in Statement 6 of Budget Paper No. 1.

(b) In 1989–90, Commonwealth payments to local government comprised general revenue assistance (8.9% of local government revenue), direct payments to local government (1.4% of local government revenue) and specific purpose payments to the States that were on-passed to local government (4.6% of local government revenue).

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

CHART 1: PUBLIC SECTOR FINANCIAL AGGREGATES AND EMPLOYMENT: SHARES OF EACH LEVEL OF GOVERNMENT 1989-90 (%)



 Commonwealth
  State
  Local

Source: Pre-release of *Government Financial Statistics* (currently unpublished), and *Employed Wage and Salary Earners*, ABS Cat. No. 6248.0

Contribution to Final Demand and Public Sector Employment

After transfers to other levels of government, the Commonwealth spends about half of the remaining total outlays on personal benefit payments. These payments to individuals do not add directly to public sector demand or resource use (other than 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, 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 therefore accounts for a large proportion of public sector employment (around three quarters) and of public sector final demand (around two thirds).

Commonwealth-State Financial Relations and the Achievement of National Policy Objectives

The Commonwealth general government sector plays a primary role in deciding on and implementing the macroeconomic management and distributional elements of fiscal policy. However, each level of government necessarily affects the conduct and effectiveness of fiscal policy. The Commonwealth controls the bulk of the nation's revenue base and has substantial expenditure on personal benefit payments. At the same time, the State/local sector exerts an important influence on resource allocation through delivering the bulk of public sector final demand (including public sector infrastructure) and employment.

As a consequence, the Commonwealth's financial relations with the State/local sector are influenced by the need to encourage consistency in fiscal policy between each level of government.

In this regard, the States' response to Commonwealth policies is important in determining the overall economic impact of public sector activity. For example, if macroeconomic policy objectives call for 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 at least partly offset the requirement to cut spending by raising their own taxes. 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. Those results would detract from or defeat the principal objectives of national macroeconomic policy.

States are, however, constrained in the extent to which they can respond in these ways. In conjunction with increasing public and financial market scrutiny of the States' financial position, 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. Similarly, their ability to substantially bolster revenue by increasing taxes has tended to be limited by their relatively narrow tax base and by community resistance to higher tax rates. There is also the possibility that competition between

States—underpinned by a range of economic factors—may constrain the ability of States to exercise adjustments in tax rates.

Equally, the significant influence exercised by the States over resource allocation, and in particular, State responsibility for the majority of Australia's public trading enterprises (PTEs) underlines the desirability of a cooperative Commonwealth-State approach to achieve national objectives in the area of structural policy and microeconomic reform. This is fundamental to the broad ranging joint review processes initiated at the October 1990 Special Premiers' Conference (SPC) in Brisbane (discussed in Chapter I).

The States have also recognised the potential financial gains from improving the efficiency of their PTE sectors and reducing the demands made by this sector on State budgets.

Vertical Fiscal Imbalance

Among the various reviews initiated at the October 1990 SPC is a review of the current distribution of tax powers between the Commonwealth and the States. The imbalance between the revenue raising capacity and expenditure responsibilities highlighted above is generally referred to as vertical fiscal imbalance (VFI). The October 1990 SPC communique recognised the need to address the question of VFI, with a view to reducing that imbalance while recognising the necessity for the Commonwealth to have adequate means to meet national responsibilities for effective macroeconomic management. A committee of Commonwealth and State officials has been asked to examine this issue in conjunction with a review of expenditure responsibilities (particularly the proportion of funding provided by the Commonwealth in tied or specific purpose form, as opposed to general purpose assistance). A report on progress was considered at the 30 June SPC and the committee will present a further report to the SPC scheduled for November 1991.

Key elements of the terms of reference for this review are:

- to enable each level of government to have access to reliable sources of revenue which are, so far as possible, commensurate with expenditure responsibilities and national responsibilities for macroeconomic management;
- to ensure a rational allocation of revenue powers between levels of Government that further improves the efficiency, effectiveness, equity and simplicity of the Australian taxation system;
- to maintain revenue neutrality on a national basis (that is the overall national level of taxation should not increase); and
- acceptance of the principle of horizontal fiscal equalisation.

The review seeks to respond to concerns that the existing degree of VFI in Australia reduces Commonwealth and State Governments accountability (by blurring the distinction between each level of government's expenditure responsibilities and its revenue powers); and that many existing State taxes are narrowly based and, consequently, inefficient and inequitable.

DEVELOPMENTS 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.

A distinction is often made between general government activities and total State/local sector activities which cover both general government and 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 from taxation revenues with the services generally provided free of direct charge or at a charge well below cost. The PTE sector consists of government-owned enterprises that provide goods and services for sale in the market with the aim of recovering at least a significant proportion of their operating costs through charges. State/local sector PTEs include, *inter alia*, the electricity and public transport systems.

The distinction between the general government sector and PTEs can be important for policy purposes. To the extent that PTEs operate on a fully commercial basis, the PTE sector borrowing requirement should not be of concern from a fiscal policy perspective. Fully commercial PTEs should compete for the nation's resources on the same basis as private firms and are subject to the same economic and policy environment as are private firms. However, in practice, many PTEs are a long way short of being fully commercial in their operations. Furthermore, by virtue of their public ownership, most PTEs are not subject to the same financial and other market scrutiny as are private firms.

In essence, the PTE sector as a whole can be significantly influenced by non-market considerations but, in turn, their spending and revenue decisions can impact substantially on the economy. They are, therefore, important for not only broader public sector policy but also for fiscal policy. The following analysis examines both the State and local sector as a whole (including PTEs) and the State and local general government sector.

AN OVERVIEW OF DEVELOPMENTS TO 1990-91

Charts 2 and 3 and Tables 4, 5 and 6 provide information on trends in State/local sector financial aggregates.

After reaching a peak in 1982-83 (see Charts 2 and 3), 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.

Several factors contributed to this outcome:

- the cumulative impact of cuts in both net Commonwealth payments and the sector's global borrowing limit since 1985-86. This 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 13 per cent in real terms and the sector's global borrowing limit fell by around 45 per cent in nominal terms to \$3.9 billion;

- strong growth in State/local sector own source revenues (by 20 per cent in real terms over the period) reflecting largely cyclical influences—in particular buoyant stamp duty revenues associated with the equities and property market booms; and
- outlays restraint, especially capital outlays which fell by 26 per cent in real terms. This reflected modest capital spending needs, especially in areas such as electricity generation, following the completion of economic infrastructure projects commenced in the early to mid-1980s, and significant asset sale programs facilitated by (then) buoyant property markets. (Asset sales count as offsets to capital outlays.)

In addition, reflecting national economic policy influences, wages (which make up around three quarters of the State/local sector's final consumption expenditure) fell considerably in real terms; and some easing in State/local public sector employment growth also contributed to spending restraint over this period.

The financial position of the State/local sector has, however, deteriorated sharply since 1989–90. Softer asset prices and slower growth in employment have had a serious effect on State revenues. Nor have depressed property markets assisted States' asset sale programs. Some of the earlier gains in the sector's borrowing requirement have been eroded and, as a consequence, increased interest payments have now also contributed to stronger growth in current outlays. This has led to some States effecting significant increases in State tax rates and charges.

Against this background, and in view of the Commonwealth Government's decision to maintain the real level of general revenue assistance to the States in 1991–92 notwithstanding the cyclical deterioration in its own fiscal position, the States agreed at the 1991 Premiers' Conference to restrain current outlays in 1991–92 and consider increasing taxes only as a last resort. This should help to consolidate the recent gains made in reducing the national inflation rate.

The main factors to note for 1990–91 are:

- preliminary ABS data indicate that State/local sector total outlays increased by 2.5 per cent in real terms, following growth of 5.2 per cent in 1989–90, principally reflecting a pick up in current outlays growth of the order of 4.1 per cent;
- State/local own source revenue increased by 1.3 per cent in real terms compared with average growth of 4.9 per cent over the period 1985–86 to 1990–91 (reflecting, *inter alia*, declining stamp duty and payroll tax revenues); and
- the State/local sector's net PSBR increased sharply from 1.2 per cent of GDP in 1989–90 to 1.6 per cent of GDP in 1990–91.

An analysis of fiscal trends in the State/local sector through this period underscores the significance of cyclical developments and, in particular, their impact on State and Territory revenues. The unprecedented—and largely unanticipated—increase in asset prices commenced in early 1987 and continued through to the first quarter of 1989 resulting in a sharp acceleration in State stamp duty and, to a lesser extent, land tax receipts. Strong growth in employment had a similar effect on payroll tax receipts.

CHART 2: STATE/LOCAL SECTOR SOURCES OF FUNDS

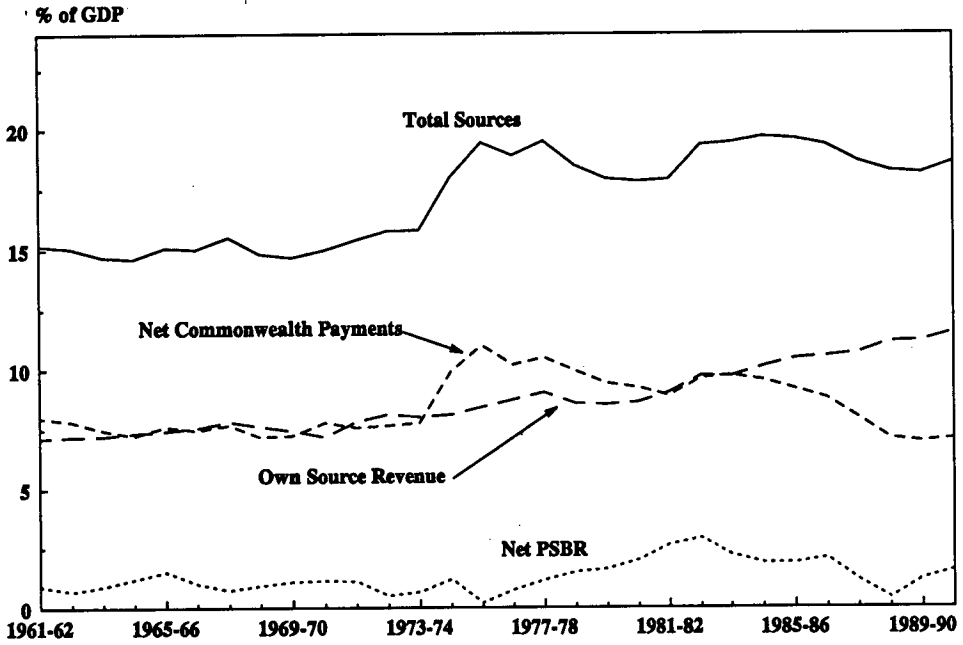
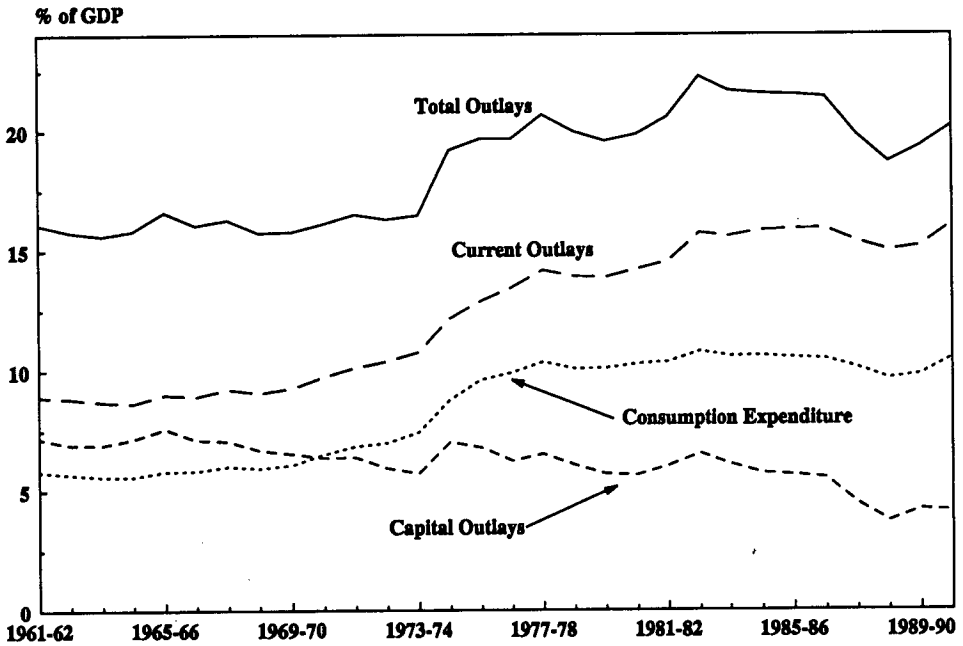


CHART 3: STATE/LOCAL SECTOR USES OF FUNDS

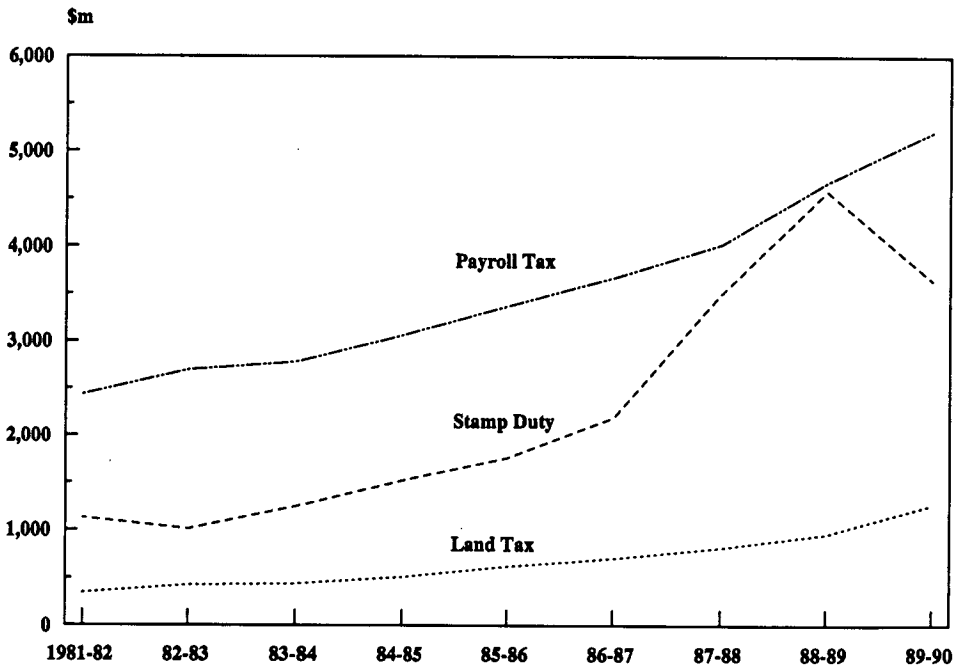


Source: Pre-release of *Government Financial Statistics* (Currently Unpublished)

The level of State taxes, fees and fines in 1988–89 was around 7 per cent higher than expected when the States brought down their budgets in the spring of 1988. (These sharp increases were particularly marked in the more populous States, such as VIC and NSW.) This increase in own source revenue, in combination with relatively firm demand for the sale of public sector assets, (and with slow growth in wages) allowed the State/local sector to accommodate significant real reductions in Commonwealth net payments while resisting pressures for structural reductions in their own spending programs (net of asset sales).

The current outlays restraint evident through to 1988–89 has not been sustained, while the failure to achieve expected levels of asset sales has exacerbated the growth in capital outlays. Against this background, the medium term improvement in the sector's net PSBR has been mirrored by trends in own source revenue. Chart 4 tracks the growth in payroll tax, stamp duty and land tax between 1981–82 and 1989–90.

CHART 4: STATE/LOCAL TAXES, FEES AND FINES



Source: *Taxation Revenue, Australia, 1989-90*, ABS Cat. No. 5506.0

Since 1989–90, much weaker revenue growth and fewer opportunities for asset sales have combined to increase pressure on borrowings and cash assets. These difficulties have been compounded by the effect of higher wages growth and the impact of population growth and its composition on outlays. The following section, on 'Interstate Comparisons of Financial Developments', presents Grants Commission and ABS data which facilitates analysis of these developments in more detail in respect of individual States.

Table 4—Financial Aggregates, State and Local Government Sectors (real change)

	Outlays				Revenue							Net	
					Taxes, Fees and Fines	Own-Source Revenue (a)		Total Net Payments		Total Revenue		PSBR	
	Current %	Capital %	Total Outlays %	% of GDP	%	%	% of GDP	%	% of GDP	%	% of GDP	% of GDP	
	State/local												
1985-86	4.1	2.0	3.5	21.5	2.6	7.2	10.4	-0.5	9.2	3.5	19.6	1.9	
1986-87	2.8	0.4	2.2	21.4	5.1	3.5	10.5	-1.5	8.8	1.2	19.3	2.1	
1987-88	2.0	-14.8	-2.3	19.8	9.6	7.0	10.7	-4.3	8.0	1.8	18.7	1.1	
1988-89	1.5	-13.4	-1.9	18.7	6.6	8.6	11.2	-7.2	7.1	1.9	18.3	0.4	
1989-90 (b)	2.7	15.4	5.2	19.1	1.6	2.2	11.1	-1.0	6.8	0.9	17.9	1.2	
1989-90 (c)	4.2	16.8	6.7	19.3	3.0	3.3	11.2	1.1	7.0	2.5	18.2	1.2	
1990-91	4.1	-3.5	2.5	20.2	3.4	1.3	11.5	-0.2	7.1	0.7	18.6	1.6	
Average growth (d)	2.9	-2.8	1.5		4.8	4.9		-2.5		1.7			
	State												
1985-86	3.9	1.8	3.4	19.7	2.7	7.3	8.8	-0.7	9.1	3.1	17.9	1.9	
1986-87	2.9	0.3	2.2	19.7	5.9	4.1	8.9	-1.5	8.8	1.2	17.6	2.0	
1987-88	2.2	-16.4	-2.3	18.2	11.2	8.5	9.1	-4.3	7.9	2.1	17.1	1.1	
1988-89	1.2	-14.8	-2.1	17.1	7.8	9.7	9.6	-7.2	7.1	1.8	16.7	0.4	
1989-90 (b)	2.2	13.5	4.3	17.3	1.3	1.8	9.5	-1.0	6.8	0.6	16.3	1.0	
1989-90 (c)	3.8	15.2	5.9	17.6	2.9	3.1	9.6	1.2	6.9	2.3	16.6	1.0	
Average growth (d)	2.5	-3.8	1.1		5.7	6.2		-3.0		1.8			
	Local												
1985-86	2.5	3.1	2.7	2.3	2.3	6.5	1.7	0.2	0.6	4.8	2.3	0.0	
1986-87	1.2	-0.3	0.6	2.3	1.5	1.1	1.7	-6.6	0.5	-0.8	2.3	0.0	
1987-88	1.2	-3.3	-0.6	2.2	2.5	-0.4	1.6	2.2	0.5	0.2	2.1	0.0	
1988-89	-0.6	-1.2	-0.8	2.1	1.1	1.8	1.6	-5.6	0.5	0.0	2.1	0.0	
1989-90	6.8	16.5	10.5	2.2	3.2	4.0	1.6	-1.8	0.4	2.7	2.0	0.2	
Average growth (d)	2.2	2.7	2.4		2.1	2.6		-2.4		1.4			

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

(b) 1989-90 figures with ACT excluded from the State sector.

(c) 1989-90 figures with ACT included in the State sector.

(d) Average growth over the period 1985-86 to 1990-91 for the State/local sector, and 1985-86 to 1989-90 for the State and local sectors.

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

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

	Outlays				Revenue						Net		
	Current	Capital	Total Outlays		Taxes, Fees and Fines	Own-Source Revenue (a)		Total Net Payments		Total Revenue		PSBR	
	%	%	%	% of GDP	%	%	% of GDP	%	% of GDP	%	% of GDP	% of GDP	
	State/local												
1985-86	3.5	2.3	3.3	17.4	2.6	6.7	7.7	-0.4	9.2	2.7	16.9	0.5	
1986-87	2.4	6.6	3.2	17.5	5.1	2.8	7.7	-1.4	8.8	0.5	16.6	0.9	
1987-88	2.4	-16.2	-1.2	16.4	9.6	8.3	7.9	-4.3	8.0	1.5	15.9	0.4	
1988-89	1.3	-9.9	-0.5	15.6	6.6	9.3	8.3	-7.1	7.2	1.1	15.5	0.2	
1989-90 (b)	3.5	13.1	4.9	15.9	1.6	3.0	8.3	-1.2	6.9	1.0	15.2	0.7	
1989-90 (c)	5.1	14.5	6.5	16.2	3.0	4.3	8.4	0.9	7.0	2.8	15.4	0.7	
1990-91	4.9	-8.7	2.7	16.9	3.4	3.5	8.9	-0.3	7.1	1.7	16.0	0.9	
Average growth (d)	3.0	-2.7	2.0		4.8	5.5		-2.5		1.4			
	State												
1985-86	3.4	1.5	3.0	16.0	2.7	6.7	6.3	-0.7	9.1	2.2	15.5	0.5	
1986-87	2.3	7.5	3.1	16.1	5.9	3.1	6.4	-1.4	8.8	0.4	15.1	0.9	
1987-88	2.6	-17.5	-1.0	15.1	11.2	10.1	6.6	-4.0	8.0	1.9	14.6	0.5	
1988-89	1.1	-10.3	-0.5	14.4	7.8	10.6	7.1	-7.1	7.1	0.9	14.2	0.2	
1989-90 (b)	2.9	15.7	4.6	14.6	1.3	2.5	7.0	-1.2	6.8	0.7	13.8	0.8	
1989-90 (c)	4.7	17.4	6.4	14.9	2.9	4.2	7.1	0.9	7.0	2.5	14.1	0.8	
Average growth (d)	2.4	-1.3	1.8		5.7	6.6		-2.9		1.2			
	Local												
1985-86	2.5	3.7	2.9	1.9	2.3	6.4	1.4	0.7	0.6	4.7	2.0	-0.1	
1986-87	1.6	-1.9	0.4	1.9	1.5	1.4	1.4	-6.5	0.5	-0.9	1.9	0.0	
1987-88	0.2	-1.2	-0.2	1.8	2.5	-0.4	1.3	2.2	0.5	0.3	1.8	0.0	
1988-89	-0.4	-5.5	-2.1	1.7	1.1	2.3	1.3	-5.7	0.5	0.0	1.8	-0.1	
1989-90	7.9	-0.5	5.2	1.7	3.2	4.8	1.3	-1.6	0.4	3.1	1.8	0.0	
Average growth (d)	2.3	-1.1	1.2		2.1	2.9		-2.3		1.4			

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

(b) 1989-90 figures with ACT excluded from the State sector.

(c) 1989-90 figures with ACT included in the State sector.

(d) Average growth over the period 1985-86 to 1990-91 for the State/local sector, and 1985-86 to 1989-90 for the State and local sectors.

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

Table 6 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 per cent in the early 1980s to 10 per cent in 1988–89. This reflected the reduction in borrowing limits under the Global Approach (Table 6, column (12)—see Chapter IV for details) in combination with restraint in capital outlays (partly encompassing increased asset sales—see Table 6, column (2)) and firm growth in own source revenue.

This trend was consistent with the need, in the light of Australia's external imbalance, to reduce the public sector's call on national savings. In more recent years, however, deficit financing has increased to 27 per cent of capital outlays (although this remains significantly below longer term averages). Table 6 also shows that, in 1989–90 for the first time in recent years, the State/local sector's net PSBR exceeded its gross borrowings, implying some rundown in cash assets.

The composition of the sector's deficit financing has changed considerably, with net borrowings from the private sector becoming relatively more important and net advances from the Commonwealth (primarily comprising the State Governments' Loan Council programs and equivalent general purpose capital funding for the NT) declining markedly. Since 1987–88, the State/local sector has relied wholly on direct borrowings to finance its deficit. Net advances from the Commonwealth have, in fact, been negative during this period as repayments of debt by the State/local sector exceeded new advances.

State sector and local government sector

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 3). Consequently, the Commonwealth Government has 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 1989–90. In 1989–90, the real growth in outlays increased strongly in both the State and local sectors, mainly reflecting increased capital expenditure (see Table 4).

General purpose payments account for around 55 per cent of net Commonwealth payments to both State and local governments and as indicated in Table 7, have decreased substantially over the four years to 1991–92 in real terms. (Chapter III provides further details.)

Table 6—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 1971-72 to 1980-81	6.0	-0.2	6.2	2,020	2.4	38.8	1,007	56.6	1,012	43.4	1.1	na	na
Average 1980-81 to 1990-91	5.3	0.1	5.2	4,535	2.0	36.0	379	5.6	4,156	94.4	1.8	na	na
1980-81	5.7	0.0	5.6	3,752	2.7	47.6	953	25.4	2,798	74.6	2.0	na	na
1981-82	6.0	0.0	6.0	5,054	3.2	53.2	880	17.4	4,175	82.6	2.6	na	na
1982-83	6.5	0.0	6.5	6,056	3.5	54.1	1,055	17.4	5,001	82.6	2.9	6,165	3.6
1983-84	6.1	0.0	6.1	5,305	2.7	44.9	999	18.8	4,306	81.2	2.2	6,603	3.4
1984-85	5.7	0.0	5.7	4,836	2.2	39.2	799	16.5	4,036	83.5	1.9	7,067	3.3
1985-86	5.7	0.1	5.6	5,291	2.2	39.2	786	14.9	4,506	85.2	1.9	7,041	2.9
1986-87	5.6	0.1	5.5	6,013	2.3	41.3	546	9.1	5,467	90.9	2.1	6,395	2.4
1987-88	4.6	0.2	4.4	3,393	1.1	25.5	-46	-1.4	3,439	101.4	1.1	5,522	1.8
1988-89	4.2	0.5	3.7	1,296	0.4	10.3	-115	-8.9	1,411	108.9	0.4	4,700	1.4
1989-90(d)	4.3	0.1	4.1	3,955	1.1	25.7	-450	-11.4	4,404	111.4	1.2	3,893	1.0
1989-90(e)	4.3	0.2	4.2	3,926	1.1	25.2	-491	-12.5	4,417	112.5	1.2	3,870	1.0
1990-91(f)	4.2	0.1	4.1	4,266	1.1	27.3	-689	-16.2	4,955	116.2	1.3	4,146	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 1991-92 the sector's gross borrowing limit will total \$4556 million or 1.2% of GDP.

(d) 1989-90 figures excluding the ACT from the State/local sector.

(e) 1989-90 figures including the ACT in the State/local sector.

(f) Excludes additional global limits and repayments of advances under the debt redemption arrangements introduced in 1990-91.

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

Table 7—Commonwealth General Purpose Payments to State and Local Government

	State Government (a)		Local Government (b)	
	\$m	Real Change %	\$m	Real Change %
1987–88	14,869	-4.9	642	2.2
1988–89	13,164	-6.8	653	-6.8
1989–90	13,216	-2.5	678	-2.2
1990–91	13,932	-0.5	699	-0.8
1991–92	14,186	-0.3	1,024	-0.2

(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. ACT excluded from the State Figures from 1987–88 to 1989–90.

(b) Real change in 1991–92 excludes the effect of change in road funding arrangements.

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 sector PTEs were equivalent to about 8.0 per cent and 6.4 per cent of GDP, respectively. By comparison, State sector general government own purpose outlays were equivalent to 13.3 per cent of GDP in 1990–91.

Statement 6 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 focusses on the operating performance of State sector PTEs, and provides information on the components of State sector PTEs.

Table 8 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, but there has been some improvement. The overall loss was equivalent to 0.3 per cent of GDP in 1989–90 compared with a loss of 0.6 per cent of GDP in 1988–89. Electricity operations have had improved operating results in recent years and the transport enterprise sector's operating position improved substantially in 1989–90, largely flowing from the takeover of some PTE debt by the NSW general government sector.

Subsidies of \$2 billion in 1989–90 paid by the State general government sector to PTEs account for 3 per cent of general government outlays and provide a measure of the scope for improved State sector PTE efficiency. Table 8 shows that subsidies to transport

operations are equivalent to 0.4 per cent of GDP—and account for approximately 75 per cent 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 that often involve the provision of subsidised/unprofitable services.

In relation to cost recovery ratios, Table 8 indicates that:

- over the past decade, State PTEs in aggregate have covered their operating costs but have recovered only around 90 per cent 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, although the situation is improving with 96 per cent of their total costs being recovered in 1989–90;
- the financial performance of State PTEs generally deteriorated until the middle 1980s—while there has been a significant improvement over the past few years; and
- transport enterprises (particularly 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.

OUTLOOK

Looking to 1991–92 and beyond, the State/local sector is likely to continue to face a constrained financial position.

Growth in own source revenue is expected to remain subdued. There are also several factors that seem likely to contain further borrowings by the sector, including:

- increasing levels of public sector debt;
- the concomitant increase in the debt servicing burden of individual States;
- increasing public and financial market scrutiny of individual State debt positions; and
- Loan Council global borrowing limits.

Table 8—Operating Result, Cost Recovery and Subsidies Received by State Sector Public Trading Enterprises

	Electricity		Transport (a)		Other		Total	
	Operating Result (b)							
	\$m	% of GDP	\$m	% of GDP	\$m	% of GDP	\$m	% of GDP
1980-81	-40.9	..	-879.6	-0.6	207.1	0.1	-713.4	-0.5
1981-82	-208.3	-0.1	-1,100.7	-0.7	185.0	0.1	-1,124.0	-0.7
1982-83	-231.9	-0.1	-1,387.0	-0.8	121.2	0.1	-1,497.7	-0.9
1983-84	-430.2	-0.2	-1,669.9	-0.9	223.5	0.1	-1,876.6	-1.0
1984-85	-479.6	-0.2	-1,829.9	-0.8	344.1	0.2	-1,965.4	-0.9
1985-86	-375.9	-0.2	-1,937.1	-0.8	181.1	0.1	-2,131.9	-0.9
1986-87	-162.6	-0.1	-2,007.8	-0.8	-5.9	..	-2,176.3	-0.8
1987-88	-178.2	-0.1	-1,922.8	-0.6	266.4	0.1	-1,834.6	-0.6
1988-89	23.7	..	-2,503.3	-0.7	496.8	0.1	-1,982.8	-0.6
1989-90	185.9	..	-1,871.9	-0.5	591.5	0.2	-1,094.5	-0.3
	Subsidies Received							
	\$m	% of GDP	\$m	% of GDP	\$m	% of GDP	\$m	% of GDP
1980-81	44.3	..	798.5	0.6	108.9	0.1	951.7	0.7
1981-82	46.4	..	995.6	0.6	135.8	0.1	1,177.8	0.7
1982-83	57.9	..	1,255.4	0.7	189.3	0.1	1,502.6	0.9
1983-84	104.7	0.1	1,364.3	0.7	183.5	0.1	1,652.5	0.8
1984-85	77.1	..	1,476.0	0.7	249.2	0.1	1,802.3	0.8
1985-86	88.5	..	1,669.8	0.7	319.0	0.1	2,077.3	0.9
1986-87	77.7	..	1,986.2	0.8	308.7	0.1	2,372.6	0.9
1987-88	96.0	..	1,964.3	0.7	311.9	0.1	2,372.2	0.8
1988-89	91.9	..	2,046.1	0.6	368.5	0.1	2,506.5	0.7
1989-90	99.0	..	1,535.0	0.4	375.9	0.1	2,009.9	0.5
	Cost Recovery (%)							
	Other Operating Revenue as a % of Operating Expenditure (c)							
1980-81		124.3		66.7		117.3		106.1
1981-82		123.2		65.6		117.9		105.2
1982-83		130.4		63.8		118.9		107.3
1983-84		131.9		64.7		119.1		107.1
1984-85		133.7		68.6		120.4		109.4
1985-86		133.3		69.1		116.9		110.1
1986-87		142.2		68.7		114.9		112.0
1987-88		141.0		70.9		118.7		114.7
1988-89		141.2		66.9		120.0		114.1
1989-90		143.1		71.2		119.1		116.0
	Other Operating Revenue as a % of Operating Expenditure plus Net Interest Outlays (c)							
1980-81		98.7		64.4		104.1		93.2
1981-82		94.7		63.0		103.5		90.8
1982-83		95.3		59.7		102.1		89.3
1983-84		92.5		61.0		103.3		88.8
1984-85		92.7		62.5		104.8		89.5
1985-86		95.2		60.9		102.2		89.9
1986-87		98.1		60.8		99.9		90.4
1987-88		98.1		63.3		102.7		92.5
1988-89		100.2		58.2		104.8		92.5
1989-90		101.7		67.6		105.0		96.2

(a) Includes all State transport enterprises except the water transport and services to transport classifications.

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

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

Source: Unpublished data provided by ABS in August 1991.

In view of the limited scope, in most cases, for new revenue measures (and the States' Premiers' Conference undertaking to consider further increases in State taxes and above normal rises in charges only as a last resort), the focus of the State/local sector's adjustment efforts is likely to be on achieving sustainable restraint in outlays. A number of States and Territories have foreshadowed significant medium term public sector restructuring programs, involving substantial redundancies. The cost of such redundancy programs will, however, add to current outlays in the short term. Given the relatively quick pay-back periods for redundancies, they are most appropriately funded by borrowings and, in several cases, they are to be funded by special temporary additions to the States' global borrowing limits agreed at the 1991 Premiers' Conference.

Total net Commonwealth payments to the State/local (adjusted for the debt repayment effect) sector are expected to grow by 2.9 per cent in real terms in 1991-92 (reflecting, *inter alia*, the Commonwealth's decision to maintain general revenue assistance to the States and Territories at the same real level as for 1990-91—see Chapter III for details).

Estimates of the underlying trend in the sector's net PSBR need to take account of the new debt redemption arrangements that significantly increase State payments to the Commonwealth (see Chapter IV) and one-off factors, such as the sale of the State Bank of Victoria. Even so, these estimates cannot be developed with the same precision as similar estimates for the Commonwealth sector. This reflects, *inter alia*, the difficulties of drawing together still differing State budget systems. That said, the net PSBR for this sector (excluding the effects of the new debt redemption arrangements) seems likely to be largely unchanged in 1991-92, following the sharp deterioration in 1990-91.

For later years, structural improvements in the budget—such as those mentioned above—have the prospect of reinforcing the effects of the forecast rebound in economic activity and reducing the net PSBR in future years. Ongoing restraint of both current and capital outlays will be required for some time.

With regard to capital programs, this may necessitate greater private sector involvement in the provision of economic infrastructure, and continuing efforts to improve the efficient utilisation of existing public sector infrastructure. Enhanced efficiency in the PTE sector, and greater cost recovery, would also help reduce demands on the States' budgets.

INTERSTATE COMPARISONS OF FINANCIAL DEVELOPMENTS

FACTORS INFLUENCING INTERSTATE COMPARISONS

Interstate comparison of outlays, revenue, borrowing and of the financial performance of PTEs is complex. The process 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 9—Population by State (a)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
Residents (thousand)										
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	5,797	4,350	2,872	1,615	1,432	454	157	16,677	282	16,959
1990-91(b)	5,862	4,407	2,938	1,650	1,448	459	158	16,922	289	17,211
1991-92(c)	5,934	4,455	3,000	1,682	1,465	463	161	17,158	295	17,453
Growth (per cent)										
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	0.9	1.3	3.0	2.8	1.1	0.9	0.1	1.6	2.0	1.6
1990-91(b)	1.1	1.3	2.3	2.1	1.1	1.1	1.2	1.5	2.5	1.5
1991-92(c)	1.2	1.1	2.1	1.9	1.2	0.9	1.4	1.4	2.2	1.4
Average 1985-86 to 1990-91	1.3	1.2	2.4	2.7	1.0	0.7	1.4	1.5	2.6	1.6

(a) The population series which underlies the per capita figures in these tables are, with the exception of 1990-91 and 1991-92, 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 1990 have been used for 1990-91 and Treasury projections of population at 31 December 1991 have been used for 1991-92.

(b) Preliminary estimate.

(c) Projection.

Table 10—Gross State Product (% nominal change)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
1985-86	12.2	10.3	10.0	10.6	10.7	9.7	20.2	11.1	14.4	11.1
1986-87	12.6	7.4	10.5	13.1	6.8	13.1	15.8	10.4	12.0	10.4
1987-88	13.3	15.0	10.6	15.3	9.6	10.5	6.4	13.1	11.0	13.1
1988-89	13.9	11.7	17.3	14.2	13.1	12.2	13.1	13.7	12.8	13.7
1989-90	8.1	9.6	10.3	10.4	10.0	8.3	11.5	9.2	7.4	9.2
Average 1985-86 to 1989-90	12.0	10.8	11.7	12.7	10.0	10.7	13.3	11.5	11.5	11.5

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

Table 9 shows, for each State and Territory, population levels and growth rates in the six years to 1990-91, and projections for 1991-92. While WA, the ACT and QLD have had high population growth rates, SA and TAS have had low growth rates over the period, and the growth rate for the NT has fallen from 4.5 per cent to 1.4 per cent during this period. The population growth rates in NSW and VIC have been relatively stable.

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 major changes to 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 more

important in QLD, WA and the NT than in the other four States). Table 10 shows the nominal change in GSP from 1985–86 to 1989–90 for each of the States and Territories.

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 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. In most States railways are operated by State governments, however the Commonwealth has operated non-metropolitan railways in SA and TAS since 1975, and also, to a limited extent, in WA and the NT.

Not surprisingly, the ratio of State outlays to GSP varies inversely with the size 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'.

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 1989–90, by 17.8 per cent in TAS, by 17.9 per cent in SA and by 20.7 per cent in the NT. By comparison, net Commonwealth payments to the other States declined by 12.2 per cent. The decline in payments to TAS, SA and the NT reflects, among other things, adjustments in line with the recommendations of the Commonwealth Grants Commission; and
- the relative greater importance of Commonwealth payments for the less populous States—including 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 11 and 12 and Charts 5 and 6).

MAJOR FISCAL AGGREGATES

Tables 11 and 12 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 5 and 6 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 with regard to individual States and the NT for the period 1986–87 to 1989–90 are discussed below.

Table 11—State Government Financial Aggregates, (% real change and real per capita change) (a)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total
Current Outlays								
1986-87	4.1	3.4	0.8	3.5	1.3	0.2	0.2	2.9
1987-88	4.3	-0.9	2.9	2.9	2.5	2.0	0.7	2.2
1988-89	3.0	-1.1	4.5	3.7	-2.8	-4.6	-2.9	1.2
1989-90	1.4	2.7	1.4	3.0	3.1	6.9	-0.1	2.2
Avg real growth	3.2	1.0	2.4	3.3	1.0	1.0	-0.5	2.1
Avg real per capita growth	1.8	-0.3	-0.1	0.3	0.0	0.5	-1.3	0.5
Capital Outlays								
1986-87	7.9	-8.6	-0.1	7.8	2.4	-14.3	-14.5	0.3
1987-88	-16.3	-8.5	-25.4	-8.7	-21.0	-12.2	-38.9	-16.4
1988-89	-35.7	-7.1	-16.5	8.2	19.4	3.9	-8.3	-14.8
1989-90	18.8	8.3	26.5	5.9	16.8	-23.4	12.8	13.5
Avg real growth	-8.9	-4.2	-5.8	3.1	3.0	-12.0	-14.3	-5.1
Avg real per capita growth	-10.1	-5.4	-8.1	0.1	2.0	-12.5	-14.9	-6.6
Total Outlays								
1986-87	5.0	0.7	0.6	4.5	1.5	-3.6	-4.0	2.2
1987-88	-0.9	-2.4	-6.0	0.0	-2.1	-1.4	-9.2	-2.3
1988-89	-5.2	-2.3	-0.8	4.7	0.8	-2.8	-3.8	-2.1
1989-90	3.9	3.7	6.7	3.7	5.7	0.1	2.0	4.3
Avg real growth	0.6	-0.1	0.0	3.2	1.4	-2.0	-3.8	0.5
Avg real per capita growth	-0.7	-1.3	-2.5	0.3	0.4	-2.5	-4.6	-1.1
Own-Source Revenue(b)								
1986-87	2.8	8.9	-1.1	10.5	-3.9	10.7	-8.0	4.1
1987-88	11.5	1.8	8.7	8.9	17.6	8.0	25.4	8.5
1988-89	15.1	4.8	11.2	8.2	4.9	2.3	-5.3	9.7
1989-90	0.7	0.4	4.1	8.3	-3.9	3.9	15.3	1.8
Avg real growth	7.3	3.9	5.6	9.0	3.3	6.2	6.0	6.0
Avg real per capita growth	5.9	2.7	3.0	5.8	2.3	5.7	5.2	4.3
Net Commonwealth Payments								
1986-87	-1.0	-2.9	0.2	-0.4	-1.0	-5.4	-3.5	-1.5
1987-88	-3.4	-3.9	-3.7	-0.3	-10.5	-7.4	-8.6	-4.3
1988-89(c)	-8.5	-7.2	-6.2	-9.2	-4.7	-7.3	-6.1	-7.4
1989-90(c)(d)	-1.3	-1.8	2.6	0.1	-2.8	1.1	-4.2	-0.8
Avg real growth	-3.6	-4.0	-1.8	-2.5	-4.8	-4.8	-5.6	-3.5
Avg real per capita growth	-4.9	-5.2	-4.3	-5.3	-5.7	-5.3	-6.3	-5.1
Total Revenue								
1986-87	0.9	3.2	-0.4	4.7	-2.3	1.0	-4.2	1.2
1987-88	4.4	-0.8	2.5	4.3	1.6	-0.7	-3.3	2.1
1988-89	4.8	-0.5	3.0	-0.2	0.1	-2.7	-5.9	1.7
1989-90	-0.1	-0.5	3.5	4.7	-3.4	2.5	-0.2	0.7
Avg real growth	2.5	0.4	2.1	3.3	-1.0	0.0	-3.4	1.5
Avg real per capita growth	1.2	-0.9	-0.4	0.4	-2.0	-0.5	-4.2	-0.2
Net PSBR (% of GSP)								
1986-87	2.2	2.5	1.1	1.8	1.7	2.4	3.4	2.0
1987-88	1.2	2.0	-0.6	1.0	0.9	2.1	0.9	1.1
1988-89	-0.4	1.7	-1.3	1.8	1.0	1.9	1.5	0.4
1989-90	0.2	2.3	-0.7	1.7	2.7	1.4	2.2	1.0
Average	0.8	2.1	-0.4	1.6	1.6	1.9	2.0	1.2

(a) Average real change and average real per capita change refer to the period 1986-87 to 1989-90.

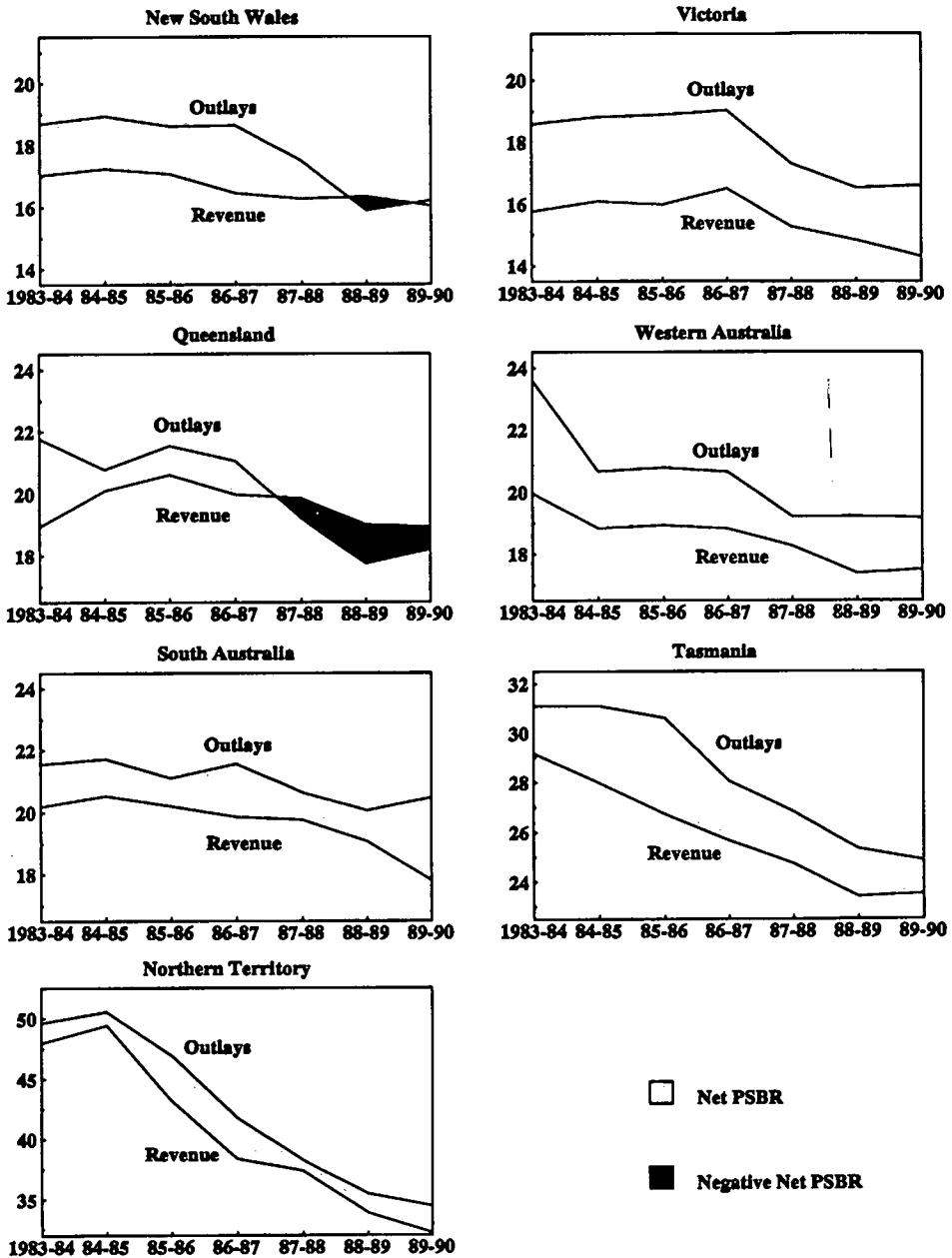
(b) Includes increase in provisions (including for depreciation and superannuation).

(c) \$40m grant to the NT for PAWA, paid in late 1988-89 for 1989-90, has been included in the latter year.

(d) \$40m grant to Tasmania for capital restructuring, paid in late 1989-90 for 1990-91, has been excluded from the former year.

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

**CHART 5: 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 12—State General Government Financial Aggregates, (% real change and real capita change) (a)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total
Current Outlays								
1986-87	3.1	3.1	0.2	2.8	1.4	-0.9	0.2	2.3
1987-88	3.6	0.8	3.1	3.6	3.0	1.7	0.8	2.6
1988-89	2.4	-0.3	4.0	4.9	-4.3	-5.1	-3.0	1.1
1989-90	4.0	2.9	0.8	1.4	2.9	8.3	-0.6	2.9
Avg real growth	3.3	1.6	2.0	3.2	0.7	0.9	-0.6	2.2
Avg real per capita growth	1.9	0.4	-0.5	0.2	-0.3	0.4	-1.4	0.6
Capital Outlays								
1986-87	16.8	10.4	-4.5	10.6	5.7	-2.6	-8.8	7.5
1987-88	-11.6	-17.3	-22.4	-15.7	-26.0	-7.4	-39.2	-17.5
1988-89	-27.3	-2.1	-3.4	5.5	-6.0	13.9	-14.0	-10.3
1989-90	42.1	-23.2	46.9	-4.5	27.0	-27.6	9.1	15.7
Avg real growth	1.6	-9.0	1.2	-1.6	-1.7	-7.1	-15.0	-2.0
Avg real per capita growth	0.3	-10.1	-1.3	-4.4	-2.7	-7.6	-15.7	-3.6
Total Outlays								
1986-87	5.2	4.0	-0.8	4.3	2.1	-1.2	-2.1	3.1
1987-88	1.0	-1.8	-2.3	-0.3	-2.2	0.0	-8.8	-1.0
1988-89	-2.1	-0.5	2.7	5.0	-4.5	-1.8	-4.8	-0.5
1989-90	8.3	-0.2	8.1	0.4	6.1	1.1	0.9	4.6
Avg real growth	3.0	0.4	1.8	2.3	0.3	-0.5	-3.8	1.5
Avg real per capita growth	1.7	-0.9	-0.7	-0.6	-0.7	-1.0	-4.5	-0.1
Own-Source Revenue(b)								
1986-87	3.8	3.6	0.3	8.7	-2.9	7.0	6.9	3.1
1987-88	13.0	5.6	11.3	12.3	8.9	9.9	0.3	10.1
1988-89	16.0	4.4	12.3	10.5	4.3	6.2	6.9	10.6
1989-90	3.3	0.0	4.7	2.4	-0.5	6.9	11.2	2.5
Avg real growth	8.9	3.4	7.1	8.4	2.4	7.5	6.3	6.5
Avg real per capita growth	7.5	2.1	4.4	5.3	1.4	7.0	5.5	4.8
Net Commonwealth Payments								
1986-87	-0.8	-2.9	0.1	-0.4	-1.0	-5.5	-3.5	-1.4
1987-88	-2.3	-4.0	-4.0	-0.2	-10.4	-7.3	-8.6	-4.0
1988-89(c)	-8.5	-7.1	-6.1	-8.2	-4.7	-7.3	-6.1	-7.2
1989-90(c)(d)	-1.4	-1.8	2.4	-1.1	-2.8	1.1	-4.2	-1.0
Avg real growth	-3.3	-4.0	-2.0	-2.5	-4.8	-4.8	-5.6	-3.5
Avg real per capita growth	-4.6	-5.2	-4.4	-5.3	-5.7	-5.3	-6.3	-5.0
Total Revenue								
1986-87	1.3	-0.1	0.2	3.1	-1.7	-1.5	-2.0	0.4
1987-88	4.7	0.3	2.1	4.8	-2.9	-1.3	-7.2	1.9
1988-89	3.5	-1.7	1.8	-0.2	-0.8	-2.0	-3.9	0.8
1989-90	1.2	-0.9	3.5	0.6	-1.7	3.5	-1.2	0.8
Avg real growth	2.7	-0.6	1.9	2.0	-1.8	-0.3	-3.6	1.0
Avg real per capita growth	1.3	-1.8	-0.6	-0.9	-2.7	-0.8	-4.3	-0.6
Net PSBR (% of GSP)								
1986-87	0.9	1.3	-0.4	1.1	1.6	1.3	2.7	0.9
1987-88	0.4	1.0	-1.1	0.3	1.6	1.6	1.8	0.5
1988-89	-0.4	1.1	-0.9	1.0	0.8	1.5	1.4	0.2
1989-90	0.5	1.1	-0.2	1.0	2.2	1.0	2.0	0.8
Average	0.3	1.1	-0.6	0.8	1.5	1.3	2.0	0.6

(a) Average real change and average real per capita change refer to the period 1986-87 to 1989-90.

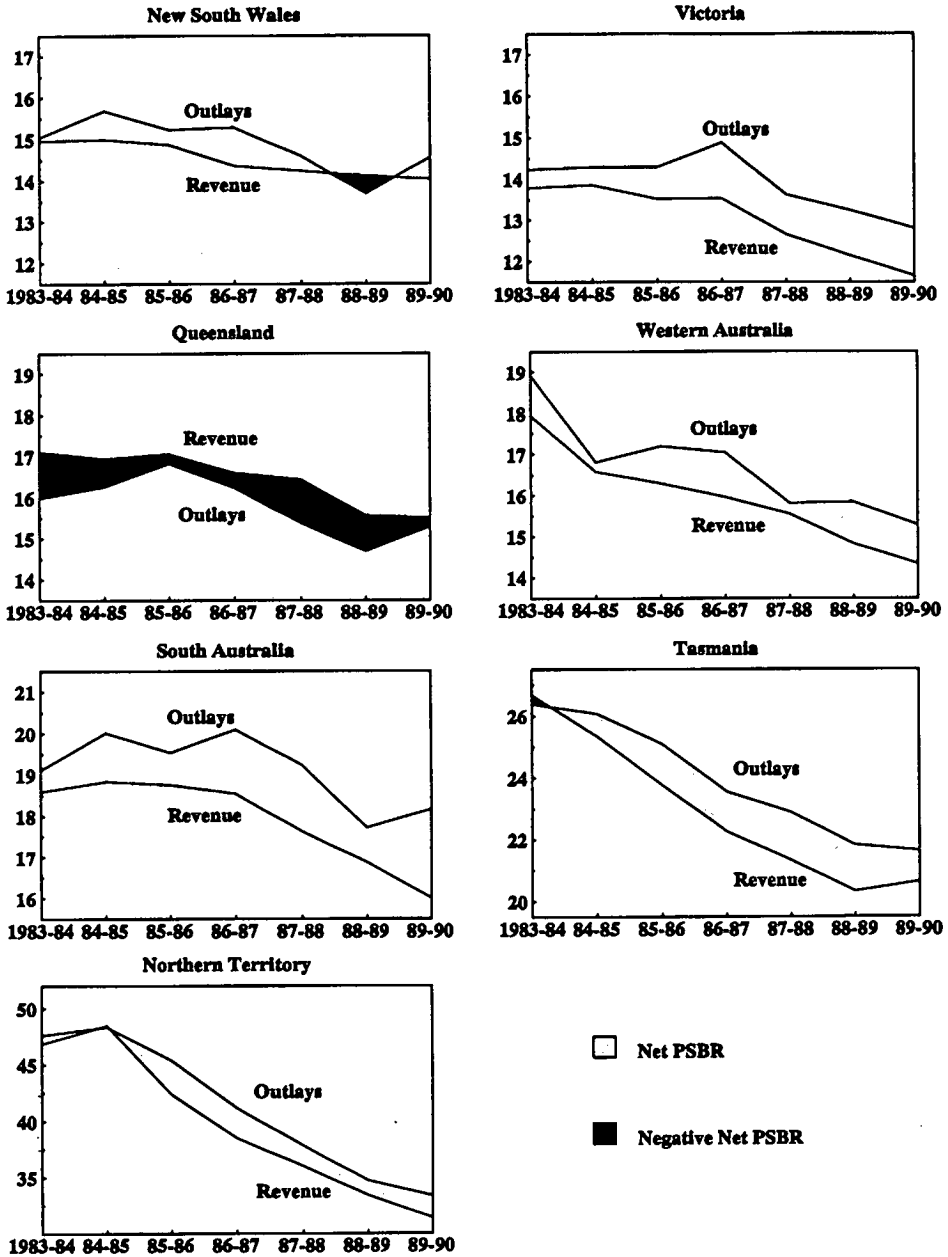
(b) Includes increase in provisions (including for depreciation and superannuation).

(c) \$40m grant to the NT for PAWA, paid in late 1988-89 for 1989-90, has been included in the latter year.

(d) \$40m grant to Tasmania for capital restructuring, paid in late 1989-90 for 1990-91, has been excluded from the former year.

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

CHART 6: GENERAL GOVERNMENT OUTLAYS, REVENUE AND NET PSBR - PERCENTAGE OF GSP



(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).

NSW

NSW moved from a net PSBR of 2.2 per cent of GSP in 1986–87 to a surplus of 0.4 per cent of GSP in 1988–89, before the re-emergence of a net PSBR of the order of 0.2 per cent of GSP in 1989–90.

- **Current outlays** grew by an annual average of 3.2 per cent over the period compared with average annual growth for the States of 2.1 per cent.
- **Capital outlays** declined sharply in real terms in both 1987–88 and 1988–89 (owing both to reductions in investment expenditure, and a successful asset sales program) before a return to strong growth in 1989–90 (concentrated largely in the general government sector).
- Following real **own source revenue growth** of around 11 per cent in 1987–88 and 15 per cent in 1988–89, 1989–90 witnessed a sharp decline in growth to 0.7 per cent in real terms (reflecting, *inter alia*, a fall of \$500m in stamp duty receipts).
- **Net Commonwealth payments** fell in real terms by an annual average of 3.6 per cent over the period (in line with the average for the State sector as a whole), offsetting to some extent the growth in own source revenue. Real total revenue growth averaged 2.5 per cent on an annual basis.

VIC

The net PSBR for VIC averaged 2.1 per cent of GSP over the period 1986–87 to 1989–90 compared with 1.2 per cent for the State sector as a whole.

- **Current outlays** growth was relatively restrained over the period, notwithstanding above average growth in 1989–90.
- **Capital outlays** declined on average by 4.2 per cent *per annum* in real terms, in part as a result of a large asset sales program.
- Average real **own source revenue** growth of 3.9 per cent *per annum* was the second lowest of any State over this period, despite increased stamp duty receipts reflecting robust property and share market activity. In 1989–90, a sharp decline in stamp duty receipts of the order of \$230m contributed to a slowing of growth to 0.4 per cent.
- **Net Commonwealth payments** declined on average by 4.0 per cent in real terms, and together with slow own source revenue growth contributed to average total revenue growth of only 0.4 per cent real *per annum*.

QLD

The QLD public sector ran surpluses in each of 1987–88, 1988–89 and 1989–90 (an outcome which is reflected in QLD's net debt to GSP ratio and debt servicing ratio—see Chart 11).

- **Real current outlays** growth averaged 2.4 per cent, slightly above the average of the States. However, if current outlays are adjusted for QLD's strong population growth (averaging around 2.5 per cent *per annum*), growth is comparatively restrained.
- **Capital outlays** followed a similar pattern to the two larger States, with real declines in the first three years of the period followed by strong growth in 1989–90.
- **Own source revenue** growth was relatively robust over this period, averaging 5.6 per cent real *per annum* and, together with an increasing share of Commonwealth payments (in both absolute and *per capita* terms), resulted in average total revenue growth in excess of that for the State sector as a whole.

WA

WA's net PSBR remained relatively high over the entire period, averaging 1.6 per cent of GSP.

- WA's total **current outlays** growth was the strongest of any State, at an average of 3.3 per cent *per annum*, largely reflecting above average population growth (of around 3 per cent *per annum*).
- Real average **capital outlays** growth (concentrated in the PTE sector) also exceeded that of any other State (other than SA) over the period.
- Average real growth in **own source revenue** of 9 per cent more than offset average real declines in net Commonwealth payments of 2.5 per cent and resulted in total revenue growth of 3.3 per cent *per annum*.

SA

SA's net PSBR averaged 1.6 per cent of GSP over the period (with most of this borrowing attributed to the general government sector), increasing significantly in 1989–90.

- **Current outlays** growth, averaged a relatively restrained 1 per cent *per annum* in real terms.
- **Capital outlays** growth, however, averaged a steady 3 per cent in real terms, driven by the PTE sector.
- SA's annual **own source revenue** growth displayed the greatest variability (other than the NT) over this period and averaged 3.3 per cent, the lowest of any State.
- Average annual real declines in **Commonwealth payments** of 4.8 per cent, combined with slow own source revenue growth, resulted in the slowest total revenue growth of the six States.

TAS

TAS averaged a net PSBR of 1.9 per cent of GSP over the period, reflecting in part reduced budgetary flexibility associated with high levels of net debt and net interest outlays.

- **Current outlays** growth averaged 1 per cent *per annum* over the period (compared with the average growth for the State sector of 2.1 per cent).
- **Capital outlays** declined sharply in real terms at an average of 12 per cent *per annum*.
- **Own source revenue** increased at slightly above the State average over the period.
- However, above average declines in net **Commonwealth payments** meant that there was no real growth in average total revenue.

NT

The NT public sector ran a relatively high net PSBR over the period, averaging 2 per cent of GSP. Within that, however, some progress has been made in reducing the net PSBR from its peak of 3.4 per cent of GSP in 1986–87.

- The NT showed the greatest restraint in **current outlays**, with average real declines of 0.5 per cent *per annum*.
- The NT also had the largest cuts in **capital outlays**, averaging over 14 per cent *per annum*.
- Despite high variability, NT's **own source revenue growth** kept pace on average with growth for the sector as a whole.
- The largest cuts in net Commonwealth payments contributed to an average real decline in **total revenue** of 3.4 per cent *per annum*.

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 is indicative of 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 and the 'level of service' provision. Calculation of the 'cost of service' is undertaken largely by reference to broader demographic and locational factors. On the other hand, the 'level of service' calculations comprehend the actual resources used in delivering those services and, hence, incorporate the efficiency or otherwise of the State in

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

delivering those services. 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. An indicator of variations in the level of education services would be differences in student/staff ratios.

In assessing these factors, the 'revenue raising effort' and the 'level of service provision' can be regarded as being determined by government—that is, as being policy determined in a broad sense.

Using Grants Commission data, Charts 7 and 8 attempt to distinguish these broad policy and non-policy differences between States. Chart 7 shows 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 and locational 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 (for the period 1985–86 to 1989–90) that:

- SA and TAS are the most disadvantaged in terms of revenue raising capacity reflecting, *inter alia*, well below average capacities to collect payroll tax, stamp duty and mining royalties;
- WA, TAS and the NT are the most disadvantaged in terms of the cost of providing services reflecting factors such as population dispersion and isolation;
- the largest States (NSW and VIC) have average or above average revenue capacities and below average costs of service provision; and
- the revenue raising capacity of NSW increased quite strongly in the latter half of the 1980s but QLD's fell, particularly since 1988–89. WA's revenue raising capacity decreased from 1987–88.

Chart 8 shows the revenue raising effort ratio and the level of service provision ratio. This is a reflection of 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 an average revenue raising effort is made; and

- if a State were to provide above average services, it would be expected that they would be funded by an above average revenue effort in the long term; 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 8 shows that generally the two ratios did not diverge greatly over the period 1985–86 to 1989–90. The main features are:

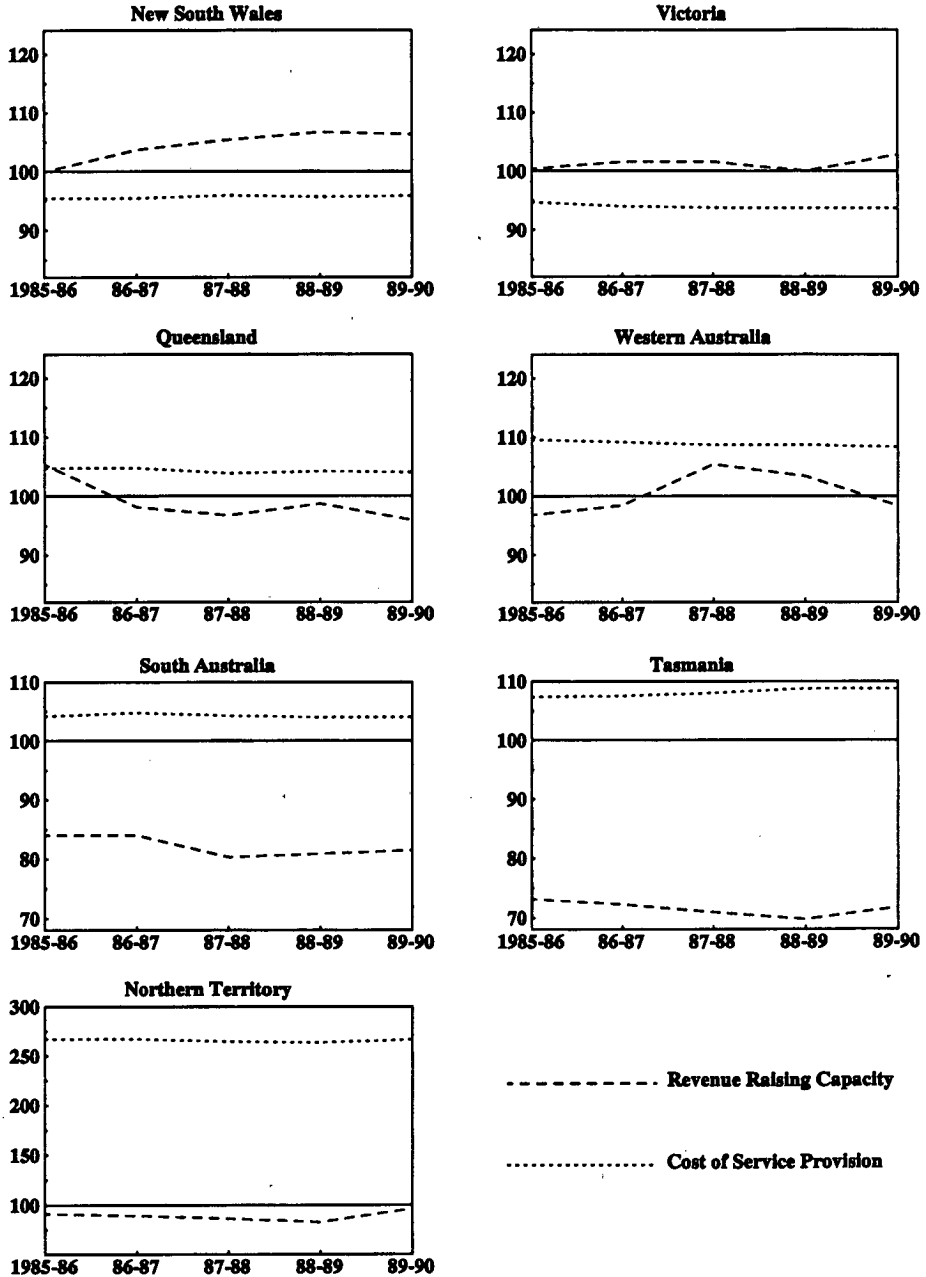
- the two ratios are reasonably closely aligned for NSW and QLD over the period as a whole;
- WA, SA, TAS and, to a lesser extent the NT, all tended to increase their revenue raising effort relative to their level of service provision over this period;
- on the other hand, VIC has had a consistently high level of service provision over the period while its revenue effort has declined steadily (facilitated in 1989–90 by a modest improvement in VIC's revenue capacity). In order to maintain its level of service provision, VIC has therefore had to incur 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; and
- the greatest divergence of ratios is in SA where the difference between the revenue raising effort and the level of service provision has been increasing since 1986–87.

It should be emphasised that the level of service provision ratio does not distinguish between the quality of service provision and the efficiency with which those services are delivered. For example, an above average level of service provision could reflect overstaffing or inefficient work practices rather than higher quality of service provision. Efforts to remove such inefficiencies would help to reduce the level of service provision relative to revenue raising effort without any necessary reduction in the quality of the services provided.

Composition of Outlays and Revenue

Charts 9 and 10 show the different expenditure and revenue patterns among the States (averaged over the years 1985–86 to 1989–90). These charts, in effect, present information on each State and Territory's revenue raising effort and level of service provision on a disaggregated basis. The charts therefore highlight specific areas of public sector expenditures and revenues where individual States provide an above or below average level of services (although whether or not this reflects differences in the quality of these services or the efficiency with which they are provided is difficult to determine) and make an above or below average revenue raising effort.

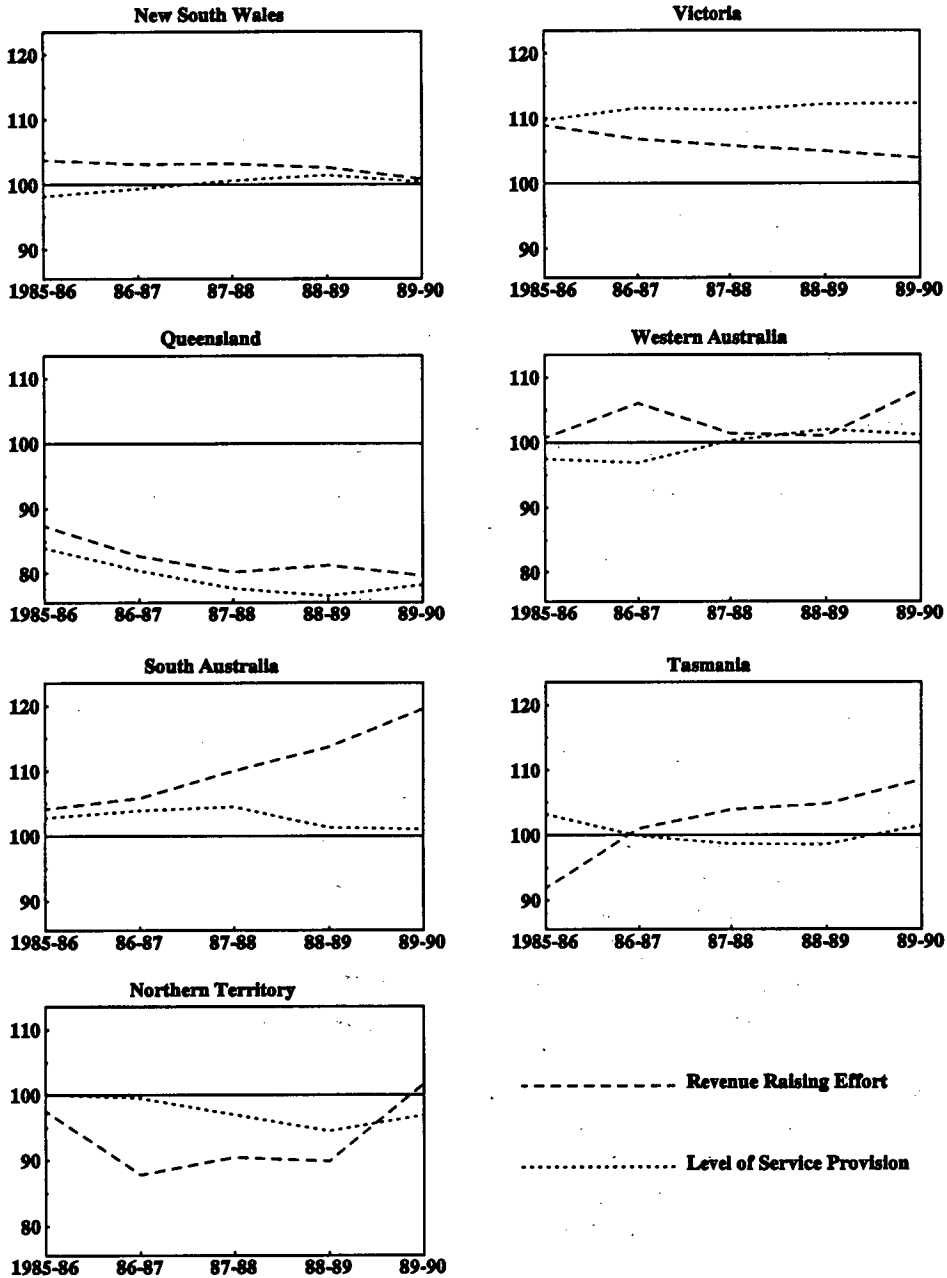
**CHART 7: REVENUE CAPACITY AND COST OF SERVICE
PROVISION RATIOS (a)**



(a) These ratios are calculated as the percentage of standardised revenue to standard revenue and standardised expenditure to standard expenditure respectively. 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 Relativities 1991 Update.

CHART 8: REVENUE RAISING EFFORT AND LEVEL OF SERVICE PROVISION RATIOS (a)



(a) These ratios are calculated as the percentage of actual revenue raised to standardised revenue and actual expenditure undertaken to standardised expenditure. A figure above 100 indicates that the State is imposing above average levels of taxation or providing above average levels of service.

Source: Commonwealth Grants Commission Report on General Revenue Relativities 1991 Update.

There are marked variations in the level of service provision between States for a number of the categories. This has potentially significant implications for the overall structure of State budgets and, importantly, future efforts to restructure budgets. Key features of the charts are:

- NSW's level of service provision is relatively close to the average in all categories, with the exception of Services to Industry and Other Expenditure;
- VIC's level of service provision is above average for all major expenditure categories (and in particular Education, Welfare and Business Deficits) except Services to Industry and Other Expenditure (which includes, *inter alia*, culture and recreation and Aboriginal Community Services);
- by contrast, QLD's level of service provision is below average for all categories, with the divergence largest in the areas of Health (where it spends less *per capita* than any other State) and Welfare;
- the greatest disparities among the States and NT in terms of policy and/or efficiency implications for expenditure are: Services to Industry (with regard to which the level of service provision by TAS and, to a lesser extent, the NT is well above average); Business Deficits (which make an above average contribution to the level of service provision in NSW and VIC only); and Other Expenditure; and
- interstate differences are relatively small with regard to revenue raising effort for Stamp Duty and Payroll Taxes but are significant for Mining Revenue (reflecting, *inter alia*, WA's above average revenue raising effort), Land Revenue (TAS's revenue raising effort is well above average and the NT's well below average) and Hospital Revenue (in which the NT and to a lesser extent, QLD made a significantly below average revenue raising effort).

The above analysis utilises 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.

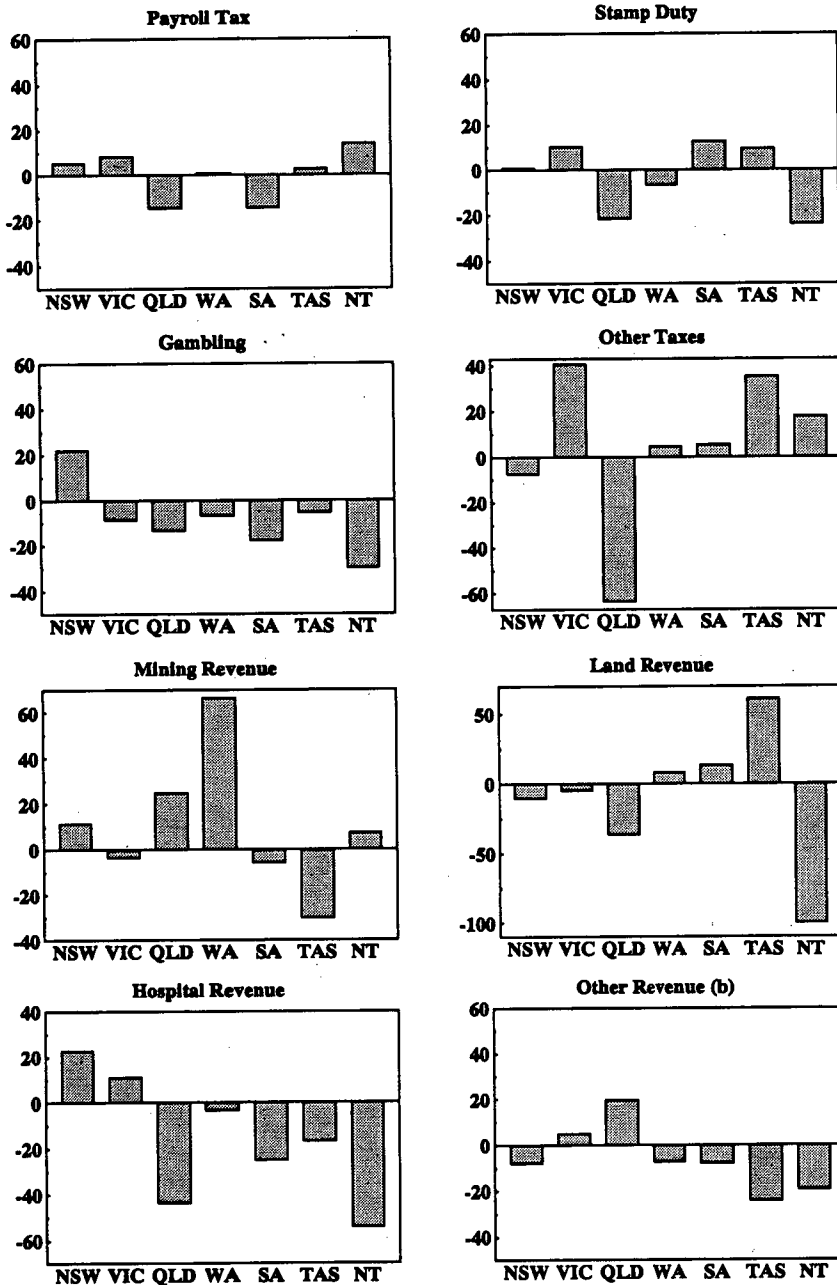
PUBLIC SECTOR EMPLOYMENT

As noted earlier in this Chapter, the State/local sector's expenditure responsibilities result in it accounting for a disproportionate share of public sector employment.

Table 13 shows annual changes in public sector employment in the period 1986–87 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.

- State sector employment fell in 1987–88 and 1988–89 but subsequently increased in 1989–90.
- In the 12 months to December 1990 (the latest available data), State sector employment fell by 7.7 per cent in TAS reflecting the restructuring of the State public service; State

**CHART 9: STATE GOVERNMENT OWN SOURCE REVENUE
PERCENTAGE DEVIATION OF ACTUAL FROM STANDARDISED (a)**

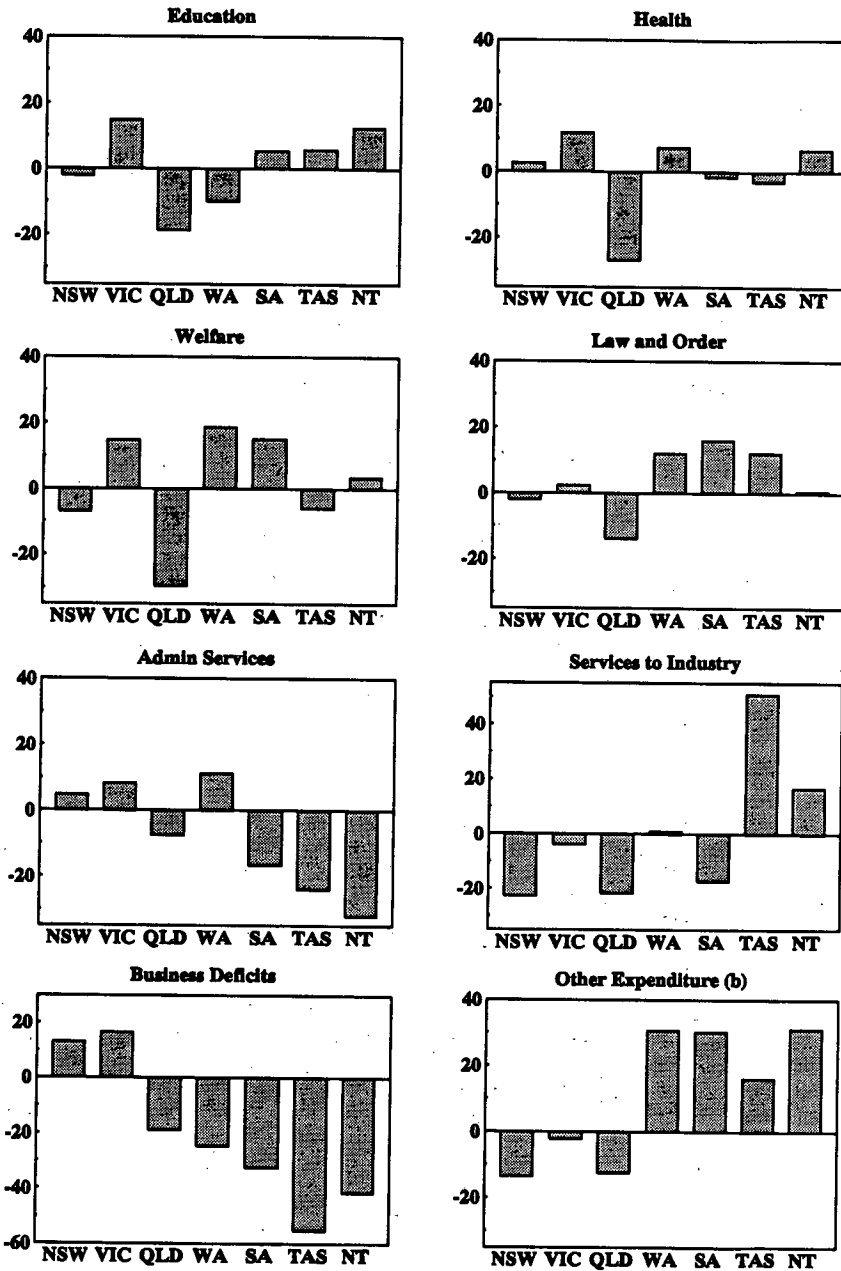


(a) These ratios are calculated as the percentage of actual revenue raised to standardised revenue. A figure above 100 indicates that the State is imposing above average levels of service.

(b) Includes Business Regulation Fees and Administration of Justice Fees and Fines.

Source: Commonwealth Grants Commission, Report on General Revenue Relativities 1991 Update.

**CHART 10: STATE GOVERNMENT CURRENT EXPENDITURE
PERCENTAGE DEVIATION OF ACTUAL FROM STANDARDISED (a)**



(a) These ratios are calculated as the percentage of actual expenditure undertaken to standardised expenditure. A figure above 100 indicates that the State is providing above average levels of service.
 (b) Includes expenditure on Culture and Recreation, Aboriginal Community Services, Legislature, Community Services, Regulatory Services and Items n.e.i.

Source: Commonwealth Grants Commission, Report on General Revenue Grant Relativities, 1991 Update.

**Table 13—Public Sector Employment: State and Local Government Sectors
(% change)**

	NSW	VIC	QLD	WA	SA	TAS	NT (a)	Total
State Sector								
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	-0.7	0.3	2.8	2.0	1.3	-1.0	5.3	2.0
Latest Data(b)	0.5	-0.5	5.4	0.9	3.5	-7.7	3.7	1.1
Average-1984-85 to 1989-90	0.2	1.8	0.7	1.3	1.2	0.3	1.2	1.2
Composition of State Government Employment, 1989-90 (%)								
General Government	79.3	73.7	90.5	79.1	83.2	84.9	90.8	80.3
Public Trading Enterprises	17.8	22.2	8.6	16.9	12.6	12.9	8.0	16.6
Public Financial Enterprises	2.9	4.2	0.8	4.0	4.1	2.2	1.2	3.1
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	16.8	18.3	18.8	23.5	21.2	25.1	26.6	18.7
Local Sector								
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	-1.4	3.0	5.0	3.7	-1.2	10.8	-2.8	1.6
Latest Data(b)	-0.5	0.2	0.7	5.0	4.4	4.3	-8.3	0.8
Average-1984-85 to 1989-90	-0.1	3.4	0.7	1.8	1.1	1.7	5.3	1.3
Composition of Local Government Employment, 1989-90 (%)								
General Government	73.8	96.8	81.0	100.0	98.8	90.2	100.0	85.4
Public Trading Enterprises	26.2	3.2	19.0	..	1.2	9.8	..	14.6
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	2.8	2.7	3.0	2.0	1.6	2.5	1.9	2.5

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

(b) Latest data based on the percentage increase from the December quarter 1989 to the December quarter 1990.

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

sector employment also fell, but only marginally so, in VIC. The other States experienced increases with strong growth in QLD, the NT and SA.

- Around 80 per cent of State sector employees are in the general government sector, mainly providing education, health and police services. PTEs employ about 17 per cent of State sector employees, with the balance employed by public financial enterprises.

- Around 85 per cent of local government employees are employed in the general government sector.

NET DEBT AND NET INTEREST PAYMENTS

The level of public indebtedness has assumed greater significance in both domestic and international financial markets. Analyses of the States' overall economic positions and assessments of creditworthiness now turn heavily on assessments of current and prospective debt levels and debt servicing capacities. More generally, reduced State fiscal flexibility as a result of increasing public debt servicing burdens has provided a focus for State financial adjustment efforts in recent years.

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. Net debt does not constitute a comprehensive assessment of governments' liabilities or assets. Nonetheless, it is a useful starting point for analysis.

At present, net debt is the best systematic financial data available for comparison of States' financial positions. This situation is expected to improve in the years ahead. As part of an agreement on the uniform presentation of Government Financial Information between the Commonwealth and the States at the 1991 Premiers' Conference, all Governments are now to work towards presenting comparable tables of financial assets and liabilities. This is an extension of the proposal to present outlays and revenue information on a comparable basis. A Commonwealth/State working party on accounting issues has been established to aid progress towards publication of financial assets and liabilities and will consider broader questions of comparable accounting standards and reporting.

Chart 11, panels A and B, show estimates of the net indebtedness of the State sector and levels of net interest payments respectively as at 30 June for the four years 1987–1990. For 1987 and 1988, the estimates of net indebtedness are based on comprehensive surveys by the ABS and include a split between general government and PTE sectors. (Table 14 shows net debt by institutional sector.) For 1989 and 1990 they are based on extrapolations of 1988 data, and on forward estimates—they therefore should be considered as only broadly indicative of net debt levels.

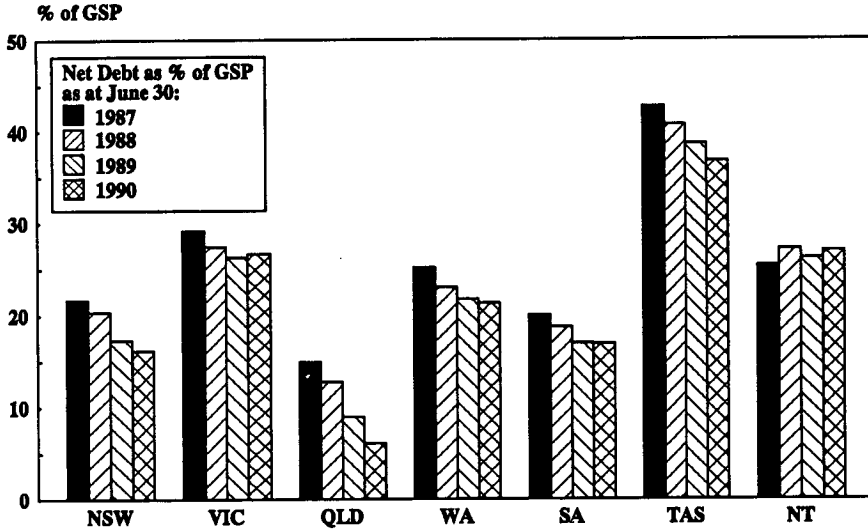
Table 14—Net Debt at 30 June 1988 by Institutional Sector, Percentage of GSP

	NSW	VIC	QLD	WA	SA	TAS	NT	Total
General Govt.	7.8	12.3	-1.8	5.6	3.8	12.2	12.0	7.2
PTEs	12.5	15.2	14.6	17.4	15.0	28.5	15.2	14.4
Total	20.3	27.4	12.8	23.0	18.7	40.7	27.2	21.6

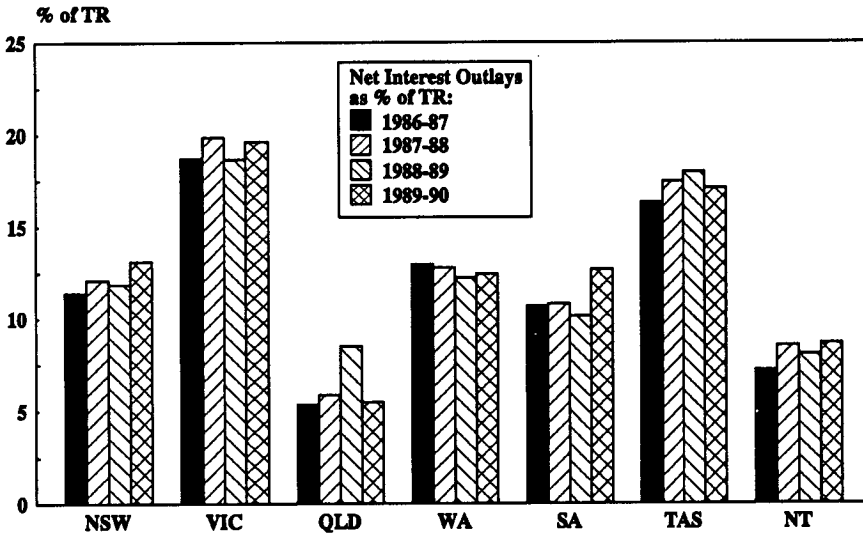
Source: Public Sector Debt, Australia, ABS Cat No. 5513.0

CHART 11: NET DEBT AND DEBT SERVICING BURDEN

Panel A
Net Debt as a Percentage of GSP,
States, 1987 to 1990



Panel B
Net Interest Outlays as a Percentage
of Total State Revenue, 1986-87 to 1989-90



Source: *Government Financial Estimates, ABS Cat. No. 5501.0; Australian National Accounts, State Accounts, ABS Cat. No. 5220.0; and Pre-release of Government Financial Statistics (currently unpublished).*

The main points in Chart 11 and Table 14 are:

- State net debt as a share of GSP was highest in TAS and lowest in QLD. PTE net debt as a proportion of GSP was much higher than that of the general government sector in all States; in QLD the general government sector was a net creditor as at 30 June 1988. PTE net debt was equal to 28.5 per cent of GSP in TAS at 30 June 1988, considerably higher than any other State; NSW had the least net PTE debt as a proportion of GSP; and
- broadly reflecting the distribution of net debt among the States, net interest payments for the years 1986–87 to 1989–90 as a proportion of GSP were highest in VIC 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.

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 1990-91, 1991-92 and beyond—as well as describing the methodology and implications of fiscal equalisation.

GENERAL REVENUE ASSISTANCE TO THE STATES AND THE TERRITORIES IN 1990-91 AND 1991-92

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 1991-92, general revenue assistance is estimated to account for around 47 per cent of total gross Commonwealth payments to the State/local sector.

Table 15 shows payments of general revenue assistance and its components since 1987-88. 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. However, the degree to which this funding was effectively 'tied' to expenditure on health services remained largely unchanged. Since then, general revenue assistance has comprised financial assistance grants and special revenue assistance⁽²⁾.

For 1991-92 it will also comprise separately identified program transfer funding for local roads. The October 1990 Special Premiers' Conference (SPC) agreed that funding for local roads should be untied and paid *via* general purpose grants. While the bulk of local roads funding is paid to local government, some \$48m was paid to the States in 1990-91 by way of assistance for local road expenditures which are the direct responsibility of the States (primarily on local roads in areas not covered by local government). As an interim transitional arrangement, in 1991-92, these payments will be identified as a separate component of general revenue assistance. The 1990-91 real level of these grants has been maintained and, pending the possible outcome of SPC reviews of other specific purpose payments, their interstate distribution will continue to be based on established formulae for local roads funding.

At the 1990 Premiers' Conference there were requests from the States for a more certain environment to facilitate medium-term budget planning, against the background of the recent significant real annual declines in general revenue assistance. In response, the Commonwealth indicated that general revenue grants to the States would be maintained in real terms for each of the three years 1991-92 to 1993-94 conditional on Australia not experiencing a major deterioration in its economic circumstances.

(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.

(2) In Table 15, program transfer grants are included with special revenue assistance in their year of introduction. For subsequent years, they have been absorbed into financial assistance grants (for details, see under 'Distribution of Financial Assistance Grants').

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)										
1987-88	3,595	2,667	2,414	1,393	1,233	453	676	12,432	na	12,432
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	3,702	2,712	2,521	1,548	1,435	522	679	13,117	434	13,551
1991-92(b)	3,623	2,675	2,639	1,597	1,494	553	721	13,303	365	13,668
Identified Health Grants (c)										
1987-88	674	442	139	220	234	75	..	1,783	na	1,783
1988-89	..	..	..	..	..	..	..	..	..	..
1989-90	..	..	..	..	..	..	..	..	..	..
1990-91	..	..	..	..	..	..	..	..	..	..
1991-92(b)	..	..	..	..	..	..	..	..	..	..
Identified Road Grants (d)										
1991-92(b)	5	3	6	..	9	5	12	39	..	39
Special Revenue Assistance										
1987-88	8	4	9	7	3	1	3	34	na	34
1988-89(e)	15	14	9	8	15	18	59	138	13	151
1989-90(f)	..	..	..	..	..	..	46	46	..	45
1990-91	..	..	..	..	..	..	50	50	..	50
1991-92(b)(g)	..	..	..	..	..	..	40	40	53	93
Total General Revenue Assistance										
1987-88(h)	4,277	3,113	2,562	1,619	1,470	529	678	14,248	na	14,249
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	1,494	1,397	501	695	12,905	373	13,278
1990-91	3,702	2,712	2,521	1,548	1,435	522	729	13,167	434	13,601
1991-92(b)	3,628	2,678	2,645	1,597	1,503	558	773	13,382	417	13,800

- (a) Consists of financial assistance grants to the six States (and the NT since 1988-89), the NT's general revenue grant in 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) Previously tied funding paid to the States for local roads under the Australian Land Transport Development Act 1988.
- (e) 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 continued as a specific purpose payment from 1989-90. Details are included in the 1988-89 Budget Paper No. 4.
- (f) Includes grants of \$26,000 to NSW as a carryover of the transfer of the Family Support Program in 1988-89, absorbed into the pool of financial assistance grants in 1990-91.
- (g) Includes \$258,492 to be absorbed in financial assistance grants for 1991-92 for the transfer of functions to the States and NT, including \$244,487 for the transfer to Victoria of responsibility for services formerly provided by the Moira Nursing Home, assumed to take place in 1991-92.
- (h) Includes the recoupment of \$14.4 million from the NT in 1987-88.

The real terms guarantee—based on the expected increase in the CPI for the four quarters to March 1992 over the previous four quarters—was enacted and is being honoured in 1991–92. However, the expected increase in general revenue assistance in 1991–92 (1.6 per cent) is less than the forecast increase in the CPI. This is because the figures for both 1990–91 and 1991–92 are affected by a number of adjustments (particularly the transfer of the Debits Tax base to the States)⁽³⁾.

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 1990–91 and 1991–92.

The \$13117m of financial assistance grants paid in 1990–91 was slightly lower than the base level of grants agreed at the 1990 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 1991 was 6.4 per cent compared with the original forecast of 6.5 per cent, reducing grants by \$15.7m;
- the additional revenue accruing to State and Territory Governments in 1990–91 as a result of the decision to transfer the Debits Tax base to the States with effect from 1 January 1991 was recouped through reductions in financial assistance grants totalling \$161.4m; and
- adjustments to the 1989–90 payroll tax recoupment exercise reduced grants by \$1m.

Consistent with the real terms guarantee, the forward estimates of financial assistance grants for 1991–92 assumed the same real level as in 1990–91. In accordance with agreements reached at the 1991 Premiers' Conference, this base level of financial assistance grants is to be reduced by \$39.8m to be used to fund special revenue assistance to the NT.

The derivation of the estimate of \$13342.7m for the financial assistance grants pool to be paid to the States in 1991–92—a nominal increase of 1.7 per cent or a real decrease of 1.3 per cent—is shown in Table 16. First, the previous year's financial assistance grants pool (row (5) Table 16) was adjusted by:

- subtracting the full year effect of the recoupment of the transfer of the Debits Tax base to the States (row (6) Table 16); and
- adding the special revenue assistance paid to the NT in 1990–91 (row (8) Table 16) as this assistance was funded from the financial assistance grant pool.

Then, the escalation of the resulting base pool (row (9)) in line with the Premiers' Conference forecast of the CPI (of around 4 per cent), and the deduction to reflect the 1991–92 special revenue assistance to the NT, are shown in rows (10) and (12) respectively.

(3) For details see under 'Level of Financial Assistance Grants in 1991–92' and 'Special Revenue Assistance Grants'.

The base level of financial assistance grants for 1991–92 (row (13) 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)); and
- implement the October 1990 SPC agreement to untie funding for local roads by incorporating previously tied local road funding grants provided to States (totalling \$39.4m in 1991–92) into the pool of general revenue assistance.

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

	Total
1990–91	
(1) Base Financial Assistance Grants (FAGs) pool (a)	13,295.1
(2) plus adjustment for CPI outcome (b)	-15.7
(3) FAGs before recoupment of "other taxes and charges"	13,279.4
(4) less recoupment of debits tax transfer & other adjustments	162.4
Equals 1990–91 FAGs Paid	13,117.0
(5) 1990–91 FAGs before tax recoupment (from (3) above)	13,279.4
(6) less full-year adjustment for 1990–91 debits tax recoupment (c)	386.4
(7) 1990–91 FAGs after tax recoupment	12,893.0
(8) plus 1990–91 special revenue assistance (d)	50.2
(9) Base to calculate 1991–92 FAGs pool	12,943.2
(10) plus real terms adjustment (e)	478.0
(11) Adjusted Premiers' Conference time estimate	13,421.2
(12) less special revenue assistance for the Northern Territory	40.0
(13) 1991–92 base FAGs pool	13,381.2
(14) plus adjustment for revised estimate for CPI (f)	-77.9
(15) Estimated FAGs before adjustments	13,303.3
(16) Identified road funding grants	39.4
Equals current estimate of 1991–92 FAGs pool	13,342.7

- (a) This is the amount determined by the Treasurer under the States Grants (General Purposes) Act 1990 as base assistance for 1990–91. The derivation of an amount of \$13,294.4 million is detailed in Table 16 of the 1990–91 Budget Paper No. 4. The balance relates to an adjustment to the base caused by revision to the actual liability to additional States taxes and charges for 1989–90 subject to recoupment.
- (b) Based on an index factor calculated by dividing the sum of CPI index numbers for the four quarters to the March quarter 1991 (844.9) divided by the estimate of that sum used at the time of the 1990 Premiers' Conference (845.9).
- (c) This represents the full year effect of the recoupment for the transfer of the debits tax base.
- (d) Includes the full year effect of 1990–91 program transfer assistance.
- (e) The forward estimates at the time of the Premiers' Conference assumed an increase in the CPI of around 4 per cent.
- (f) As in 1990–91 (see footnote (b)), the pool is to increase by the sum of the CPI numbers for the four quarters to the March quarter 1992 over the estimate used at the 1991 Premiers' Conference. This estimate reflects the variation between the Premiers' Conference estimate and the current forecast of the increase in the CPI of 3.1 per cent in the year to the March quarter 1992.

DISTRIBUTION OF FINANCIAL ASSISTANCE GRANTS

The distribution of financial assistance grants is based primarily 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 also affected by: the distribution of hospital

funding grants and program transfer payments; other adjustments to the grants such as for the recoupment of State taxes and charges paid by Commonwealth government business enterprises; and by the transfer of the Debits Tax base to the States.

Table 17 shows how the pool of financial assistance grants in 1990–91 and 1991–92, derived in Table 16, is distributed among the States.

General Revenue Grant Relativities

The Commission's assessments of *per capita* relativities are determined against the principle of fiscal equalisation. In essence, this involves 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.⁽⁴⁾

Application of the principle of fiscal equalisation requires periodic reviews by the Grants Commission of each State's capacity to raise taxes and of their costs of service provision, compared with those of the other States.

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

While agreeing that annual updates should be continued in future, the 1990 Premiers' Conference decided that updated relativities implemented in 1990–91 and thereafter should be on the basis of a five year—rather than a three year—review period. In combination with the commitment to maintain the real level of payments, this is designed to ensure greater stability in the distribution of financial assistance grants among the States and address concerns regarding the difficulties for medium-term budget planning caused by uncertainty relating to future levels of Commonwealth assistance.

Against that background, the 1991 Premiers' Conference adopted the Commission's five year relativities, contained in its *Report on General Revenue Grant Relativities 1991* (the 1991 Update Report), for the allocation of general revenue grants in 1991–92; a detailed discussion of these matters is contained in Chapter III of the 1990–91 Budget Paper No 4.

Population

The final distribution of financial assistance grants among the States in 1991–92 will be affected by the Statistician's determination of each State's population as at 31 December 1991. In calculating the financial assistance grants payable to individual States, the Commission's *per capita* relativities are multiplied by the population of each State to give adjusted populations (rows (3) and (13) Table 17). Each State's share of the sum of

(4) A more detailed discussion of the methodology of fiscal equalisation appears later in this Chapter, under the heading 'Fiscal Equalisation and the Distribution of General Revenue Assistance'.

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

	NSW	VIC	QLD	WA	SA	TAS	NT	Total
1990-91								
(1) Population at 31.12.90 ('000s)								
(a)	5,862.2	4,406.6	2,938.5	1,649.9	1,447.9	458.6	158.4	16,922.0
(2) Per Capita Relativities (b)	1.020	1.000	1.282	1.366	1.457	1.623	5.303	
(3) Product of Rows (1) and (2)	5,979.5	4,406.6	3,767.1	2,253.8	2,109.6	744.3	839.8	20,100.6
(4) Distribution of Row (3) among States (%)	29.7	21.9	18.7	11.2	10.5	3.7	4.2	100.0
(5) Amount of FAGs and Hospital Grants (\$m)	4,995.8	3,681.7	3,147.4	1,883.0	1,762.5	621.8	701.7	16,793.9
(6) less Hospital Grants (\$m)	1,237.7	922.3	598.4	320.8	316.8	96.6	21.9	3,514.5
(7) Amount of FAGs before Recoupment (\$m)	3,758.1	2,759.3	2,549.0	1,562.2	1,445.7	525.2	679.8	13,279.4
(8) less Debit Tax base Recoupment (\$m)	56.9	46.9	26.2	15.7	11.5	3.3	1.1	161.4
(9) Adjustment to 1989-90 Recoupment (\$m)	-0.4	0.7	2.3	-1.2	-0.5	0.0	0.0	1.0
(10) Amount of FAG's (\$m)	3,701.6	2,711.7	2,520.5	1,547.8	1,434.8	521.9	678.7	13,117.0
1991-92 (estimate)								
(11) Population at 31.12.91 ('000s)								
(a)	5,933.9	4,454.7	2,999.9	1,681.9	1,464.6	462.6	160.6	17,158.2
(12) Per Capita Relativities (c)	1.015	1.000	1.335	1.408	1.526	1.731	5.673	
(13) Product of Rows (11) and (12)	6,022.9	4,454.7	4,004.8	2,368.2	2,235.0	800.8	911.0	20,797.4
(14) Distribution of Row (13) among States (%)	29.0	21.4	19.3	11.4	10.7	3.9	4.4	100.0
(15) Amount of FAGs and Hospital Grants (\$m)	4,921.5	3,640.0	3,272.5	1,935.1	1,826.2	654.4	744.4	16,994.1
(16) less Hospital Grants (\$m) (d)	1,298.1	964.9	633.4	338.3	331.9	101.1	23.1	3,690.8
(17) Amount of FAGs before local roads adj. (\$m)	3,623.3	2,675.1	2,639.0	1,596.8	1,494.4	553.3	721.3	13,303.3
(18) plus Identified Local Rds Fds (\$m)	4.5	2.7	6.0	0.0	8.8	5.2	12.2	39.4
(19) Amount of FAGs (\$m)	3,627.9	2,677.8	2,645.1	1,596.8	1,503.2	558.5	733.6	13,342.7

(a) The population as at 31 December 1990 is that determined by the Statistician in accordance with the States Grants (General Purposes) Act 1990. The estimates for 31 December 1991 are subject to revision.

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

(c) Per capita relativities adopted at the 1991 Premiers' Conference to apply in 1991-92.

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

the adjusted populations then determines their respective shares of the combined financial assistance and hospital grant pool (see rows (1) to (5) and (11) to (15) of Table 17) before adjustments.

Table 18 details the effects of the two major influences—population and relativities—on the distribution of financial assistance grants in 1991–92. The Table takes account of the impact of both the \$49.9m special revenue assistance provided to the NT in 1990–91 and the \$39.8m special revenue assistance for the NT in 1991–92 (discussed further below).

In estimating payments for 1991–92, Treasury prepared population projections for 31 December 1991, in consultation with the ABS. These projections show 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 1989–90 (the last year of the five year review period used for the Grants Commission's 1991 Update of *per capita* relativities). In particular, the increased relative importance of stamp duties in State own source revenues towards the end of that review period worked to reduce the shares of the two more populous States. The unwinding of the asset price boom since has eroded the buoyancy of their revenues.

Changes in the allocation of powers and administrative responsibilities between the States and the Commonwealth during 1990–91—in particular the transfer of the Debits Tax base to the States and the transfer to the Commonwealth of responsibility for most corporate affairs revenue and expenditure—also had an impact on the *per capita* relativities.⁽⁵⁾

Overall, QLD, WA, SA and TAS receive larger shares of general revenue and hospital grants. The NT share would have declined marginally without special revenue assistance in 1991–92 but increased when the special assistance was 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 1991–92, a State's share of financial assistance grants (before the inclusion of identified local roads funding) (row (17) 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 (15) 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 (16) of Table 17).

(5) Consistent with normal practice, the Grants Commission backcasted significant budgetary developments through the revision period for the purposes of determining recommended *per capita* relativities for 1991–92.

Table 18—General Revenue Grant & Hospital Funding Grants Pool 1991–92: Impact of Changes in Population, Relativities and Special Revenue Assistance

	(1) Total 1991–92 General Revenue & Hospital Grants Pool on 1990–91 Actual Shares		(2) Effect of Reversing 1990–91 Special Revenue Assistance	(3) Effect of New Population	(4) Effect of New Relativities	(5) Effect of 1991–92 Special Revenue Assistance	(6) Total 1991–92 General Revenue & Hospital Grants Pool After Special Revenue Assistance		(7) Combined Effect (column (6) less column (1))
	\$m	%	Change (\$m)	Change (\$m)	Change (\$m)	Change (\$m)	\$m	%	Change (\$m)
	New South Wales	5,052.1	29.7	14.9	-10.0	-124.6	-11.5	4,921.5	28.9	-130.7
Victoria	3,723.7	21.9	11.0	-12.7	-73.8	-8.5	3,640.0	21.4	-83.7
Queensland	3,182.3	18.7	9.4	21.7	66.8	-7.7	3,272.5	19.2	90.2
Western Australia	1,904.7	11.2	5.6	9.4	20.0	-4.5	1,935.1	11.4	30.4
South Australia	1,782.7	10.5	5.2	-5.1	48.0	-4.3	1,826.3	10.7	43.5
Tasmania	628.6	3.7	1.9	-3.1	28.8	-1.5	654.4	3.8	25.8
Northern Territory	759.7	4.5	-47.9	-0.3	34.8	38.0	784.2	4.6	24.5
TOTAL	17,033.9	100.0	0.0	-0.0	0.0	-0.0	17,033.9	100.0	-0.0

Notes: Column (1) shows the distribution of the 1991–92 total pool amounts, after the total pool has been reduced by the \$50 million special revenue assistance paid to the Northern Territory in 1990–91 and the \$50 million is added on to the Northern Territory's share of the reduced pool. It is calculated on the basis of the population as at 31 December 1990 and the 1990 Update relativities.

Column (2) isolates the effect of reversing the \$50 million special revenue assistance paid to the Northern Territory in 1990–91.

Columns (3) and (4) isolate the effect of introducing (a) new population forecasts for 31 December 1991 and (b) 1991 Update relativities, respectively.

Column (5) isolates the effect of the \$40 million special revenue assistance to be paid to the Northern Territory in 1991–92, and is calculated on the basis of the population estimates as at 31 December 1991 and the 1991 Update relativities.

Column (6) shows the distribution of the 1991–92 total pool after the total pool has been reduced by the \$40 million special revenue assistance to be paid to the Northern Territory in 1991–92 and the \$40 million is added to the Northern Territory's share of the reduced pool. It is calculated on the basis of the population estimates as at 31 December 1991 and the 1991 Update relativities.

Conceptually, Columns (1) – (5) are not necessarily additive to Column (6).

Column (6) equals row (15) in Table 17 plus special revenue assistance paid to the NT.

Hospital funding grants used in the above calculations exclude amounts for incentives and penalties packages and AIDS funding.

Each State's financial assistance grant (excluding identified local roads funding) 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.

Program Transfer Grants

Program transfer grants are generally used to facilitate the transfer of responsibility for a program from the Commonwealth to the States (for example, \$14005 was paid in 1990–91 to the NT by way of a program grant for the transfer of the St Mary's Child and Family Welfare Service). Such grants can also be used to effect the eventual absorption of a specific purpose payment into general revenue assistance, where it is agreed that primary responsibility for program design and delivery in a particular area of government activity should lie with the States and Territories rather than with the Commonwealth.

Grants of this type are generally identified separately in their first year within general revenue funds and are not distributed among the States according to the *per capita* relativities recommended by the Grants Commission. Rather, they are distributed on some other basis agreed between the Commonwealth and the States. However, thereafter, they are normally absorbed into the pool of financial assistance grants.

In 1991–92, program transfer grants will be paid to the States with regard to local roads funding (to give effect to the October 1990 SPC decision to untie these grants).

The 1991–92 distribution of identified local roads funding is to be determined according to the existing distributional principles pertaining to these grants. The arrangements for 1992–93 and beyond have yet to be decided and will need to take account, *inter alia*, of the implications of other such changes in Commonwealth-State financial relations which might be agreed in the context of the SPC review processes.

Row (19) of Table 17 indicates how the distribution of identified program transfer grants for roads funding impacts on the distribution of total financial assistance grants in 1991–92.

Other Adjustments to Financial Assistance Grants

As well as program transfer grants, there are other means for utilising financial assistance grants to make 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 per cent of State taxes and charges (payroll tax from 1988–89, and other State taxes and charges from 1989–90) paid by Commonwealth Public Trading Enterprises (PTEs) following the removal of exemptions from these State tax bases.

As the effect of the removal of the Commonwealth PTEs' State tax exemptions 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. After the year of effect, however, permanent adjustments incorporated the changed arrangements into the Commission's assessments and deducted the amount recouped from the pool before the relativities were applied.

Adjustments were made for land taxes and stamp duties in 1990–91 to align the amount of taxes and charges recouped with actual tax payments in respect of the transitional years. Details of this adjustment are provided for each State in Row (9) of Table 17.

An adjustment was also made in 1990–91 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. The transfer, which subsequently took effect on 1 January 1991, was effected by way of an interim arrangement whereby the Commonwealth agreed to act as an agent for the States and Territories (other than the ACT which elected instead to raise its Financial Institutions Duty rate) collecting the debits tax on their behalf. The Commonwealth has agreed that these transitional arrangements may be extended until end 1992, if necessary. The Commonwealth therefore deducted an amount of \$161.4m in 1990–91—representing the net amount of revenue collected by the Commonwealth on the States' behalf during the period from 1 January 1991 to 30 June 1991—from the financial assistance grants paid to the States and Territories over this latter period.

In calculating the general revenue and hospital funding grant pool for 1991–92 and later years, the 1990–91 base has been reduced by \$386.4m rather than \$161.4m in order to reflect a full year adjustment for the transfer of the Debits Tax base to the States and Territories.

SPECIAL REVENUE ASSISTANCE GRANTS

The NT was the only recipient of special revenue assistance in 1990–91, receiving \$49.9m funded from the pool of financial assistance grants to the States.

As noted above, the 1991 Premiers' Conference agreed that the NT be provided with special revenue assistance of \$40m in 1991–92, again to be funded from the financial assistance grants pool. Without the payment of special revenue assistance in 1991–92, general revenue assistance to the NT would have fallen by about 3 per cent in real terms. Nevertheless, this represents a modest phasing down of the level of special revenue assistance provided to the NT in 1990–91 and is consistent with the Commonwealth's commitment to progressively move 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 \$39.8m.

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. Transitional funding arrangements for 1991-92 and 1992-93 were to be subsequently negotiated with a view to including the ACT within the pool of general revenue assistance for the States and the NT from 1993-94. Tables 19 and 20 show the

Table 19-Derivation of ACT General Revenue Grant 1990-91 (\$ million)

	Total
(1) 1989-90 General Revenue Grant before overpayment & recoupment	367.4
(2) less full-year adjustment for 1989-90 tax recoupment (a)	0.1
(3) plus full year effect of functions transferred during 1989-90	0.4
(4) Base to calculate 1990-91 payment to ACT	367.6
(5) plus 1989-90 transfer to ACT Transitional Funding Trust Account	14.8
(6) Base to calculate 1990-91 same real amount	382.4
(7) plus increase for same real increase of row (6) (b)	24.3
(8) Amount required to achieve same real	406.7
(9) Amount paid to ACT Transitional Funding Trust Account (c)	27.1
(10) General Revenue Grant payable to ACT using basis of comparable State treatment (d)	379.6
(11) Transfer of functions from the Commonwealth in 1990-91. (e)	63.0
(12) General Revenue before recoupment	442.6
(13) less recoupment for transfer of Debits Tax	2.1
(14) Actual payments in 1990-91	440.5

(a) 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.

(b) Based on the sum of CPI index for each of the four quarters to March Quarter over the sum of the corresponding quarters in the previous year.

(c) The difference between rows (8) and (10).

(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).

(e) Includes Police (\$52.4 million), additional funding for Magistrates Courts (\$5.2 million), Director of Public Prosecutions (\$2.7 million) and a range of smaller programs.

Table 20-Derivation of ACT General Revenue Grant 1991-92 (\$ million)

	Current Estimates
(1) Financial assistance grants pool for States and NT	13,303.3
(2) Hospital funding grants for States and NT (a)	3,690.8
(3) =(2)+(3) Total pool for States and NT	16,994.1
(4) Victoria's share of total pool	3,640.0
(5) Victoria's population at 31 Dec 1991 (Est. No.)	4,454,653
(6) Victoria's share per capita	817.1
(7) ACT per capita payment ((6) x 1.719) (b)	1,404.6
(8) ACT population at 31 December 1991 (Est. No.)	295,134
(9) ACT general revenue assistance plus estimated hospital funding grant (a) ((7) x (8))	414.6
(10) less ACT's hospital funding grant (a)	49.8
(11) equals ACT's estimated general revenue assistance	364.8

(a) Base hospital grant- that is, excluding the penalties and incentives packages and funding for AIDS.

(b) Per capita relativity assessed by the Commonwealth Grants Commission in its Fourth Inquiry into Financing the ACT. The figure of 1.719 differs from the figure of 1.696 published in the Commission's Report, due to the incorporation of a provision for community policing employer superannuation costs.

derivation of the ACT general revenue payments for 1990–91 and estimated payments for 1991–92 respectively.

The funding arrangements for the ACT in 1990–91, agreed at the 1990 Premiers' Conference, were similar to those in 1989–90 and included provision to maintain the earlier funding guarantee.

- The amount of general purpose assistance paid to the ACT in 1990–91 was based on comparable treatment to that accorded the States.
- The difference between the maintenance of payments in real terms and equal State treatment was paid into the ACT Transitional Funding Trust Account, with the principal and accrued interest available to assist the ACT in its transition to State-like funding during the years 1991–92 and 1992–93.

The nominal increase in the underlying general revenue grants paid to the ACT in 1990–91 was therefore fully in line with the increase in those grants for the States. However, the amount actually paid in 1990–91 also reflected various other adjustments:

- the most significant was an additional \$63m to fund the transfer of responsibility for a range of functions from the Commonwealth to the ACT (effective from 1 July 1990); and
- the ACT's general revenue grant was 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 January 1991. (Further details are included above under 'Other Adjustments to Financial Assistance Grants'.) The deduction from the ACT's grant was \$2.1m in 1990–91, based on the Grants Commission's estimate of the Territory's Financial Institutions Duty tax base.

At the 1991 Premiers' Conference, it was agreed that the level of general revenue assistance for the ACT for 1991–92 should be based upon:

- the *per capita* relativity assessed by the Commonwealth Grants Commission following its Fourth Inquiry (1991) into financing the ACT; and
- augmented by the accumulated balance in the ACT Transitional Funding Trust Account.

This is consistent with earlier undertakings regarding the ACT's transition to State-like levels of funding by 1993–94 and the use of the Trust Account balances to assist in this process. However, it still involves a significant real decline in the ACT's general revenue assistance for 1991–92 of around 7.4 per cent. (The level of overfunding for the ACT relative to the States, identified by the Grants Commission in its 1991 Report on financing the ACT, implies that the ACT needs to accommodate further significant adjustments in assistance over the next few years.)

Table 20 shows that using the Commission's *per capita* relativity (1.719) results in a grant of \$364.8m. The final amounts paid will, as with payments to the States, reflect the CPI outcome. With the addition of the Trust Account balances—estimated, including

expected interest earnings through 1991–92, to be \$52.7m—the current estimate of the total general revenue grant to be paid to the ACT in 1991–92 is \$417.4m.

ARRANGEMENTS FOR THE STATES AND THE TERRITORIES BEYOND 1991–92

THE STATES

At the 1990 Premiers' Conference, the Commonwealth guaranteed that general revenue funding in 1992–93 and 1993–94 would be maintained in real terms unless Australia were to experience a major deterioration in its economic circumstances.

Final adjustments were made in 1990–91 for the recoupment of State taxes and charges levied on certain Commonwealth PTEs whose exemptions from such taxes and charges had been removed over the preceding two years. In 1991–92, there are no similar recoupment arrangements proposed. However, the position will be reviewed in the light of any significant new State taxes and charges on Commonwealth PTEs.

Similarly, following the full year Debits Tax adjustment to the 1991–92 general revenue assistance pool, no further recoupment arrangements are required as a result of the transfer of this tax base to the States and Territories.

The Commonwealth Grants Commission will be directed to update its general revenue grant *per capita* relativities, for the purpose of allocating 1992–93 general revenue grants.

The Commission has already been directed to undertake a major review of its methodology to apply to the allocation of general revenue grants for the quinquennium commencing in 1993–94. The last major review of methodology was undertaken in 1988. The terms of reference for the review take into account the Commission's *Report on Issues in Fiscal Equalisation (October 1990)* (the Issues Report) and decisions arising out of SPC processes. The Commission is due to report by March 1993.

THE ACT

For the purpose of determining the level of general revenue assistance for the ACT beyond 1991–92, the Commonwealth will direct the Grants Commission to update its assessments for the ACT in conjunction with updates for the States. Consideration will be given to including the ACT in the pool of general revenue assistance to the States but not before 1993–94.

The possibility of further transitional assistance for the ACT beyond 1991–92 will be considered by the Commonwealth in the light of the Commission's updated assessments as well as the ACT's adjustment efforts during 1991–92—and of developments in Commonwealth-State financial relations and fiscal policy more generally.

GENERAL PURPOSE ASSISTANCE FOR LOCAL GOVERNMENT IN 1991–92

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 States under the Act.

In June 1991, the Act was amended to make its operation more flexible, and to incorporate previously tied local roads funding into general purpose funding in accordance with the decision of the October 1990 SPC. The amendments also provided for the amount of assistance to escalate at the same rate as general revenue payments to the States and NT, rather than at the same rate as general purpose assistance to the six States as had previously been the case.

The increased flexibility in the operation of the Act is intended to enable the Government to avoid having to make frequent changes to the Act because of changes to State funding arrangements determined annually at the Premiers' Conference. For example, without an amendment to the Act to provide for general purpose assistance to local government in 1990–91 to be set at a level consistent with the underlying growth in general purpose payments to the six States—that is, abstracting from the deduction for the transfer of the Debits Tax base to the States and Territories—local government would have been unintentionally disadvantaged. Similar amendments were required in 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.

As indicated, the changes to the Act regarding local road funding emanate from decisions taken at the October 1990 SPC. They will provide for \$305.2m—relating to funding for local roads under the *Australian Land Transport Development Act (1988)*—to be added to local government general purpose grants. While the local roads funding will continue to be separately identified for the time being, conditions applying to road grants will be abolished.

On the basis of present estimates, general purpose assistance to local government in 1991–92 will be \$1023.8m. This comprises:

- a base grant of \$719.7m (a nominal increase of 3.1 per cent or a real increase of 0.1 per cent on the 1990–91 level); and
- the additional \$305.2m relating to previously tied roads funding (a nominal increase of 10.7 per cent or a real increase of 7.4 per cent); but
- less \$1.2m overpaid in 1990–91.

Distribution Among the States

Table 21 shows the actual and percentage distribution of the above component payments among the States in 1990–91 and 1991–92.

In accordance with the *Local Government (Financial Assistance) Act (1986)*, the interstate distribution of base general purpose assistance to local government moved fully to equal *per capita* shares from 1989–90, based on populations at the previous 31 December. Shares for the years 1986–87 to 1988–89 reflected the phasing-in of the equal *per capita* distribution. Changes in the distribution for the base grant between 1990–91 and 1991–92 reflect different population growth rates among the States over the twelve months to 31 December 1990.

As an interim arrangement, previously tied roads funding is to be distributed according to existing criteria set from time to time in consultation with local government representative groups. The arrangements to apply beyond 1991–92 are yet to be determined. They will need to take account of the implementation of other possible changes to Commonwealth financial relations with other levels of government in the context of the SPC review processes, as well as consultations with all interested parties.

Table 21—Distribution of General Purpose Financial Assistance for Local Government among the States (\$ million)

	Entitlements for 1990–91(b) (1)	Estimated Entitlements for 1991–92(a)		Total (4)=(2)+(3)
		Base Funding (2)	Identified Roads Funding (3)	
NSW	242.7	249.3	94.2	343.6
VIC	182.1	187.4	67.0	254.4
QLD	120.2	125.0	60.9	185.8
WA	67.6	70.2	49.7	119.8
SA	59.9	61.6	17.9	79.4
TAS	19.0	19.5	12.0	31.5
NT	6.6	6.7	3.6	10.3
Total	698.1	719.7	305.2	1024.9
ACT	12.1	12.3	10.4	22.7

(a) Assumes an adjustment to be made in May 1992 to take account of actual movements in the CPI for the four quarters to March 1992.

(b) Actual payments in 1990–91 were \$1.2 million more than the States' entitlements, due to the final index factor being slightly lower than the estimated factor. In calculating 1991–92 payments this amount will be deducted from the 1991–92 entitlement.

The Commonwealth Grants Commission was asked to report during 1990–91 on the issue of the interstate distribution of general purpose grants for local government. In its Report released in March 1991, the Commission supported, in principle, the adoption of fiscal equalisation for the interstate distribution of general purpose funds. However, it expressed serious reservations about the fiscal equalisation *per capita* relativities assessed for 1991–92, the use of which would have implied a substantial reallocation of funds (around \$250m) away from NSW and VIC. Moreover, it indicated that further

refinement of its assessments—which would place significant additional pressures on the resources of both the Commission and the States in order to resolve the many conceptual and technical issues as well as improve the consistency and quality of the data available—would be unlikely to produce an outcome less disruptive.

The Commission's Report was discussed at the Premiers' Conference of 31 May 1991 and the Commonwealth proposed that the existing equal *per capita* arrangements be retained for the time being. However, the Commonwealth also agreed it would consult with the Chairman of the Grants Commission regarding the possibility of a further review of this issue.

Distribution Within Each State

In accordance with the requirements of the Act, the distribution of base grants to local government bodies is based on principles developed in each State; most States will have implemented these principles by the end of 1991–92. The principles are required to have regard to the objective of horizontal fiscal equalisation, which 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 State, 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 per cent of the State's base 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 1990–91 was \$12.1m. This represents the same increase in payments to the ACT in 1990–91 over 1989–90 as for local government in the States with the difference between this and the ACT's real terms guarantee (\$0.9m) paid into the ACT Transitional Funding Trust Account.

In 1991–92, the amount paid will be \$12.3m (based on the equal *per capita* sharing arrangements retained for the States) and an additional amount of \$10.4m relating to previously tied local government roads funding.

FISCAL EQUALISATION AND THE DISTRIBUTION OF GENERAL REVENUE ASSISTANCE

The interstate allocation of general revenue assistance involves a substantial redistribution, or 'equalisation', of national public sector resources among the States. Two elements of the overall distribution of recurrent funding can be distinguished:

- the redistribution produced because such funding is not distributed to the States in proportion to the Commonwealth tax collections in each State (here described as Commonwealth tax equalisation); and
- the redistribution reflecting differences assessed by the Commonwealth Grants Commission in respect of:
 - States' own source revenue-raising capacities (or revenue equalisation); and
 - the costs of providing average levels of State services (or expenditure equalisation)⁽⁶⁾.

The contribution of these two elements to the overall redistribution of Commonwealth budgetary assistance provided to the States for 1989-90 is quantified in Table 22. This is based largely on the assessments included in the Commonwealth Grants Commission's 1991 Update Report.

Commonwealth tax equalisation

Accurate data on the actual share of total Commonwealth tax revenue raised in each State are not readily available. However, if data on the share of personal income tax raised in each State are used as a proxy, the estimates suggest that Commonwealth tax equalisation contributes about a quarter of the overall redistribution among the States.⁽⁷⁾ This estimate of Commonwealth tax equalisation is calculated as the difference between an equal *per capita* distribution of Commonwealth assistance (which the Commission takes as its starting point) and a notional distribution in proportion to the amount of Commonwealth personal income tax revenue raised in each State.

The less populous States make a relatively low *per capita* contribution to Commonwealth personal income tax revenue but benefit from an equal *per capita* distribution. Such a redistribution of Commonwealth revenues toward the less populous States, and away from VIC and NSW, reflects the higher *per capita* incomes in the more populous States. Average household income *per capita* in VIC and NSW was some 17 per cent higher than the average in the other four States and the NT in 1989-90.

(6) In its assessments the Commission also takes account of the relative distribution of certain Commonwealth recurrent specific purpose payments (SPPs). Further details regarding SPPs and fiscal equalisation are provided in Chapter V.

(7) Use of personal income tax data for this purpose may overstate the degree of implied tax equalisation, to the extent that the implied State distribution of income based tax collections is likely to be more uneven, on a *per capita* basis, than that of indirect tax collections.

Table 22—Impact of Fiscal Equalisation on the Distribution of Commonwealth General Revenue Assistance, 1991–92

	(1) Commonwealth Tax Equalisation (a)	(2) Revenue Equalisation (b)	(3) Expenditure Equalisation (c) (d)	(4) Revenue and Expenditure Equalisation (e) (d)	(5) Total Redistribution (f)
	\$ per capita				
NSW	-55	-53	-108	-165	-220
VIC	-63	-24	-154	-175	-238
QLD	146	22	97	104	250
WA	12	-8	188	174	186
SA	70	167	58	245	315
TAS	77	255	119	421	498
NT	53	37	3615	3716	3769
	\$ million				
NSW	-325	-312	-640	-977	-1303
VIC	-279	-108	-688	-779	-1058
QLD	437	65	292	313	704
WA	21	-13	316	293	299
SA	102	245	84	359	485
TAS	36	118	55	195	249
NT	9	6	581	597	605
Contribution to total redistribution (g)	605	434	1328	1756	2361
Proportion of total redistribution (%)	26	18	56	74	100

- (a) This represents the difference between an equal per capita distribution of general revenue assistance and a notional distribution of that assistance in proportion to the amount of Commonwealth personal income tax revenue raised in each State. Source for the latter is Australian Tax Office data on net tax paid by individuals by State of residence, 1985–86 to 1989–90.
- (b) This represents the difference between an equal per capita distribution of general revenue assistance and a notional distribution of that assistance based upon the Commonwealth Grants Commission's assessment of revenue needs only (based on data in its 1991 Update Report for the period 1985–86 to 1989–90). Expenditure needs are assumed to be zero.
- (c) This represents the difference between an equal per capita distribution of general revenue assistance and a notional distribution of that assistance based on the Commission's assessment of expenditure needs only (based on data in its 1991 Update Report for the period 1985–86 to 1989–90). Revenue needs are assumed to be zero.
- (d) In these calculations, though, there is still allowance for the standard budget result, the relative distribution of certain recurrent SPPs, and the gap between the sum of the total financial assistance requirements determined for each State and the total amount of financial assistance available for distribution.
- (e) This represents the difference between an equal per capita distribution of general revenue assistance and the distribution of that assistance based upon the Commission's per capita relativities presented in its 1991 Update Report (based on a five year review period of 1985–86 to 1989–90). That is, it allows for both revenue and expenditure equalisation, the standard budget result, the relative distribution of certain recurrent SPPs, and the 'gap'. This column is not the sum of columns (2) and (3) because the three columns have been calculated independently. For a detailed description of the Commission's methodology, refer to its 1991 Update Report, Volume II, Appendix A.
- (f) This represents the total impact of Commonwealth tax equalisation and the equalisation resulting from Grants Commission assessments. This column is the sum of columns (1) and (4).
- (g) Aggregate funds redistributed from NSW and VIC (and, for column (2), WA) to other States and NT.

Revenue and expenditure equalisation

The second element in the redistribution of Commonwealth budgetary assistance reflects the application of the principle of fiscal equalisation as reflected in the assessments of the Grants Commission. This principle, as specified in the terms of reference for the Commission's 1988 Report, requires the Commission to determine a distribution which:

'... should enable each State to provide, without having to impose taxes and charges at levels appreciably different from the levels imposed by the other States, government services at standards not appreciably different from the standards provided by the other States ... [having regard to] differences in the capacities of the States to raise revenue, and ... differences in the amounts required to be spent by the States in providing government services of a comparable standard.'

In applying fiscal equalisation to the distribution of general revenue grants, the Grants Commission determines the variations from an equal *per capita* distribution of general revenue assistance that would offset differences in State revenue raising capacities and costs of service delivery judged to be 'largely outside' the control of State Governments—and which are not met by above-average shares of certain specific purpose payments from the Commonwealth.

The object of fiscal equalisation is to ensure that each State has 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.

The implementation of this principle is very complex and requires the Commission to assess relative revenue and expenditure 'needs' for each State which reflect factors outside the State's control.

The Commission calculates a State weighted *per capita* average for both recurrent State expenditures and revenues which then constitutes the 'standard' for the purposes of equalisation.⁽⁸⁾ This standard is then adjusted, on the revenue side, to reflect the below or above average revenue raising bases of each individual State. States with below (above) average revenue raising capacity are assessed to have positive (negative) revenue 'needs' which are, in effect, subtracted from the standard to give the level of revenue which could be raised if the State chose to levy average tax rates. This is referred to as each State's 'standardised' revenue.

Similarly, for each expenditure item, the Commission assesses 'needs' for each State (factors outside the State's control which may increase either the relative demand for a service or the unit cost of supplying that service). These are then added to the standard to produce each State's standardised expenditure—that is, the level of expenditure it would need to incur to provide average levels of service at average levels of efficiency.

(8) Capital items are not included in the Commission's assessments; it may also, on occasion, be instructed by governments to exclude particular current expenditures and revenues.

The difference between each State's standardised expenditure and standardised revenue (adjusted to take account of the standard State budget result) is then used as the basis for determining *per capita* relativities for each State—these ensure that the interstate distribution of general revenue assistance satisfies the fiscal equalisation principle.

As Table 22 shows, equalisation for State revenue and expenditure needs also involves a substantial redistribution toward the less populous States. Expenditure equalisation is more important overall but its importance relative to revenue equalisation differs markedly among the States:

- SA and TAS are the recipients of most of the revenue equalisation, reflecting relative capacities to collect payroll tax, stamp duty and mining royalties, among other things, which are well below average; and
- WA, TAS and the NT are the dominant recipients of expenditure equalisation:
 - location-specific needs (such as those associated with small scale operation in the provision of public goods and services associated with the degree of geographic dispersion of population) contribute to above-average *per capita* expenditures in WA;
 - TAS's needs stem mainly from the lack of economies of scale in general administration; and
 - The NT is assessed as having significant expenditure needs on both these counts, as well as having significant needs because of its stage of development (giving rise, for example, to relatively high debt charges) and social composition, including the provision of community services to Aboriginals (who, at the 1986 Population Census, accounted for 22.4 per cent of the Territory's population, compared with just over 1.5 per cent for Australia as a whole).

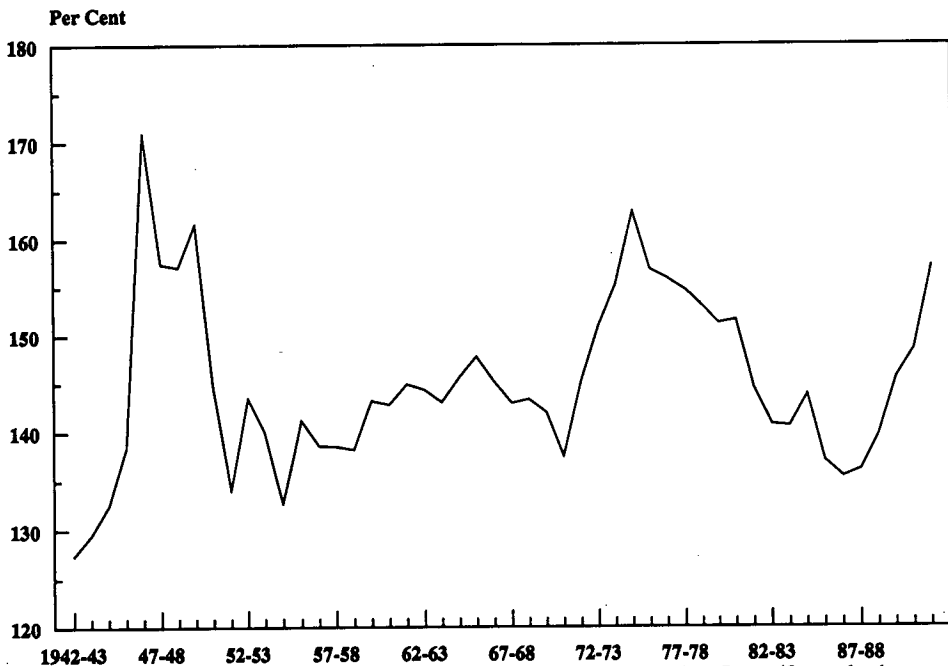
A simple summary measure of the redistributive effect of fiscal equalisation is given by the percentage differential between the Commonwealth's *per capita* general revenue assistance to the two more populous States on the one hand, and to the four less populous States (excluding the NT) on the other (see Chart 12).

The main points to note are that:

- the less populous States, on average, received *per capita* general revenue assistance some 60 per cent higher than NSW and VIC in the 1940s and in the early 1970s;
- through the 1970s and mid 1980s the redistribution in favour of the smaller States was significantly reduced, with their *per capita* general revenue assistance closer to 140 per cent of that of the two more populous States; and
- however, since 1987–88 the degree of redistribution has increased significantly. *Inter alia*, this is consistent with the two more populous States' disproportionate share of the increased revenue capacity associated with the increase in employment and asset prices through the period to 1989–90.

The increasing focus, in recent years, on the need for microeconomic reform and efforts to improve Australia's international competitiveness has served to highlight concerns about the possible implications of fiscal equalisation for economic efficiency. This issue was canvassed by the Grants Commission in its Issues Report. Nevertheless, the Commission indicated at that time that the work it had been able to do on this issue, particularly with regard to attempting to quantify any possible trade-off between equity and efficiency, was of a preliminary nature only. Moreover, it emphasised that the question of determining an appropriate balance between equity and efficiency considerations was a matter for governments to decide.

CHART 12: GENERAL REVENUE ASSISTANCE TO THE MORE AND LESS POPULOUS STATES, RELATIVE PER CAPITA DIFFERENTIAL (a)



(a) Measured by the per capita Commonwealth assistance to the four less populous States (Queensland, Western Australia, South Australia, and Tasmania) expressed as a percentage of the per capita assistance to New South Wales and Victoria in that year. An increase implies a redistribution toward the less populous States. The differential is based upon the distribution of financial assistance grants (or its equivalent), special grants, various forms of special revenue assistance, and general purpose hospital funding in the forms of identified health (and related) grants from 1981-82 to 1987-88.

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. (Sinking fund contributions are used to redeem debt outstanding under the Financial Agreement.) Since 1970–71, and until recently, these programs have included components provided as grants and concessional loans for public housing.

All assistance under these programs is now provided in the form of capital grants. New loans under the Financial Agreement are no longer advanced to the States and concessional loans for public housing ceased as from 1989–90. Similar assistance in the form of capital grants is provided to the Territories which are not subject to the Financial Agreement.

Prior to 1990–91, the Commonwealth arranged for the re-financing of outstanding debt arising from previous borrowings on behalf of the six States under the Financial Agreement (and related arrangements for the Territories). However, the June 1990 Loan Council meeting agreed that the States and Territories would progressively redeem this debt as it matures 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 States 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 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

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. Loan Council consists of representatives of the Commonwealth and each State.⁽¹⁾

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 and interest savings have accrued to the States.

The Commonwealth also contributes to the redemption of debt earlier issued on behalf of the States. 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.)

The importance of loans under the Financial Agreement in assistance provided to the six States has 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 not within the State budget sector; 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 re-financed by Commonwealth borrowings until 1990–91 when new debt redemption arrangements with the States commenced (an outline of the new debt redemption arrangements is provided later in this Chapter).

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. The distribution of these additional CSHA grants is being phased to a *per capita* basis over the three years to 1992–93.

In recognition of the impact of these adjustments on some States, the distribution of capital grants provided under the State Governments' Loan Council Program will remain

(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. Territory representatives attend Loan Council meetings as observers.

unchanged in 1991–92; for historical reasons, this distribution favours the NT, SA and TAS.

General purpose capital assistance has been provided entirely by way of grants since 1989–90 and at an unchanged nominal level of \$310.5m for 1988–89 and 1989–90. Last year, this assistance was reduced to \$296.8m to allow for the recoupment of 90 per cent of State motor vehicle registration fees paid by Telecom and Australia Post. The level of capital grants provided to the States and NT under the Loan Council program will remain unchanged in nominal terms in 1991–92, representing a real reduction of around 3 per cent over the 1990–91 level.

However, additional general purpose capital grants totalling \$55.6m will be provided to the States and Territories in 1991–92, following agreement between the Commonwealth and the States at the July 1991 Special Premiers' Conference (SPC) to cooperate in a program of 'Building Better Cities'. (As well as this increase in general purpose capital funding, administrative costs and payments currently made under the Housing Industry Development Scheme are included in the 'Building Better Cities' initiative.) The interstate distribution of these grants for 1991–92 has yet to be determined and will be based on assessments of relative State needs informed by bilateral discussions with individual States. In this regard, the 'Building Better Cities' program represents a move away from the provision of tied funding for specific policy initiatives. While negotiations on specific programs are being taken into account in determining the level and distribution of general purpose funding, the funding provided will be unconditional and available to States and Territories to use in accordance with their own budgetary priorities.

General purpose capital assistance represents a significantly larger share of Commonwealth payments to the Territories 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 upwards in 1985–86. A further adjustment was made in 1987–88 in conjunction with changes in State shares.

Under the financial arrangements—applying since 1 July 1988—associated with self-government, 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 had any counterpart in payments to the States, was replaced from 1990–91 by an addition to the ACT's global borrowing limit. In 1991–92, the ACT is to receive a capital grant of \$33.4m under the Loan Council program, the same nominal amount as was provided in 1990–91.

REDEMPTION OF STATE DEBT

As noted, the June 1990 Loan Council meeting agreed that the States and Territories would progressively take over responsibility for debt issued by the Commonwealth on behalf of the States under the Financial Agreement. A total of \$16.1 billion of Commonwealth Government securities was on issue on behalf of the States and Territories as at 30 June 1991.

Under the agreement reached at the June 1990 Loan Council meeting, the States (and the NT) make additional payments to the National (and the NT) Debt Sinking Fund sufficient to redeem the debt as the Commonwealth securities currently issued to finance it mature. This arrangement will mean that the debt will be fully taken over by the States and Territories by 2005–06. Additional payments of \$2340.1m are to be made to the Commonwealth by the States and the NT in 1991–92 which, together with their standard payments of \$136.6m required under the Financial Agreement, Commonwealth sinking fund contributions on their behalf and interest on sinking fund balances, will provide for the redemption of debt of \$2522.9m.

As part of the June 1990 Loan Council agreement the Commonwealth agreed to provide compensation to the States and Territories. Details of this were to be negotiated between the Commonwealth and the States and Territories. Under these compensation arrangements, the Commonwealth provides the States and NT with compensation for the additional borrowing cost to them based on: the interest rate margins between Commonwealth and State debt applying at, and prior to, the June 1990 Loan Council agreement; and the reduced Commonwealth contributions to the National Debt Sinking Fund and the Northern Territory Debt Sinking Fund resulting from the accelerated rate of debt redemption. Future changes in interest margins will not affect compensation arrangements.

Under these arrangements the States and NT were paid \$4.7m in compensation for 1990–91 reflecting the additional interest payments on the refinancing undertaken in the initial year of the new arrangements.

Under the detailed compensation arrangements negotiated with the States and the NT subsequent to the 1990 Loan Council meeting (and formally agreed to at the 1991 Loan Council meeting), the interest margin compensation for 1991–92 and subsequent years is to be assessed on the basis of a half year's interest being payable in respect of that year's refinancing (ie assuming the timing of the refinancing occurs, on average, around the middle of the year) plus the present value of the full year cost of that year's refinancing over the subsequent 49 years. This margin is applied to the States' notional additional borrowings—that is, maturities less sinking fund contributions and interest earnings assumed to be payable under continuation of the former arrangements. The present value of the compensation attaching to the notional additional borrowings in 1990–91 payable over the subsequent 49 years will be paid by the Commonwealth in 1991–92.

Compensation will be paid annually to 2004–05 to restore the sinking fund contribution by the Commonwealth to the level assumed to have been payable each year under continuation of the former arrangements. In 2005–06 (when the final series of CGS on issue for the States matures), the present value of the compensation out to 2039–40 will also be paid. That will finalise the compensation arrangements in the same year that the final series of CGS on issue for the States matures.

Under these arrangements, the compensation for the new debt redemption arrangements payable in 1991–92 is estimated to be \$213.0m.

Loan Council has also agreed to the provision of additional global borrowing limits to the States and Territories to allow for borrowings to refinance maturing Financial Agreement debt. A Commonwealth and State Officers' Working Party has been commissioned to report on the processes for amending the Financial Agreement to allow the States to borrow in domestic markets *via* the issue of securities in their own names.

Debt redemption arrangements for the ACT are to be negotiated between the Commonwealth and ACT in 1991–92—it is intended that the arrangements for the ACT will be consistent with those applying for debt redemption and compensation for the States and the NT.

Overall, these new arrangements replace Commonwealth debt to the private sector with State and Territory 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 (and Territory) financial relations. They place full responsibility on the States and Territories for the financing and managing of their own debt. This subjects borrowings by individual State and Territory Governments to greater scrutiny by the community and financial markets.

FINANCING OF GENERAL PURPOSE CAPITAL ASSISTANCE

Under current arrangements, the capital grants provided under the State Governments' Loan Council programs and to the Territories are financed by the Commonwealth rather than by means of loans to the States under the Financial Agreement.

Table 23 shows the general purpose capital assistance provided to the States since 1987–88, and to the ACT since 1988–89. As noted earlier, the allocation of the funds related to the Commonwealth's 'Building Better Cities' initiative has not yet been agreed with the States. Accordingly, the allocation of these funds in Table 23 is only notional.

As Table 24 shows, such assistance is now a relatively small component of Commonwealth payments to the States and is not closely related to, nor a major source of finance for, States' capital requirements. Loan funds for the State/local sector are now obtained almost entirely through authority borrowings. Hence, the original purpose of the program in terms of coordination and control of public sector borrowing is now pursued through the Global Approach. Future trends in the level of general purpose capital assistance beyond 1991–92 are likely to be influenced, *inter alia*, by the outcome of the current SPC review of individual capital programs and related funding arrangements.

Table 23—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)										
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	..	..	..	..	..	..	..	..	..	..
1991-92	..	..	..	..	..	..	..	..	..	..
Other (b)										
1987-88	..	..	..	..	..	..	..	..	..	..
1988-89	..	..	..	..	..	..	..	..	22.0	22.0
1989-90	..	..	..	..	..	..	..	..	22.5 (d)	22.5
1990-91	..	..	..	..	..	..	..	..	..	..
1991-92	..	..	..	..	..	..	..	..	..	..
Total										
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	..	..	..	..	..	..	..	..	..	..
1991-92	..	..	..	..	..	..	..	..	..	..
GRANTS										
Loan Council Program										
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
1991-92	79.8	68.3	16.1	22.4	39.0	27.5	43.8	296.8	33.4	330.2
Building Better Cities (g)										
1991-92	19.0	14.2	9.5	5.3	4.7	1.4	0.5	54.7	0.9	55.6
Total										
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
1991-92	98.7	82.5	25.6	27.8	43.6	28.9	44.3	351.5	34.3	385.8
TOTAL										
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
1991-92	98.7	82.5	25.6	27.8	43.6	28.9	44.3	351.5	34.3	385.8

(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 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.

(g) Allocation between the States/Territories has yet to be determined. A notional distribution only is used in this Table.

Table 24—General Purpose Capital Assistance to the States and the Territories, 1991–92

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
\$ million	98.7	82.5	25.6	27.8	43.6	28.9	44.3	351.5	34.3	385.8
\$ per capita	16.6	18.5	8.5	16.5	29.8	62.5	275.8	20.5	116.2	22.1
% of total										
C'wealth payments	1.1	1.2	0.5	0.9	1.5	2.6	4.1	1.2	5.1	1.3
% of GSP	0.1	0.1	0.0	0.1	0.1	0.3	1.1	0.1	0.4	0.1
% of GFCE (a)	3.0	2.7	1.4	1.7	5.0	9.2	17.4	2.8	14.3	3.0

(a) State government financial transactions – gross fixed capital expenditure for 1989–90.

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. This was to be done by bringing all forms of borrowings by Commonwealth and State semi-government and local authorities, government-owned companies and trusts within voluntarily agreed limits. '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.

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, public financial enterprises, and borrowings by the Commonwealth government covered by the Financial Agreement.

The Global Approach has been 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.

Table 25 below shows the borrowing cost⁷¹ margins faced by the State central borrowing authorities, which are the major borrowers on behalf of the State/local sector, during 1990-91. 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 25-Borrowings by State Central Borrowing Authorities: Interest Rate Margins over Commonwealth Bonds (Basis Points) (a)(b)

Years to Maturity	NSW		VIC		QLD		WA		SA		TAS	
	4	10(c)	4	10	4	10	4	10	4	10	4	10
1990-91												
Sept quarter	44	49	66	74	51	61	na	75	55	65	75	85
Dec quarter	45	40	65	71	53	52	60	67	56	59	74	75
Mar quarter	60	66	106	120	68	76	97	114	99	113	117	132
June quarter	50	66	88	119	51	68	73	110	81	100	101	138

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

(b) 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.

(c) The 7/99 NSWTC stock was used without interpolation until February 1991 (that is stock with maturities closest to the four and ten years were used) due to the absence of longer stock details.

Source: CBA Bank

The May 1991 Loan Council meeting considered a report by the Commonwealth and State officers on the 'Coverage of the Global Limits'. The report was prepared in response to a request at the 1990 meeting of Loan Council and the agreement at the October 1990 SPC that Loan Council would address the question of whether public trading enterprises (PTEs) operating in a fully competitive environment should continue to be subject to Loan Council controls. As a consequence, an amendment to the Global Approach resolution now provides scope for PTEs, which satisfy commerciality criteria, to be exempted from the global borrowing limits. This exemption flows from two streams:

- first, enterprises without substantial private equity need to demonstrate an established record of meeting strict commerciality criteria; and
- second, enterprises with substantial private equity (of the order of 40 per cent or more) need to be constituted to operate in a commercial manner and have at least a demonstrated commitment to operating in a commercial manner, including the

achievement of satisfactory performance—continued exemption would require that commitment to be realised.

Only a small number of PTEs are likely to qualify at present for exemption under these criteria. This change will, however, provide an incentive for PTEs to operate in a fully commercial manner. If such performance is achieved, then the enterprise's operations will be more similar to that of private sector enterprises and will not therefore require as much public sector oversight to prevent undue or unwarranted demands on economic resources.

The difficulty, however, is in ensuring an operating framework for PTEs with sufficient commercial-oriented pressures such that they will respond adequately to market signals so that the need to apply Loan Council borrowing controls is substantially diminished or removed. The criteria for exemption were designed with this in mind. In particular, for PTEs without substantial private sector equity (generally less than 40 per cent), exemption from global borrowing limits will require a PTE not only to demonstrate that it is constituted to operate in a commercial manner but also that it actually does so and has a history of satisfactory financial performance.

It is recognised, however, that such an approach would be too restrictive where such a fundamental change in the operating framework as sale of substantial private equity is undertaken—in these cases, past performance will not be an appropriate guide to prospective performance. Accordingly, provided PTEs with substantial private equity are constituted to operate in a commercial manner, a demonstrated commitment to commercial performance will be sufficient for exemption in the first instance.

Substantial private sector ownership, with a genuine interest in the operating performance of the PTE, should encourage the PTE to operate in a commercial manner and should facilitate greater scrutiny of performance.

The prospective exemption of bodies with substantial private equity from global limits will also assist in the sale of the necessary equity to the private sector. It would provide some reassurance to investors that the PTE will be permitted to operate without Government interference on non-commercial grounds. This should also enhance the price obtained.

With regard to bodies not exempt under these criteria, Loan Council agreed that progress made towards operating within a commercial framework could be recognised by ensuring that the administration of global borrowing limits does not unduly constrain commercial flexibility.

THE GLOBAL APPROACH

As noted above, the central feature of the Global Approach is aggregate quantitative controls or 'global limits' on borrowings by Commonwealth and State authorities.

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, each State and the Commonwealth is free to determine the distribution of the global total among its 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;
- 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 temporary purpose borrowings within the financial year and operating leases; 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.

A 'Guide to the Global Limits' was endorsed at the 31 May 1991 Loan Council meeting. The report sets out guidelines for the interpretation of the Global Approach resolution as it applies to new types of financing arrangements and for the exchange of information on such arrangements between members. This report now serves as an attachment to the Global Approach resolution at each Loan Council meeting. The Guide is to be updated annually for each Loan Council meeting.

OVERSEAS BORROWINGS WITHIN THE GLOBAL APPROACH

Since the Global Approach commenced in 1984–85, State authorities' overseas borrowings have been subject to a formal restriction, set at 22 per cent of new money borrowings plus the refinancing of maturing overseas debt.

The Commonwealth has reviewed the rationale for applying this restriction and has decided to support the abolition of the ceiling. A number of factors were influential in the Commonwealth reaching this judgement:

- the States have become more experienced in debt management and in minimising their foreign currency risk exposure when they borrow overseas;
- the maintenance of the restriction on States' access to overseas capital markets is also inconsistent with moves to make the States responsible for the financing of their own debt. That responsibility should be accompanied by the flexibility to finance their debt in the most cost effective way; and

- the restriction on States' access to overseas capital markets does not affect the current account. To the extent that the public sector is limited in accessing foreign capital markets that will simply force the private sector to borrow off-shore.

GLOBAL BORROWING LIMITS FOR 1991-92

In line with the continuing need to increase national savings by reducing the public sector's call on financial markets, the 31 May 1991 Loan Council meeting agreed to a basic global borrowing limit of \$3750m for State authorities—the same nominal amount as in 1990-91.

Consistent with the agreement reached at the June 1990 meeting of Loan Council, this borrowing limit has been distributed among the States in accordance with the phased introduction of equal *per capita* shares. These adjustments are shown in Table 26 below. The basic global borrowing limits for the Territories were set on the same basis.

Table 26 – 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	32.7	29.7	17.3	9.9	7.1	3.3	100.0
1992-93	33.4	28.5	17.4	9.9	7.6	3.1	100.0
1993-94	34.2	27.4	17.5	9.9	8.1	2.9	100.0
1994-95	34.9	26.2	17.6	9.9	8.6	2.7	100.0

(a) This table assumes that population shares are the preliminary estimates of population at 31 December 1991 which were provided for the 1991 Premiers' Conference. However, it is intended that shares for 1992-93 and subsequent years will be adjusted to reflect changes in actual population shares.

While the global borrowing limits are an important instrument of macroeconomic policy, they continue to be administered flexibly to take account of year to year variations in States' borrowing needs through the provision of special temporary additions. The October 1990 SPC agreed that the transitional funding of microeconomic reforms with large up-front costs and delayed benefits can be accommodated within special additions under the Global Approach.

The following special temporary additions to 1991-92 State and Territory global borrowing limits were agreed at the 31 May 1991 meeting of Loan Council:

- \$300m for NSW comprising \$100m for the Olympic bid and \$200m for redundancies;
- \$300m for VIC for redundancies;
- \$50m for WA for redundancies and bunching of infrastructure in 1991-92. Loan Council also agreed to a special addition of \$50m to WA's 1990-91 borrowing limit to assist with a bunching of infrastructure expenditure. Under arrangements agreed at the May 1985 Loan Council meeting, WA was also granted a special addition of \$70.6m in 1991-92 (compared with \$70m in 1990-91) to finance abnormal levels of SECWA gas inventories acquired from the North West Shelf project—this amount is provided

Table 27—'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)												
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	646.2 (d)	6,168.3
1988-89	1,152.7	1,552.4	792.8	657.8	258.3	201.0	85.0	4,700.0	-	4,700.0	1880.7	6,580.7
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	1591.1 (e)	5,484.4
1990-91	1,177.9	1,137.1	630.8	632.3	243.4	178.6	80.3	4,080.4	65.7	4,146.1	1397.6	5,543.7
1991-92(f)	1,504.2	1,394.3	635.0	483.2	261.8	121.6	91.3	4,491.4	64.9	4,556.3	1606.2	6,162.5
Global borrowings (\$ per capita)												
1987-88	272.0	397.7	428.4	383.7	214.6	405.4	454.8	342.3	-	336.7	39.4	376.1
1988-89	200.7	361.5	284.3	418.6	182.3	447.1	543.5	286.2	-	281.5	112.6	394.1
1989-90	195.6	269.8	217.3	277.6	156.1	407.5	517.6	232.1	84.1	229.6	93.8	323.4
1990-91	200.9	258.0	214.7	383.2	168.1	389.4	506.9	241.1	227.6	240.9	81.2	322.1
1991-92	253.5	313.0	211.7	287.3	178.8	262.9	568.5	265.5	219.9	264.7	93.3	358.1
Global borrowings (percentage of GSP)(g)												
1987-88	1.5	2.0	2.7	2.0	1.3	2.7	1.2	1.9	-	1.9	0.2	2.1
1988-89	1.0	1.6	1.6	2.0	1.0	2.7	1.3	1.4	-	1.4	0.6	2.0
1989-90	0.9	1.1	1.1	1.2	0.8	2.3	1.2	1.1	0.3	1.0	0.4	1.5
1990-91	0.9	1.1	1.1	1.7	0.8	2.1	1.1	1.1	0.9	1.1	0.4	1.5
1991-92	1.1	1.3	1.1	1.2	0.9	1.4	1.2	1.1	0.8	1.1	0.4	1.5

(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) Figures include movements in short term debt for one Commonwealth authority not previously recorded in borrowings against global limits. By inclusion of this debt, borrowings exceeded the global limit by \$103 million in 1989-90, with offsetting reductions in earlier years.

(f) 'Global' new money limits agreed at the May 1991 Loan Council meeting.

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

from within the aggregate basic global limit for State authorities rather than as an addition to aggregate basic global limits; and

- \$48m for NT comprising \$33m for the State Square project and \$15m to assist in the rationalisation of computer and communication services, and the government vehicle fleet.

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 borrowings undertaken by the Commonwealth on the States' behalf.

The borrowing programs for each of the States and the Territories are shown in Table 27. Table 28 shows the additional limits for States necessary to refinance Commonwealth advances under the revised arrangements for the redemption of State debt.

For 1991-92, Loan Council approved a new money borrowing limit for Commonwealth authorities of \$1606m, about the same level as the borrowing limit for 1990-91 of \$1620m.

Table 28-Additional Borrowings for States to Refinance Commonwealth Advances (a) (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total
1990-91	294.8	229.6	112.2	94.9	127.8	57.0	22.7	939.0
1991-92	798.3	608.6	215.1	219.5	227.0	165.9	82.2	2316.6

(a) Proposed borrowing limits. These amounts correspond to the additional contributions required to be made by the States and NT to redeem maturing Commonwealth securities. The States and the NT 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 27. Arrangements for the ACT are yet to be finalised, no Commonwealth securities issued on behalf of the ACT matured in 1990-91.

LOCAL GOVERNMENT AUTHORITY BORROWINGS

As shown in Table 29, local authority borrowings, undertaken within the global limits for State authorities and the NT, totalled \$580m in 1990-91 or about 14 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)								
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	71.0	228.9	25.6	34.6	15.5	3.0	558.6
1990-91	182.0	80.7	245.2	23.3	32.5	14.7	2.4	580.8
1991-92(d)	160.0	56.2	265.9	25.0	35.0	15.0	3.0	560.1
Total borrowings as a percentage of each State's total new money borrowings								
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	6.0	36.7	5.7	15.5	8.4	3.7	14.4
1990-91	15.5	7.1	38.9	3.7	13.4	8.2	3.0	14.2
1991-92	10.6	4.0	41.9	5.2	13.4	12.3	3.3	12.5

(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 (SPPs) among the States and the Territories. Appendices I and II provide a detailed record of payments and the programs are described more fully 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 introduction of self-government on 11 May 1989. Details of payments from 1 July 1988 are available (see discussion in the Preface). Some SPPs have been phased in since self-government with offsetting adjustments to the ACT's general purpose assistance.

As in other years, the distribution of assistance for 1991–92 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 1991–92 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

THE NATURE AND PURPOSE OF SPECIFIC PURPOSE PAYMENTS

SPPs are provided for under Section 96 of the Constitution—'the Parliament may grant financial assistance to any State on such terms and conditions as the Parliament thinks fit'. They mainly consist of Commonwealth payments to the States and Territories made for policy purposes which are related to particular Commonwealth or State activities—in contrast to general purpose assistance which is unconditional and available for use by the States and Territories in accordance with their own budgetary priorities.

Such payments are provided to the States for a variety of reasons. They have been used as a means of giving effect to Commonwealth and national interests in areas of joint Commonwealth-State responsibility (such as to ensure minimum national standards in the provision of health or education services) and as a vehicle for responding to States' requests for additional funding to meet specific needs.

Most SPPs are subject to conditions designed to ensure that Commonwealth policy objectives, or national policy objectives agreed by the Commonwealth and the States, are met in particular areas. For this reason, they are also often referred to as 'tied grants', although not all SPPs are tied. Moreover, the form and nature of such conditions as they apply to individual SPPs varies significantly. They may take the form of:

- a requirement that the payment be expended for a specified purpose, with varying degrees of budgetary discretion available to the States according to:

- broad Commonwealth-State agreements covering principles and program delivery mechanisms; and/or
- detailed conditions on the operation of joint expenditure programs including program and, in some cases, project approval, matching arrangements, and/or information reporting requirements; or
- general policy requirements on States (for instance, that States provide free public hospital treatment to Medicare patients as a condition of hospital funding grants).

As noted above, there are a small number of SPPs made to the States which have no conditions applying to the use of funds. These largely relate to the transfer of revenue collected under various regulatory arrangements. Such 'untied' SPPs include compensation for companies regulation (\$118.3m in 1991–92), grants to VIC, WA and the NT in lieu of royalties (\$138.3m), and sharing of criminal asset recovery (\$0.3m).

SPC REVIEW OF TIED GRANTS

As part of the review of Commonwealth-State financial relations initiated at the October 1990 Special Premiers' Conference (SPC), a Working Group of officials was established to examine the current range of SPPs to the States and Territories; and to recommend how the conditions associated with them may be eliminated or modified to enhance State budgetary flexibility while improving the effectiveness and efficiency of public sector programs.

In this context, the October 1990 SPC agreed that, *inter alia*, the objective should be to achieve a substantial reduction in tied grants as a proportion of total Commonwealth grants (a goal which was reaffirmed at the July 1991 SPC).

The work of the Tied Grants Working Group is running parallel to, and taking account of, the various examinations of roles and responsibilities in individual functional program areas. Such examinations were also initiated at the October 1990 SPC and are proceeding separately. An important consideration in all cases will be to ensure that agreed national program objectives continue to be met and this may require, in areas of shared responsibility between the Commonwealth and the States, the development of alternative consultative mechanisms that are independent of funding arrangements.

The July SPC considered interim reports from the Tied Grants Working Group on the classification and range of conditions that apply to tied grants as well as on the role of 'matched' funding arrangements. It was agreed that a full range of reform options would need to be considered for all programs—ranging from assumption of full responsibility for the program by the States and absorption of the funding within general purpose assistance, to assumption of full financial and administrative responsibility by the Commonwealth. For shared responsibility programs, the aim should be to reduce Commonwealth involvement in the operational management of programs to the greatest degree possible, consistent with ensuring that agreed national objectives are met. It has also been agreed that matched funding arrangements are appropriate only where they are agreed between parties on a cooperative basis.

The Working Group's final report is to be considered by the November 1991 SPC.

CLASSIFICATION OF SPECIFIC PURPOSE PAYMENTS

Classification by Function

Table 30 summarises payments to the States (that is, both general purpose assistance and SPPs) 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 Appendices I and II.

In some cases, however, specific purpose programs cut across a number of functional categories and in such cases they are included in the 'Not Allocated to Function' category (together with general purpose assistance to the States and the Territories and for local government, discussed in Chapters III and IV). The main instances where this occurs are identified below.

Classification by Economic Type

SPPs can be made as grants or advances (loans) but, reflecting a continuation of the trend over the 1980s, grants will account for nearly all SPPs in 1991-92. 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. Over recent years, advances under these programs have been discontinued or replaced by Commonwealth grants.

Payments 'to' and 'through' the States

As noted above, the extent to which conditions attached to SPPs impact upon State and Territory budgetary flexibility varies considerably from program to program.

The Working Group on Tied Grants on the classification of SPPs has developed two categories of SPPs:

- **payments to State Governments**—payments direct to State (and Territory) governments excluding those made for onpassing to other bodies and individuals; and
- **payments through State Governments**—payments to State and Territory governments for onpassing to other bodies and individuals (including payments in areas where the States had funding or other responsibilities in the same area of expenditure, provided that those responsibilities were not exercised through joint programs).

These classifications were reflected in information provided to the States, for the first time, in the context of the May 1991 Premiers' Conference.

SPPs falling within the category of payments through State Governments include payments for higher education; non-government schools (including general recurrent and capital assistance to non-government schools but excluding payments under joint schools

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

	1988-89		1989-90		1990-91		1991-92 (c)	
	\$m	\$m	% ch	\$m	% ch	\$m	% ch	
Defence	(1)	(2)	na	(2)	na	(2)	na	
Education	4,530	4,867	7.4	5,388	10.7	5,868	8.9	
Health	3,317	3,671	10.7	3,973	8.2	4,249	6.9	
Social Security and Welfare	389	470	21.0	468	-0.6	571	22.1	
Housing and Community Amenities (d)	984	927	-5.8	788	-15.1	934	18.6	
Culture and Recreation	13	9	-30.4	17	87.7	25	44.7	
Economic Services-								
Transport and Communication	1,300	1,377	5.9	1,628	18.3	1,297	-20.4	
Industry Assistance and Development	195	158	-19.1	156	-1.3	301	92.9	
Labour and Employment	38	36	-5.2	25	-30.3	33	30.6	
Other Economic Services	..	..	na	..	na	..	na
Total Economic Services	1,534	1,571	2.4	1,810	15.2	1,631	-9.9	
General Public Services	97	170	75.2	257	51.4	336	30.7	
Not Allocated to Function-								
General Revenue Funds	12,973	13,278	2.4	13,601	2.4	13,800	1.5	
State Governments' Loan Council Programs (d)	76	58	-24.0	(1,246)	na	(2,142)	na	
Assistance Related to State Debts	51	50	-1.5	54	8.3	258	376.9	
Assistance for Local Government (e)	664	689	3.9	711	3.2	1,046	47.1	
Natural Disaster Relief	30	..	-100.0	139	na	65	-53.2	
Other	191	182	-4.7	724	297.8	324	-55.2	
Total Not Allocated to Function	13,984	14,258	2.0	13,983	-1.9	13,352	-4.5	
Grand Total (Net Basis)	24,848	25,942	4.4	26,683	2.9	26,965	1.1	

(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) Estimate.

(d) Amounts nominated by the States for public housing from general purpose capital assistance have been classified to 'Housing and Community Amenities'.

(e) Comprising grants to the States to be passed on to local government authorities as general purpose assistance. For 1991-92 includes previously tied funds for local government roads.

programs which are available to both government and non-government schools); general purpose assistance to local government; Australian Research Council (ARC) research grants to State institutions (mainly universities); and payments under the coal mining industry long service leave scheme.

While few in number, payments through the States are significant in size. The payments identified above are estimated to amount to some \$5578m in 1991–92 or 36 per cent of SPPs as currently defined.

LEVEL OF SPECIFIC PURPOSE PAYMENTS

SPPs are estimated to total \$15.3 billion or 52 per cent of net Commonwealth payments to the States and the Territories in 1991–92. While there is a total of around 90 identifiable SPPs⁽¹⁾, a few major programs account for the bulk of this assistance. In 1991–92, payments for education, health, housing, roads and financial assistance for local government are estimated to account for around 88 per cent of total SPPs.

Chart 13 provides details of trends in SPPs as a proportion of total Commonwealth payments to the States since 1970–71, including trends in payments ‘to’ and ‘through’ the States, while Chart 14 highlights the impact of changes in individual programs⁽²⁾.

Since the mid-1970s, payments through the States have been a relatively stable proportion of total payments, with most of the variation in the share of total SPPs being accounted for by variation in SPPs to the States. Over the last decade, payments through the States have grown relatively less than payments to the States.

The increasing share of SPPs in total Commonwealth payments in recent years reflects a number of factors. Part of the explanation relates to the impact of specific policy changes such as the reclassification of funding for existing programs—for example, the transfer in 1989–90 of nominated housing advances, provided under States’ Loan Council programs, into Commonwealth-State Housing Agreement (CSHA) grants effectively shifted some \$317.6m from general purpose to specific purpose funding.

Another factor is that many of the individual specific purpose programs have continued to grow in accordance with various agreed escalation formulae—based, for example, on population growth or price rises—at a time when there has been restrained growth of general purpose assistance. In 1991–92, the share of SPPs is expected to be slightly higher than that in the previous year—essentially due to real increases in SPPs (including for some major SPP programs) while general revenue assistance was maintained in real terms.

Trends in SPPs also reflect changes in Commonwealth policy in relation to major programs.

- Large increases in SPPs occurred between 1972–73 and 1975–76, primarily as a result of increased Commonwealth funding for education and health.
- 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. In 1988–89, assistance to the States and the Territories was, for the first time, supplemented by the Higher Education

(1) Many of these SPPs include both recurrent and capital assistance which are shown separately in the tables in Appendix I/II.

(2) This information complements Chart 6 in the 1989–90 Budget Paper No. 4 on SPPs as a percentage of GDP.

CHART 13: SPECIFIC PURPOSE PAYMENTS AS A PERCENTAGE OF TOTAL GROSS PAYMENTS TO THE STATES AND TERRITORIES

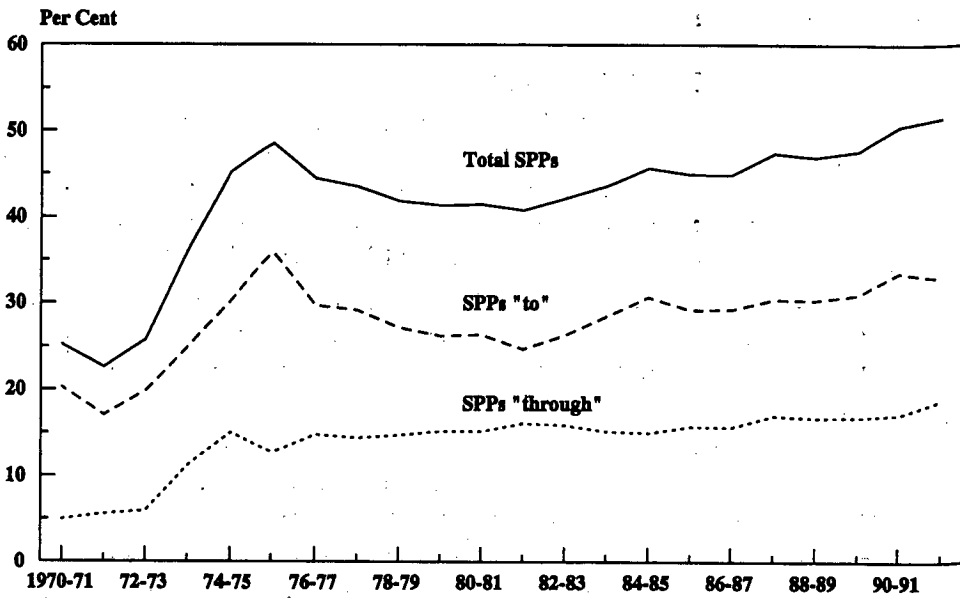
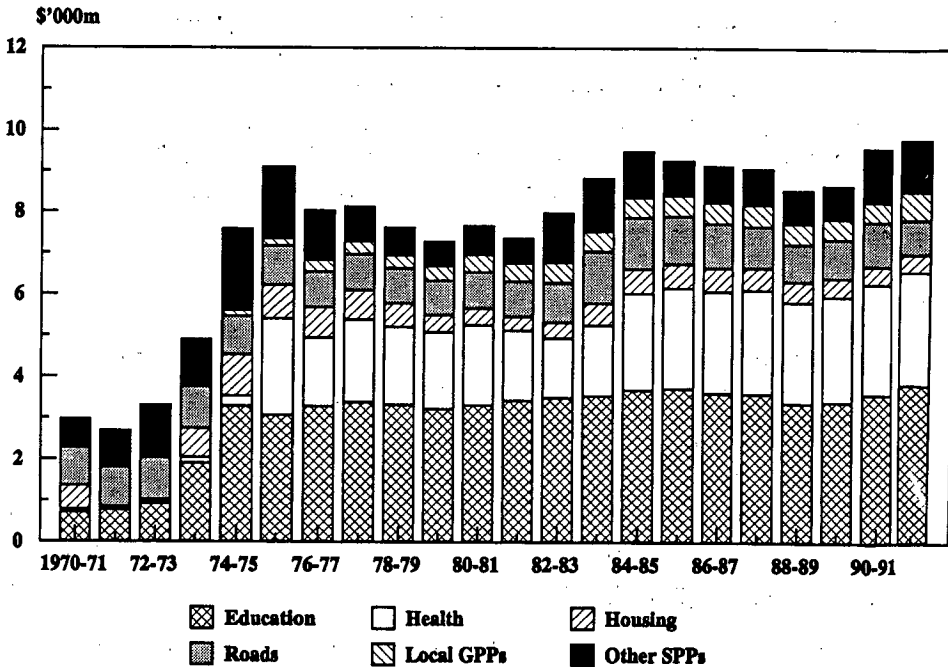


CHART 14: COMPOSITION OF SPECIFIC PURPOSE PAYMENTS AT AVERAGE 1984-85 PRICES



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). In 1990–91, education funding rose to above pre-1988–89 levels—mainly reflecting the impact of the higher education reform package, implemented from 1 January 1989, which involved a continued expansion of higher education places.

- Changes in methods of funding health expenditure have also been significant. In 1981–82, hospital cost sharing grants (an SPP) 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 and new SPPs (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 new SPP—Hospital Funding Grants.

Other major payments to increase in the mid-1970s were for housing, sewerage, local government assistance and disaster relief. Then, in the late 1970s, payments for housing and sewerage declined. Housing payments and labour market programs under the Community Employment Program (CEP) expanded in the early 1980s; the CEP was terminated in 1987–88. This, along with subsequent restraint in housing, road and local government grants, contributed significantly to a decline in SPPs in real terms from 1984–85 to 1989–90—notwithstanding their increasing share of total Commonwealth payments.

DISTRIBUTION OF SPECIFIC PURPOSE PAYMENTS

Table 31 shows the variation for each State from the average *per capita* level of Commonwealth net payments. Notably, the distribution of SPPs 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 fiscal equalisation (see Chapter III). Distribution of the small general purpose capital program largely reflects a variety of historical factors (see Chapter IV).

Table 31—Payments to the States, 1990–91 (Per Capita Payments as a Percentage of the Average)

	NSW	VIC	QLD	WA	SA	TAS	NT	Average
	%	%	%	%	%	%	%	\$ per capita
General Revenue Grants	81	79	110	121	127	146	591	778.10
General Purpose Capital Payments	78	88	31	77	153	342	1578	17.54
Specific Purpose Payments	95	109	93	96	96	112	214	846.09
Total Net Payments	90	91	103	110	106	129	422	1,539.05

Distributional Arrangements for Major Programs

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

Table 32—Specific Purpose Payments to the States, 1990–91 (Per Capita Payments as a Percentage of the Average)

	NSW	VIC	QLD	WA	SA	TAS	NT	Average
	%	%	%	%	%	%	%	\$ per capita
Current								
Higher Education	94	114	84	104	112	94	89	143.93
Schools	101	108	96	96	88	93	98	116.88
TAFE	107	94	87	91	99	171	141	8.83
Health (a)	101	100	98	95	109	103	68	227.54
Local Government	100	100	99	99	100	100	100	41.32
Other	57	188	53	71	65	158	547	98.90
Total	93	118	87	94	98	108	156	637.40
Capital								
Education (b)	106	94	101	103	93	90	116	41.07
Housing (c)	91	88	90	100	111	157	691	55.61
Roads	97	81	116	114	81	133	392	91.49
Other	141	49	138	74	52	46	145	20.52
Total	101	82	108	104	88	122	393	208.69

(a) Includes current grants for hospital funding, pathology laboratories, hospital waiting list reduction, nurse education, home and community care, blood transfusion services, drug education campaigns, combatting AIDS, national better health and health programs.

(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 SPP to the States because State governments are required to pass on the funds to local authorities, moved to an equal *per capita* distribution 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 1991–92 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 CSHA in 1989–90 reflected the historical distribution of that program and, in 1990–91, the phased introduction of an equal *per capita* distribution, to be achieved by 1992–93, commenced (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. In addition to taking into account the revenue raising capacity and the costs of service delivery, fiscal equalisation also takes account of the distribution of certain SPPs 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 SPPs (about 20 per cent of the total) are excluded from the Commission's assessments. Within the Commission's methodology, there are three main methods of dealing with current SPPs received by the States⁽³⁾:

- **Exclusion**—all revenue and expenditure related to the area which is subject to the SPP 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.

(3) See pages 5–8 of the Commonwealth Grants Commission's Report on General Revenue Grant Relativities 1991 Update, which also describes a fourth method of dealing with SPPs ('absorption', a variant of the 'inclusion' method).

- **Deduction**—the SPP 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 SPP 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 SPP itself is assumed to be available to finance the expenditure needs of each State. Under this approach SPPs are treated, in essence, as if they were general revenue assistance.

The distribution of payments treated by either the deduction or the exclusion method has no influence on the *per capita* relativities for distributing general revenue assistance. However, a State receiving a higher (lower) share of an 'included' SPP 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 method 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), all funds generally available to provide such services are included. The inclusion method, through its impact on the distribution of financial assistance grants, effectively 'overrides' the actual distribution of the SPPs.

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

In the *Report on Issues in Fiscal Equalisation (October 1990)*, the Grants Commission presented conclusions on selected methodological and technical issues—including the treatment of SPPs and particularly the suitability and consequences of the inclusion method. The Commission concluded that wide use of the inclusion method is the most conducive to fiscal equalisation. It proposed, however, that the deduction approach could be used if, in the Commission's judgment, inclusion is likely to have adverse effects on a State's budgetary flexibility that outweigh the benefits of fiscal equalisation.

These findings are broadly reflected in the terms of reference recently provided to the Grants Commission for the next major methodology review of general revenue grant relativities. However, in recognition of the potential for fiscal equalisation to override aspects of individual programs which are central to the program's policy objectives, the

Commonwealth Government has retained discretion, in consultation with the States and Territories, to nominate payments to be quarantined from the Commission's assessments.

Table 33, based on data in the 'Issues Report', provides an indication of the effect on the distribution of general revenue and hospital funding grants of using the deduction method rather than the inclusion method. It shows that:

- treating all SPPs by deduction would redistribute about 1 per cent of the pool, with NSW and VIC the greatest beneficiaries and QLD, WA and the NT the losers;
- treating all SPPs other than Hospital Funding Grants by deduction would redistribute about 0.4 per cent of the pool (with NSW, QLD and WA the losers); and
- treating Hospital Funding Grants by deduction would have the largest redistributive impact of any category of SPP (around 0.7 per cent of the total pool).

Table 33—Changes in Distribution of General Revenue Grants and Hospital Funding Grants when Selected SPPs are Treated by Deduction (a), (\$ million)

	All SPPs Treated by Deduction (b) (1)	All SPPs (other than HFGs) Treated by Deduction (b) (2)	HFGs Treated by Deduction (c) (3)	Education Grants Treated by Deduction (c) (4)	Welfare Grants Treated by Deduction (c) (5)
NSW	52.1	-15.9	58.1	58.1	-1.5
VIC	77.8	12.7	56.7	8.8	18.5
QLD	-81.4	-47.7	-32.9	-38.9	-17.9
WA	-48.8	-5.4	-38.2	-24.6	1.1
SA	19.9	34.1	-10.2	3.2	-0.1
TAS	15.4	22.0	-4.9	-1.5	0.3
NT	-35.0	0.2	-28.6	-5.0	-0.4
TOTAL	165.2	69.0	114.8	70.1	19.9

(a) Hospital funding Grants (HFGs) in this table exclude the quarantined payments (the penalties and incentives package and AIDS funding).

(b) Based on 1990 Update five year relativities (review period 1984–85 to 1988–89) applied to the 1989–90 pool.

(c) Based on 1990 Update, using relativities derived from 1988–89 data, applied to the 1989–90 pool.

Source: Commonwealth Grants Commission's Report on Issues in Fiscal Equalisation, Vol I, pages 96–97.

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 1991–92, funding for higher education provided *via* the States under the *Higher Education Funding Act (1988)* is estimated to total \$2988m (an increase of 7 per cent over 1990–91). This largely reflects the impact of increases in student places, including 4000 additional places announced in the 1989 Budget and additional funding for institutions to assist with growth pressures announced in the 1991 Budget. Other factors include the provision of \$20m in 1991–92 for urgent refurbishment of existing higher

education infrastructure and new buildings, the establishment of a pilot project for creating additional places partially funded by industry, and provision of salary increases for academic staff.

These increases have been partly offset by the introduction, from 1 January 1989, of the Higher Education Contribution Scheme (HECS) under which students make a contribution towards their tuition costs (for further details see Statements 3 and 4 of 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. The difference between the total HECS liability for current students and receipts (from upfront payments and deferred payments through the tax system) is made up by Commonwealth payments to the Trust Fund.

From January 1990, funding for research allocated by the Australian Research Council (ARC) has been provided as SPPs 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 Appendices I and II 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 1991-92 of \$388m, an increase of 4.6 per cent over 1990-91. This increase mainly reflects price supplementation and provision of 5 per cent real annual growth in Commonwealth recurrent grants.

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 1991-92 is \$2576m, an increase of 10.3 per cent over 1990-91. This increase mainly reflects price supplementation, the Government's policy of providing annual real *per capita* increases in general recurrent grants for some schools, the Government's decision to fund fully its share of teacher salary increases arising from award restructuring, and new policy initiatives to be announced under the Government's White Paper on an Australian Language and Literacy Policy.

Aboriginal Education

The Commonwealth provides funding to the States for Aboriginal Education programs through the *Aboriginal Education (Supplementary Assistance) Act 1989*, with estimated payments in 1991–92 of \$43.4m—a real increase of 1 per cent over 1990–91.

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.

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 \$3774m in 1991–92, 5.3 per cent higher than in 1990–91. 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 in Budget Paper No. 1 provides further information on the prospective growth in these grants.)

The hospital funding grant for 1991–92 consists of a base level of funding for each State (a total of \$3691m) and an incentives package (\$48.3m). (The 1991–92 Budget allocation does not include an estimate for the public provision adjustment involving penalties.) The totals of the base funding and the incentives package have been indexed as described above from 1990–91. In addition, \$35.3m 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 interstate distribution of hospital grants in 1991–92 are 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 1991–92 will be based on the population distribution as at December 1991 to be estimated by the ABS in May 1992.

The ACT will receive a payment analogous to the hospital funding grants paid to the States of \$50.6m (including a base payment of \$49.8m) in 1991–92.

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 SPPs 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 could be offset by smaller (or larger) financial assistance grants.

Table 34—Distribution of Hospital Funding Grants

	1990-91				1991-92 (a)			
	Hospital Funding Grants less Quarantined Amounts			Share of Total	Hospital Funding Grants less Quarantined Amounts(b)			Share of Total
	Quarantined Amounts	Quarantined Amounts(b)	Total		Quarantined Amounts	Quarantined Amounts(b)	Total	
	\$m	\$m	\$m	%	\$m	\$m	\$m	%
NSW	1237.7	33.2	1271.0	35.0	1298.1	39.4	1337.5	35.0
VIC	922.3	12.3	934.6	25.7	964.9	21.0	985.9	25.8
QLD	598.4	9.8	608.2	16.8	633.4	10.0	643.4	16.8
WA	320.8	5.4	326.2	9.0	338.3	5.9	344.2	9.0
SA	316.8	5.6	322.4	8.9	331.9	5.5	337.4	8.8
TAS	96.6	1.5	98.1	2.7	101.1	1.4	102.5	2.7
NT	21.9	0.5	22.4	0.6	23.1	0.4	23.5	0.6
Total	3514.5	68.4	3582.9	98.7	3690.8	83.7	3774.4	98.7
ACT	46.9	0.5	47.4	1.3	49.8	0.8	50.6	1.3
Total	3561.4	68.9	3630.3	100.0	3740.6	84.5	3825.0	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.

DISABILITY SERVICES PROGRAM

The July 1991 SPC agreed to a significant rationalisation of responsibilities in the area of disability services to take effect during the course of 1991-92.

Under the existing arrangements both the Commonwealth and the States are involved in providing a wide range of services for people with disabilities, giving rise to considerable overlap and duplication of effort. Under these arrangements all Commonwealth funding—relating to accommodation support, advocacy, competitive employment and training, independent living training, information, recreation, respite care and supported employment—is provided in the form of Commonwealth own purpose outlays.

The July 1991 SPC agreed that States will assume responsibility for accommodation services while the Commonwealth will assume responsibility for employment related

services for people with disabilities. Consequently, on 30 July 1991 the Commonwealth and State Governments signed the Commonwealth-State Disability Agreement (CSDA), with details of this agreement to be negotiated on a bilateral basis in 1991-92. The CSDA will involve the States in enacting legislation complementary to the *Commonwealth Disability Services Act*.

The Commonwealth will provide funding to the States to cover the net costs of the transferred services; to provide for growth in those services; and to assist the States in upgrading. Funding for the latter has been included in the Budget estimates for 1991-92. The remaining funding for 1991-92 has continued to be classified as Commonwealth own purpose outlays for Budget purposes, although it is intended that, once the implementation arrangements are finalised, this funding will initially be provided as a SPP; the final method of funding will be decided in the context of decisions taken at the November 1991 SPC on Commonwealth-State financial relations and the various functional reviews of other major programs.

COMMUNITY SERVICES PROGRAMS

The major forms of Commonwealth assistance to the States and Territories for the provision of community services are the Home and Community Care Program (HACC), the Supported Accommodation Assistance Program (SAAP), Geriatric Assessment services and the provision of some child care assistance. The Commonwealth provides the larger part of its funding for community services—for example, nursing homes and hostels and child care—directly to service providers rather than through the States.

The HACC program provides support services to enable frail aged and younger disabled people at risk of institutionalisation to remain at home. In 1991-92, \$322.6m is to be provided to the States and 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 1991-92, \$90.6m 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 \$14.7m in growth funds over the period 1989-90 to 1991-92 (\$4.9m in 1991-92).

In addition to SAAP funding, and in the context of the Commonwealth's Strategy for Young People, \$5.2m will be provided on a matched basis to the States in 1991-92 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.

The Commonwealth provides funding for its share of the costs of Geriatric Assessment Teams (GATs) operated by the States (\$28.6m in 1991-92). GATs provide expert assessment services to determine the appropriate care options and eligibility, primarily

for aged persons who may be at risk of admission to residential care in a nursing home or hostel.

In addition to the financial support provided directly to community based commercial and employer sponsored child care services, the Commonwealth provides funding under cost sharing arrangements with the States. Under current planning targets for the program as a whole, the establishment of 30000 additional places commenced in 1989-90 and plans for a further 50000 places were announced in February 1990. As at 30 June 1991, around 16000 of these places were fully operational.

ABORIGINAL ADVANCEMENT

This section of Budget Paper No. 4 previously related to 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. Funding previously administered by DAA is now provided to the Aboriginal and Torres Strait Islander Commission (ATSIC), which was established in March 1990 and which is a Commonwealth 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 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 1991-92, the Commonwealth will provide a total of \$1059.3m to the States and Territories for housing. Of this amount \$1028.2m will be provided under the Commonwealth State Housing Agreement (CSHA).

Funding earmarked for the Mortgage and Rent Relief Scheme and the Crisis Accommodation Program component of the CSHA 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 and Untied Rental Assistance on a dollar for dollar basis.

An amount of \$22.6m in 1991-92 is to be paid to the States for deposit assistance for low income earners. The States are able to supplement this by up to \$7.4m drawn from existing Mortgage and Rent Relief funds (which would continue to be matched).

Table 35 shows the distribution of payments under the CSHA in 1991-92.

In addition an amount of \$5.5m is to be paid to the States under the *States Grants (Housing) Act (1971)*. An amount of \$3m is also to be made available to the States in

Table 35—Details of Payments to be made under the Commonwealth State Housing Agreement, 1991–92 (a) (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT	Total
Pensioner Housing	18.5	10.9	9.6	4.2	3.8	1.2	0.5	0.5	49.3
Aboriginal Housing	17.8	3.6	25.2	15.9	8.3	0.7	19.5	..	91.0
Local Government and Community Housing	8.3	6.3	4.2	2.3	2.1	0.7	0.2	0.4	24.4
Untied Rental Assistance	258.9	196.8	121.7	72.4	70.0	30.8	26.7	15.7	792.9
Mortgage and Rent Relief (b)	10.5	7.9	5.3	3.0	2.6	0.8	0.3	0.5	30.9
Crisis Accommod.(b)	13.5	10.2	6.8	3.8	3.3	1.1	0.4	0.7	39.7
Total	327.6	235.6	172.8	101.5	90.2	35.2	47.6	17.8	1028.2

(a) Estimate.

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

1991–92 as a subsidy for the provision of private rental housing for low to moderate income earners.

ROADS

The Australian Land Transport Roads Development (ALTD) 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 July 1991 SPC identified scope for the Commonwealth to more clearly define its involvement in roads in order to reduce ambiguities in the lines of responsibility between levels of government in this area. It was agreed that the Commonwealth's responsibilities should be concentrated on national highways and other roads of national significance. It was also agreed that, beyond 1991–92, a minimum of \$350m presently provided through SPPs for roads would be untied. Both of these matters are to be considered further at the November 1991 SPC.

From 1991–92, funding for local roads has been untied and is included in general purpose assistance for local government.

Table 36 shows the distribution of funding from 1989–90 to 1991–92 by category of road.

COMPENSATION RELATED TO NEW ARRANGEMENTS FOR COMPANIES AND SECURITIES REGULATION

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

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

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
National Highways										
1989-90	191.9	84.3	115.2	51.8	34.2	23.8	20.0	521.2	..	521.2
1990-91	218.0	71.2	126.4	53.4	35.2	20.0	30.0	554.2	..	554.2
1991-92 (a)	274.3	75.9	131.2	55.7	37.7	20.9	27.2	622.9	..	622.9
Arterial Roads										
1989-90	160.3	132.5	93.7	65.9	34.4	13.8	6.8	507.4	3.2	510.6
1990-91	155.9	146.6	91.4	57.8	32.8	11.8	4.4	500.7	2.7	503.4
1991-92 (a)	113.4	140.9	80.9	51.6	27.1	9.5	3.6	427.0	..	427.0
Local Roads										
1989-90	84.3	59.5	57.1	42.4	22.7	14.7	13.5	294.2	8.9	303.1
1990-91	90.1	63.5	61.0	45.3	24.3	15.7	14.4	314.3	9.5	323.8
1991-92 (a) (b)	..	..	..	..	..	..	..	..	..	..
Black Spots										
1990-91	14.5	11.3	7.2	5.6	5.4	2.7	2.5	49.2	0.8	50.0
1991-92 (a)	10.1	7.9	5.0	4.0	3.8	1.8	1.7	34.3	0.7	35.0
Provincial Cities and Rural Highways Program										
1990-91	40.4	20.3	12.8	0.0	5.6	3.5	5.0	87.6	0.0	87.6
1991-92 (a)(c)	29.5	32.5	24.5	5.0	4.0	4.5	0.0	100.0	0.0	100.0
Urban Public Transport Program										
1990-91	0.0	13.5	12.0	10.3	4.0	1.9	0.5	42.2	0.0	42.2
1991-92 (a)(c)	22.6	19.1	14.9	7.5	4.4	2.1	0.5	71.1	1.4	72.5
Total										
1989-90	436.5	276.3	266.0	160.1	91.3	52.3	40.3	1322.8	12.1	1334.9
1990-91	518.9	326.4	310.8	172.4	107.3	55.6	56.8	1548.2	13.0	1561.2
1991-92 (a)(b)(c)	449.9	276.3	256.5	123.8	77.0	38.8	33.0	1255.3	2.1	1257.4

(a) Estimate.

(b) From 1991-92, an amount of \$344.6m relating to previously tied local roads funding (\$323.8m in 1990-91) is being provided via general purpose assistance for local government and general revenue assistance to the States.

(c) 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 II.

Since the States will lose a source of revenue under these new arrangements, the Commonwealth has agreed to reimburse them through a new SPP.

The payment for 1991-92 comprises two elements:

- a base payment of \$115.8 m as agreed; and
- a further amount of \$2.5m to finalise payments required to ensure that for 1991-92 the Commonwealth and the States share revenue evenly. This adjustment was required because revenue is normally higher in the second half of a financial year than the first. An amount of \$13m was paid in 1990-91 for this purpose.

NATURAL DISASTER RELIEF

Commonwealth payments under Natural Disaster Relief Arrangements (NDRA) assist the States and the Territories to meet the costs of providing relief and restoration following natural disasters. 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 per cent of State expenditure on measures to relieve personal hardship and distress. For other eligible measures, the Commonwealth assists when a State's total expenditure on these measures in a financial year exceeds its assessed annual financial capacity, termed its base amount. The base amounts—shown in Table 37—are set annually at 0.225 per cent of the State general government sector's own source revenue and grants from the Commonwealth two years earlier (the latest available data).

Table 37—Base Amounts for Eligibility for Assistance Under the Natural Disaster Relief Arrangements (\$ million)

	NSW	VIC	QLD	WA	SA	TAS	NT	ACT
1990-91	37.52	25.74	17.37	11.15	9.86	3.29	2.72	2.05
1991-92	40.70	27.38	19.30	11.97	10.27	3.97	2.78	2.23

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, and three dollars Commonwealth to one dollar State thereafter.

1990-91 payments of \$163.1m were the highest ever under the NDRA due to the number and severity of recent natural disasters. Payments to NSW included \$22m 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 unique circumstances of that disaster.

The 1991-92 estimate of \$88m is a substantial decrease on 1990-91 as the bulk of States' expenditure on the recent major disasters was incurred in 1990-91. The estimate is calculated according to expected State expenditure on recent disasters with an allowance for any disasters which may occur in 1991-92. The estimate includes \$4m reflecting the Commonwealth's agreement to assist the States for the cost of damage to road bases from continual rain, known as saturation damage, where directly resulting from an eligible natural disaster (eg cyclones or flooding).

Table 38 records, for recent years, payments to each State allocated to particular types of natural disasters.

ASSISTANCE RELATED TO STATE DEBTS

Under the Financial Agreement of 1927, the Commonwealth and the six State Governments make standard contributions to the National Debt Sinking Fund in respect

Table 38—Payments for Natural Disaster Relief by Type of Disaster (a) (\$ thousand)

	NSW	VIC	QLD	WA	SA	TAS	NT	Total	ACT	Total
Droughts										
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 (b)	..	..	233	..	..	(237)	60	56	..	56
1990-91										
Floods, Storms and Cyclones										
1986-87	2,993	..	15,569	27	..	..	..	18,589	..	18,589
1987-88 (b)	1,570	..	1,497	..	..	..	(202)	2,865	..	2,865
1988-89	24,363	3	16,506	47	..	..	3,470	44,389	..	44,389
1989-90 (b)	1,631	200	15,063	16	..	(7)	1,026	17,929	..	17,929
1990-91	82,101		57,787				477	140,365	..	140,365
Bushfires										
1986-87 (c)	..	(278)	..	..	..	..	..	(278)	..	(278)
1987-88	25	3	..	..	..	..	..	28	..	28
1988-89	2	1	..	..	..	..	..	3	..	3
1989-90	12	..	..	..	..	..	..	12	..	12
1990-91	705	..	..	..	..	..	..	705	..	705
Earthquakes										
1986-87	..	..	..	..	..	..	..	..	..	0
1987-88	..	..	..	..	..	..	..	..	..	0
1988-89	..	..	..	..	..	..	75	75	..	75
1989-90	10,753	..	..	..	..	..	4	10,757	..	10,757
1990-91	22,038	..	..	..	..	..	..	22,038	..	22,038
All Natural Disasters										
1986-87 (c)	2,993	(278)	33,422	194	..	..	..	36,331	..	36,331
1987-88 (b)	1,595	3	14,400	..	..	..	(202)	15,796	..	15,796
1988-89	25,389	4	29,141	47	..	2,993	4,338	61,912	..	61,912
1989-90 (b)	12,396	200	15,296	16	..	(244)	1,090	28,754	..	28,754
1990-91	104,844	..	57,787	..	..	..	477	163,108	..	163,108

(a) Excludes the cost of emergency assistance provided by the Defence Force. Amounts shown are payments made each financial year less refunds made within the same financial year. Refunds made in subsequent years are ded 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 financial capacity. This table is derived from States' advice on their expenditures by type of disaster and apportion Commonwealth assistance accordingly.

(b) Negative values reflect the refund to the Commonwealth of amounts overpaid to the Northern Territory and Tasmania in earlier years.

(c) Negative values reflect recoveries by Victoria by the State Electricity Commission of Victoria.

of State debt or debt raised by the Commonwealth on behalf of the six States. Each of the six States currently contributes each year 0.85 per cent of its net public debt as at the preceding 30 June towards the repayment of that debt, while the Commonwealth contributes 0.28 per cent of the total. Analogous arrangements apply for the NT, which is not a party to the Financial Agreement, whereby the Commonwealth and the NT 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 is to make additional contributions on the same basis. This arrangement means that the debt will be fully assumed by the States by 2005–06.

At the 1990 Loan Council meeting, the Commonwealth agreed to compensate the States for the additional cost of the changed arrangements, with details to be negotiated between the Commonwealth and the States. Under these arrangements the Commonwealth provides assistance 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, based on interest rate margins between Commonwealth and State debt applying at and prior to the change; and
- the reduced Commonwealth contributions payable through the standard sinking fund arrangements to subsidise debt redemption, owing to the decline in outstanding net debt on which the subsidy is based.

Under these compensation arrangements, the States were paid \$4.7m in 1990–91, while the compensation payable in 1991–92 is estimated to be \$213m. (For further details of the arrangements, see under Redemption of State Debt in Chapter IV.)

Formal debt sinking fund arrangements have not yet been put in place for the ACT. However, arrangements will be negotiated in 1991–92 and it is envisaged they will have a similar effect to those applying to the States.

Appendices I and II provide details of Commonwealth advances and the resulting interest and repayment obligations, including payments to the National and NT Debt Sinking Funds, together with estimates of assistance for debt redemption.

Further details of sinking fund arrangements 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 an SPP 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 SPPs 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).

(4) From 1991–92, previously tied local roads funding will be added into general revenue assistance for local government. For details see Chapter III.

- 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⁽⁴⁾—the amounts passed on have been approved by 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 III.

APPENDIX I—TOTAL COMMONWEALTH PAYMENTS TO THE STATES AND TERRITORIES 1987–88 to 1991–92 (ESTIMATES)

This appendix provides details of Commonwealth gross payments and total net payments, together with details of repayments and interest on borrowing made on behalf of the six States under the State Governments' Loan Council program and on Commonwealth advances to the States and Territories. Details on the ACT are included in the table from 1988–89 onwards.

Details are classified as follows:

- general purpose payments;
 - revenue (current);
 - capital
- specific purpose payments;
 - current;
 - capital (including advances);
- repayments of advances (including) repayments to the National Debt Sinking fund and Northern Territory Debt Sinking Fund;
- details of new advances made; and
- interest on Loan Council Borrowing and Commonwealth advances.

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 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 analogous general purpose capital assistance to the NT, paid up to 1988–89. These amounts, classified in this appendix as general purpose capital funds, were included in Budget Paper No. 1 under the 'Housing and Community Amenities' functional heading. Specific purpose payments are further divided into those paid to the States and Territories (by far the larger group by number) and those judged to be paid through the States to other groups. Programs in the latter group are indicated within the table by (*) and separate totals are provided in the summary to each table.

Table 39-Total Commonwealth Payments, Repayments of Advances and Interest Payment 1987-88 to 1991-92
(est) (\$ thousand)

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
GENERAL REVENUE FUNDS					
Financial Assistance Grants	11,756,085	12,405,040	12,859,578	13,116,998	13,303,306
Identified Road Funds	--	--	--	--	39,385
Special Revenue Assistance	33,802	150,818	45,478	49,955	92,437
Health Grants	1,782,701	--	--	--	--
General Revenue Grants	689,980	416,932	373,113	434,439	364,769
Special Grants	-14,381	--	--	--	--
TOTAL	14,248,187	12,972,790	13,278,169	13,601,392	13,799,897
GENERAL PURPOSE CAPITAL FUNDS					
<i>Loan Council and General Purpose Loans to Territories</i>					
Loan Portion	--	21,989	22,501	--	--
Housing Nominations	414,005	317,571	--	--	--
Capital Grants	207,003	339,560	342,472	330,206	385,835
Transitional Funding Payment	--	--	7,000	--	--
Loans in Lieu of Semi-Government	--	25,000	--	--	--
TOTAL	621,008	704,120	371,972	330,206	385,835
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Education -</i>					
* Higher Education	2,146,073	2,146,656	2,260,818	2,436,286	2,558,971
State Contribution to Higher Education	-10,199	-24,206	-29,276	-18,862	-43,132
Technical and Further Education	124,475	125,350	139,245	153,476	167,245
Government Schools	574,852	655,289	745,066	823,552	913,875
* Non Government Schools	885,857	1,008,323	1,112,102	1,197,788	1,273,076
Joint Schools Programs	29,626	32,794	39,115	42,855	56,149
Aboriginal Education	10,355	12,958	11,210	41,600	43,430
National Policy on Language	5,968	8,452	7,825	5,017	--
Cost Escallation Allowance	--	--	--	--	33,155
*Cost Escallation Allowance	--	--	--	--	118,562
Participation and Equity Program	27,115	--	--	--	--
<i>Health -</i>					
Health Program Grants	500	26,656	31,020	35,461	29,523
Transfer Pathology Laboratory	1,397	7,049	24,731	24,674	26,298
Hospital Funding Grants	--	3,079,915	3,370,092	3,630,337	3,825,042
Medicare	1,094,988	--	--	--	--
Medical Specialty Centers	--	--	--	1,086	1,915
Hospital Waiting List Reduction	24,678	24,700	--	--	--
High Cost Drugs	--	--	--	--	36,100
Nurse Education	7,176	15,254	22,044	30,346	39,170
Geriatric Assessment	7,365	14,767	19,341	23,712	24,981
Home and Community Care	53,240	62,657	69,000	78,680	91,555
National Diseases Control	404	--	--	--	--
National Better Health	--	400	2,347	2,352	2,370
Youth Health Services	--	--	346	1,859	2,529
Other Health Advancement	870	1,486	5,769	5,766	9,769
Other Health Care Access	--	--	328	1,295	23,665
Funds to Combat AIDS	10,017	12,791	19,041	23,045	22,957
Drug Education Campaigns	15,710	16,836	18,805	20,009	25,333
Blood Transfusion Services	16,091	18,245	21,421	26,707	30,371
Asbestos Removal Assistance	--	--	3,200	11,700	20,829
Liver/Heart Transplant Program	650	679	719	381	--

Table 39-Total Commonwealth Payments, Repayments of Advances and Interest Payment 1987-88 to 1991-92 (est)-(thousand)-
continued

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
<i>Social Security and Welfare -</i>					
Geriatric Assessment	..	..	..	1,120	3,654
Home and Community Care	107,612	133,181	167,424	189,340	220,217
Disabilities Services	..	..	..	..	5,000
Rehabilitation Centres	479	481	506	430	485
Children's Services	14,364	13,871	14,686	15,456	23,908
Family Support Services	9,365	..	..	..	..
Mortgage and Rent Relief	25,000	26,830	30,914	30,914	30,914
Mortgage Relief	..	..	12,415	..	..
Supported Accommodation Assistance	39,646	62,458	74,203	85,923	95,748
Translating and Interpreting Services	1,090	835	769	465	318
Unattached Refugee Children	365	340	307	292	358
Aboriginal Advancement (a)	19,552	16,245	11,931	..	..
<i>Housing and Community Amenities -</i>					
Rental Housing Subsidy	..	..	..	..	3,000
Home Deposit Assistance	..	..	..	6,600	22,600
Assistance for Housing	5,500	5,500	5,500	5,500	5,500
Urban Water Supply and Treatment	748	651	545	735	1,680
Assistance for Water and Sewerage	..	5,611	6,846	7,274	7,225
Urban Flood Mitigation	74	124	81	191	485
Environmental Restoration	231	..	1,000	1,487	3,430
Rainforest Conservation	2,271	2,137	2,242	2,238	2,521
<i>Culture and Recreation -</i>					
Expo 88 Participation	600	..	..	..	..
Queensland World Heritage Areas	..	..	..	4,000	11,000
South West TAS - Heritage Area	2,200	2,336	5,496	5,855	5,021
<i>Transport -</i>					
Aerodrome Local Ownership Plan	336	417	601	700	928
Interstate Road Transport	4,230	10,836	17,106	14,525	15,550
<i>Industry Assistance and Development -</i>					
TAS Wheat Freight Subsidy	..	..	2,960	3,303	3,150
Bovine Brucellosis and Tuberculosis	34,834	29,917	28,108	38,482	31,996
Exotic Disease Eradication	162	189	205	217	225
Dried Vine Fruit Assistance	7	..	..	..	..
Wine Industry Assistance	5	..	..	..	..
Sugar Industry	2,854	2,922	3,015	600	..
Destruction of Organochlorines	..	1,000	..	..	..
Rural Adjustment Scheme	43,248	53,263	53,347	62,450	146,000
Agricultural/Export Research	1,209	1,807	2,026	200	..
Fertiliser Assistance	16,986	4,018	..	..	..
Irrigation and Other Water Projects	1,995	1,010	858	869	695
Afforestation Program	1,363	3,850	5,548	223	520
Forestry Development	..	8,000	13,674	3,935	11,688
Soil Conservation	4,800	7,938	20,730	19,690	22,539
Assistance to Tin Mining	..	..	-821	-5	..
Coal Rail Freight	10,000	..	10,000	..	..
Other Mining Assistance	262	..	..	..	..
Compensation Gas/RRT	..	..	..	..	60,000
PAWA (NT) Assistance	47,535	90,890	..	30,000	20,000
National Industry Extension Service	7,415	8,045	8,791	10,470	11,788
Multi Function Polis	..	..	..	1,078	2,772
Tourism Assistance	..	..	7,780	..	..

Table 39-Total Commonwealth Payments, Repayments of Advances and Interest Payment 1987-88 to 1991-92 (est)-(thousand)-continued

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
<i>Labour and Employment -</i>					
Community Employment Program	94,328	153	..	..	..
Forest Industry Package	..	..	3,540	..	3,378
Employment Training - Aboriginal	7,433	7,558	9,248	1,983	5,271
* Coal Mining - Long Service Leave	43,450	28,621	23,581	23,359	23,396
<i>Other Economic Services -</i>					
ACT Unclaimed Moneys	..	..	..	127	..
<i>General Public Services -</i>					
Sharing of Criminal Asset Recovery	..	..	..	184	300
Legal Aid	80,308	89,042	96,810	105,560	120,389
* Research at Universities	..	12,103	77,313	168,566	238,477
<i>Not Allocated to Function (b) -</i>					
Sinking Fund on State Debt	51,725	50,697	49,953	49,371	45,011
Debt Redemption Assistance	..	..	..	4,736	213,000
* Financial Assistance - Local Government	641,532	663,791	689,467	711,392	730,821
* Local Government - Identified Road Funds	..	..	..	..	315,622
Compensation -Companies Regulation	..	..	..	68,028	118,288
Natural Disaster Relief	7,125	11,282	987	13,242	6,600
Assistance for South - West TAS	28,431	30,036	31,659	32,689	33,586
Royalties	152,684	101,308	144,230	194,225	138,300
Tax Compensation-Sale of State Assets	..	..	..	413,000	14,000
ACT National Capital Influences	..	15,990	17,029	18,093	17,972
TOTAL	6,540,561	8,752,331	9,546,921	10,948,234	12,129,064
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Defence -</i>					
Housing for Servicemen	1,993	707	..	..	..
<i>Education -</i>					
* Higher Education	233,415	160,632	128,228	208,307	235,240
Technical and Further Education	178,681	158,314	199,412	220,908	213,451
Government Schools	161,328	178,232	187,584	197,918	209,971
* Non-Government Schools	57,587	67,698	59,098	73,206	83,364
Aboriginal Education	..	..	6,747	6,143	5,031
Video Facilities	600	..	..	..	..
WA Defence Infrastructure	10,000	..	..	..	..
<i>Health -</i>					
Albury RALA Sub-Centre	85	..	..	..	..
Teaching Hospitals/Enhancement	47,540	24,000	50,500	50,000	26,600
Launceston General Hospital	11,204	8,500	5,142	205	..
Home and Community Care	42	112	..	554	600
Blood Transfusion Services	2,168	2,267	2,546	2,983	7,793
<i>Social Security and Welfare -</i>					
Home and Community Care	6,990	8,797	4,730	8,800	10,235
Attendant Care Scheme	2,435	..	..	..	..
Children's Services	17,430	6,571	1,195	2,242	7,362
Supported Accommodation Assistance	..	1,000	1,000	..	..
Crisis Accommodation Assistance	15,500	19,783	39,655	39,655	39,655
Youth Accommodation	..	..	10,000	..	..
Aboriginal Advancement (a)	6,819	14,935	6,935	..	..
<i>Housing and Community Amenities -</i>					
Pensioner Housing Grants	37,500	38,074	49,273	49,273	49,273
Housing Assistance For Aborigines	60,000	70,000	91,000	91,000	91,000

Table 39-Total Commonwealth Payments, Repayments of Advances and Interest Payment 1987-88 to 1991-92 (est)-(thousand):
continued

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
<i>Local Government and Community</i>					
Housing	12,000	16,234	24,403	24,403	24,403
CSHA Block Assistance	550,000	539,784	792,931	792,931	792,931
Special Assistance for Water	25,000	50,000	12,000	..	..
Urban Water Supply and Treatment	10,419	11,880	9,596	10,302	8,455
Support for Steel Regions	664	..	..	..	..
Urban Flood Mitigation	5,509	6,842	8,126	6,969	8,309
Environment Restoration	..	1,500	..	..	..
<i>Culture and Recreation -</i>					
National Maritime Museum	10,000	..	..	..	..
Bicentennial Programs	18,409	6,759	..	..	..
Support for 1991 Swimming	..	..	..	3,000	..
National Standard Sports Facilities (c)	133	..	..	..	..
WA Defence Infrastructure	5,000	..	..	..	..
National Estate	3,282	3,633	3,979	3,985	4,115
Cradle Mountain Visitor Centre	..	800	..	..	..
World Heritage Area Assistance	..	..	..	568	12,052
<i>Transport -</i>					
Aerodrome Local Ownership Plan	16	..	..	326	..
Badgerys Creek Road System	..	..	..	11,000	9,000
Roads Programs	1,244,493	1,217,214	1,335,142	1,561,210	1,257,349
Railway Projects	..	..	..	33,996	..
Transport Improvement Grant	..	50,000	20,000	..	..
WA Defence Infrastructure	30,000	..	..	..	..
<i>Industry Assistance and Development -</i>					
Support For Steel Regions	5,321	..	..	..	..
Bovine Brucellosis and Tuberculosis	653	267	126	117	168
Fisheries Management	2,101	40	336	960	..
Plant Genetic Resource Program	111	148	..	..	..
Meat Inspectors Superannuation Loan	..	..	..	587	..
Salinity Reduction Control	3,945	8,008	13,454	6,060	6,148
Irrigation and Other Water Projects	20,524	6,175	5,769	8,618	5,780
Forestry Development	..	..	800	..	2,000
PAWA (NT) Assistance	810	..	..	..	..
TAS Industrial Development	..	..	10,500	..	6,000
WA Defence Infrastructure	15,000	..	..	..	..
<i>Labour and Employment -</i>					
Support for Steel Regions	5,029	1,410	..	..	..
<i>Not Allocated to Function (b)-</i>					
Natural Disaster Relief	8,672	50,631	27,767	149,866	81,400
ACT Establishment Assistance	..	..	..	3,000	..
Public Sector Restructuring	..	..	40,000	..	..
Infrastructure Restoration	..	..	..	2,000	2,000
Assistance For South West TAS	759	1,061	1,813	125	100
Supplementation Grants	..	9,800	..	..	..
Unaligned Payments	..	7,926	..	..	..
TOTAL	2,829,168	2,749,732	3,149,785	3,604,715	3,192,785
REPAYMENTS					
Payments to National Debt Sinking Fund (d)	337,011	285,297	306,988	611,073	195,192
Supplementary Contributions	..	..	..	965,632	2,339,436
ACT Government Repayments-other	..	4,092	4,092	16,965	22,804
Repayments of Commonwealth Government Loans -	..	..	..	..	..

Table 39-Total Commonwealth Payments, Repayments of Advances and Interest Payment 1987-88 to 1991-92 (est)-(thousand)-
continued

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
Loan Council - Housing Nominations	9,385	14,985	13,841	145,933	18,777
<i>Defence -</i>	-	-	-	-	-
Housing For Servicemen	1,360	1,436	1,516	1,601	1,692
<i>Social Security and Welfare -</i>					
Unemployment Relief Works	3	3	-	-	10
<i>Housing and Community Amenities</i>					
CHSA Block Assistance	50,329	52,358	54,471	56,671	58,963
Other Housing	2,503	1,058	1,107	1,292	1,235
Urban Water Supply and Treatment	95	104	28	54	62
Water and Sewerage Assistance	136	136	136	136	136
Growth Centres	112	13,082	6,614	6,627	6,642
Land Acquisition	1,500	-	-	-	-
Urban Rehabilitation	205	396	205	425	205
Legana Industrial Estate	20	20	39	-	-
Sewerage	1,468	1,708	1,883	1,975	2,173
Community Facilities-Townsville	10	11	12	13	14
Captians Flat Project	16	18	20	22	22
<i>Culture and Recreation</i>					
Perth Entertainment Centre	200	200	200	-	-
<i>Transport-</i>					
Railway Projects	7,075	7,645	5,365	5,817	5,653
King Island Harbour Works	45	8	8	8	-
Weipa Development	136	143	151	159	168
<i>Industry Assistance and Development -</i>					
Dairy Adjustment Program	701	719	740	791	838
Bovine Brucellosis and Tuberculosis	102	435	425	425	424
Beef Industry Assistance	68	56	12	6	-
Canned Fruit Industry	383	383	383	383	383
Rural Adjustment Scheme	8,186	8,165	8,635	10,351	8,344
Rural Reconstruction	9,814	10,415	9,625	10,433	10,788
Meat Inspectors Superannuation	-	-	-	-	118
War Service Land Settlement	509	528	548	569	590
Brigalow Lands Development Scheme	693	693	693	693	693
Blowering Reservoir	230	20	-	-	-
Irrigation and Other Water Projects	999	999	999	959	849
Chowilla Reservoir	11	-	-	-	-
Dartmouth Dam	1,760	1,298	1,173	1,173	1,173
Softwood Forestry	2,194	2,212	1,962	1,822	1,823
Other Mining Assistance	66	-	-	-	-
PAWA (NT) Assistance	2,327	2,552	-	-	-
Gladstone Power Station	3,556	3,773	4,002	4,246	4,505
Exmouth Township-Electricity Services	10	14	14	14	14
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	30,647	32,101	28,841	24,602	23,126
ACT Land Development Costs	-	-	59,600	6,700	-
TOTAL	473,862	447,063	514,329	1,877,573	2,699,850
ADVANCES					
<i>General Purpose Loans-</i>					
Commonwealth Government Loans	-	46,989	22,501	-	-
Loan Council - Housing Nominations	414,005	317,571	-	-	-
<i>Defence -</i>					
Housing For Servicemen	1,993	707	-	-	-
<i>Housing and Community nec -</i>					

Table 39-Total Commonwealth Payments, Repayments of Advances and Interest Payment 1987-88 to 1991-92 (est)-(thousand)-
continued

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
Urban Water Supply and Treatment	3,850	3,675	3,675	3,675	2,450
<i>Transport -</i>					
Railway Projects	..	..	..	496	..
<i>Industries Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis	653	267	126	117	168
Meat Inspectors Superannuation	..	..	..	587	..
<i>Not Allocated to Function -</i>					
Natural Disaster Relief	7,498	9,660	2,669	14,337	6,601
TOTAL	427,999	371,802	28,972	19,212	6,769
INTEREST					
Interest on Loan Council Borrowings(e)	2,107,046	2,132,486	2,123,517	2,031,607	1,856,228
<i>Interest on Commonwealth Government Loans -</i>					
Other ACT Government Debt	..	19,492	12,283	31,166	43,995
Loans in Lieu of Semi Government Borrowing	..	..	5,020	..	..
Housing Nomination	90,677	119,440	113,536	138,859	111,837
Housing for Servicemen	21,410	21,595	21,488	21,295	21,672
CSHA Loans	177,014	174,985	172,872	170,672	168,380
Other Housing	5,835	5,446	5,396	5,923	5,357
Urban Water Supply and Treatment	1,817	1,587	89	592	585
Water and Sewerage Assistance	739	732	725	718	711
Growth Centres	500	489	477	463	448
Urban Rehabilitation	284	266	249	231	214
Captains Flat Project	45	41	41	39	38
Legana Industrial Estate	10	7	3	..	..
Sewerage	19,003	19,783	19,094	19,046	18,847
Community Facilities - Townsville	36	35	34	33	32
Perth Entertainment Centre	74	55	28	..	..
Railway Projects	11,982	11,353	10,482	9,768	9,035
King Island Harbour Works	5	2	1	1	..
Weipa Development	89	82	75	67	58
Dairy Adjustment Program	599	557	511	458	410
Canned Fruit Industry	40	40	40	40	41
Bovine Brucellosis and Tuberculosis	12	217	131	56	162
Rural Adjustment Scheme	13,843	15,402	10,075	10,357	9,654
Meat Inspectors Superannuation	..	..	..	..	60
Rural Reconstruction	4,798	4,195	4,191	2,543	1,911
War Service Land Settlement	712	693	673	652	631
Brigalow Lands Development Scheme	565	518	472	426	379
Blowering Reservoir	8	1	..	..	..
Irrigation and Other Water Projects	476	411	346	282	226
Dartmouth Dam	2,250	1,567	1,276	1,163	1,052
Softwood Forestry	5,173	5,266	4,619	4,246	4,099
PAWA (NT) Assistance	4,115	3,889	..	..	..
Gladstone Power Station	9,693	9,476	9,246	9,003	8,744
Exmouth Township - Electricity	8	7	6	5	5
ACT Land Development Costs	..	..	16,400	2,730	..
Natural Disaster Relief	2	1	455	498	644
TOTAL	2,478,859	2,530,627	2,500,148	2,402,671	2,269,453

Table 39-Total Commonwealth Payments, Repayments of Advances and Interest Payment 1987-88 to 1991-92 (est)-(thousand)-
continued

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS					
For General Purposes	14,869,195	13,676,910	13,650,141	13,931,598	14,185,732
For Specific Purposes	9,369,730	11,502,063	12,696,706	14,552,950	15,321,849
Total Gross Payments	24,238,924	25,178,973	26,346,847	28,484,548	29,507,581
Payments to State	20,231,010	21,091,149	21,996,239	23,665,643	23,930,052
*Payments through State	4,007,914	4,087,824	4,350,608	4,818,905	5,577,529
Total Gross Payments	24,238,924	25,178,973	26,346,847	28,484,548	29,507,581
Repayments	-473,862	-447,063	-514,329	-1,877,573	2,699,850
Total Net Payments	23,765,062	24,731,911	25,832,518	26,606,975	26,807,731

*Items so marked are classified as payments made through the States. For details, see under 'Classification of Specific Purpose Payments' in Chapter V.

- (a) With the establishment of the Aboriginal and Torres Strait Islander Commission (ATSIC) on 5 March 1990, all previously Department of Aboriginal Affairs programs previously made direct to the States and Territories were classified as payments to the non budget agency and are no longer reflected in these tables.
- (b) This category general consists of payments relating to specific purposes which, however, are not subject to conditions on their use by the States and Territories and in that sense therefore are not tied to expenditure in particular functional areas.
- (c) In August 1987 administration of this program passed to the Australian Sports Commission. As a result, these payments are no longer regarded as payments from the Commonwealth to the States, but are Commonwealth own-purpose outlays.
- (d) Includes sinking fund contributions on State debt made by the Commonwealth Government, which are included in this Paper as payments for the States.
- (e) Includes interest on the States' domestic raisings.

APPENDIX II—TABLES OF PAYMENTS TO THE STATES AND TERRITORIES 1987–88 to 1991–92

This appendix provides details of each State's share of the items included in Appendix Table I for each year from 1987–88 to 1991–92 (est).

Detailed discussion of general revenue assistance, general purpose capital assistance and specific purpose payments can be found in Chapters III, IV and V respectively. In the case of the 1991–92 budget estimates, in many case (as indicated in the introduction to Chapter V) the distribution of 1991–92 estimated payments between the States is notional only.

Table No	Year	Page
40	1987–88	A-10
41	1988–89	A-18
42	1989–90	A-26
43	1990–91	A-34
44	1991–92 (estimate)	A-42

Table 40 - Commonwealth Payments to States and Northern Territory, Repayments of Advances and Interest Payments (\$ 000) - 1987 -88

	New		Queens-	Western	South		Northern	Six States &		Total
	South	Victoria	Land	Australia	Australia	Tasmania	Territory	NT Total	ACT	
	Wales									
GENERAL REVENUE FUNDS										
Financial Assistance Grants	3,594,903	2,667,345	2,414,305	1,393,339	1,233,323	452,870	..	11,756,085	..	11,756,085
Special Revenue Assistance	7,871	3,604	8,657	6,479	2,954	1,392	2,845	33,802	..	33,802
Health Grants	674,001	441,616	139,316	219,468	233,695	74,605	..	1,782,701	..	1,782,701
General Revenue Grants	..	..	..	..	..	..	689,980	689,980	..	689,980
Special Grants	..	..	..	..	..	..	-14,381	-14,381	..	-14,381
TOTAL	4,276,775	3,112,565	2,562,278	1,619,286	1,469,971	528,867	678,444	14,248,187	..	14,248,187
GENERAL PURPOSE CAPITAL FUNDS										
<i>Loan Council Program</i>										
Housing Nominations	114,447	94,636	24,966	34,503	51,779	36,877	56,797	414,005	..	414,005
Capital Grants	58,224	48,318	12,483	11,251	27,390	18,438	30,899	207,003	..	207,003
TOTAL	172,671	142,954	37,449	45,754	79,169	55,315	87,696	621,008	..	621,008
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES										
<i>Education -</i>										
* Higher Education	705,747	640,995	321,897	209,406	201,512	57,198	9,318	2,146,073	..	2,146,073
Contribution to Higher Education	-4,229	-3,715	..	-935	-1,265	-55	..	-10,199	..	-10,199
Technical and Further Education	46,291	30,998	17,526	12,078	11,653	3,881	2,049	124,475	..	124,475
Government Schools	208,038	146,095	94,137	53,609	49,081	16,572	7,321	574,852	..	574,852
* Non Government Schools	310,729	277,180	140,564	72,342	60,802	18,964	5,276	885,857	..	885,857
Joint Schools Programs	9,210	7,709	5,141	3,317	2,638	886	725	29,626	..	29,626
Aboriginal Education	1,583	1,770	1,010	2,590	3,261	141	..	10,355	..	10,355
National Policy on Language	1,867	1,413	921	534	666	258	309	5,968	..	5,968
Participation and Equity Program	11,824	5,999	3,689	2,284	2,171	758	390	27,115	..	27,115
<i>Health -</i>										
Health Program Grants	..	..	..	..	500	..	..	500	..	500
Transfer Pathology Laboratory	..	..	..	..	..	1,397	..	1,397	..	1,397
Medicare	443,520	286,114	84,695	100,986	126,583	39,672	13,418	1,094,988	..	1,094,988
Hospital Waiting List Reduction	9,073	9,350	2,378	1,122	2,500	255	..	24,678	..	24,678
Nurse Education	..	4,177	500	1,282	952	202	64	7,176	..	7,176
Geriatric Assessment	2,554	2,793	1,072	273	270	291	112	7,365	..	7,365
Home and Community Care	12,969	14,544	9,388	8,335	6,349	1,654	..	53,240	..	53,240
Other Health Advancement	169	222	184	150	145	..	..	870	..	870

Table 40 - Commonwealth Payments to States and Northern Territory, Repayments of Advances and Interest Payments (\$ 000) - 1987-88- Continued

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
National Diseases Control	90	102	80	53	42	..	37	404	..	404
Funds to Combat AIDS	4,757	2,123	927	1,035	685	223	268	10,017	..	10,017
Drug Education Campaigns	5,384	4,059	2,582	1,478	1,435	548	225	15,710	..	15,710
Blood Transfusion Services	4,404	5,341	2,307	1,865	1,599	375	200	16,091	..	16,091
Liver/Heart Transplant Program	650	..	..	..	..	..	..	650	..	650
<i>Social Security and Welfare -</i>										
Home and Community Care	44,614	36,445	8,340	8,831	6,902	1,868	613	107,612	..	107,612
Rehabilitation Centres	423	..	..	..	11	..	45	479	..	479
Children's Services	1,285	2,736	607	428	8,990	153	165	14,364	..	14,364
Family Support Services	2,581	2,943	1,149	1,263	915	298	217	9,365	..	9,365
Mortgage and Rent Relief	8,817	6,623	4,132	2,299	2,182	710	237	25,000	..	25,000
Supported Accommodation Assistance	12,432	9,327	6,699	4,192	4,017	2,007	972	39,646	..	39,646
Translating and Interpreting Services	247	502	183	..	92	..	68	1,090	..	1,090
Unattached Refugee Children	164	82	19	42	58	..	..	365	..	365
Aboriginal Advancement	1,298	318	5,093	8,634	3,211	41	957	19,552	..	19,552
<i>Housing and Community Amenities -</i>										
Assistance for Housing	1,848	1,347	423	627	941	314	..	5,500	..	5,500
Urban Water Supply and Treatment	105	510	..	80	20	..	33	748	..	748
Urban Flood Mitigation	14	4	..	..	..	..	56	74	..	74
Environmental Restoration	..	..	..	..	..	..	231	231	..	231
Rainforest Conservation	1,617	205	..	286	..	49	113	2,271	..	2,271
<i>Culture and Recreation -</i>										
Expo 88 Participation	100	100	..	100	100	100	100	600	..	600
South West TAS - Heritage Area	..	..	..	..	..	2,200	..	2,200	..	2,200
<i>Transport -</i>										
Aerodrome Local Ownership Plan	..	..	34	..	20	282	..	336	..	336
Interstate Road Transport	1,711	1,018	555	229	541	21	154	4,230	..	4,230
<i>Industry Assistance and Development -</i>										
Bovine Brucellosis and Tuberculosis	1,955	1,520	15,700	2,183	1,324	78	12,073	34,834	..	34,834
Exotic Disease Eradication	49	5	10	23	26	4	44	162	..	162
Dried Vine Fruit Assistance	..	..	..	7	..	..	..	7	..	7
Wine Industry Assistance	..	..	4	1	..	..	..	5	..	5
Sugar Industry	1,779	..	1,075	..	..	..	..	2,854	..	2,854

Table 40 - Commonwealth Payments to States and Northern Territory, Repayments of Advances and Interest Payments (\$ 000) - 1987-88- Continued

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Rural Adjustment Scheme	11,691	10,552	6,296	5,925	7,095	993	696	43,248	..	43,248
Agricultural / Export Research	418	206	390	117	22	56	..	1,209	..	1,209
Fertiliser Assistance	2,788	2,329	7,206	3,138	1,318	207	..	16,986	..	16,986
Irrigation and Other Water Projects	120	1763	..	..	112	..	..	1,995	..	1,995
Afforestation Program	338	178	..	235	136	476	..	1,363	..	1,363
Soil Conservation	1,295	624	966	904	463	240	308	4,800	..	4,800
Coal Rail Freight	10,000	..	..	..	..	..	..	10,000	..	10,000
Other Mining Assistance	262	..	..	..	..	..	..	262	..	262
PAWA (NT) Assistance	..	..	..	..	..	..	47,535	47,535	..	47,535
National Industry Extension Service	2,499	2,227	951	620	664	367	86	7,415	..	7,415
<i>Labour and Employment -</i>										
Community Employment Program	35,573	23,534	14,771	7,793	9,375	2,478	804	94,328	..	94,328
Employment Training - Aboriginal	3,434	88	1,607	1,308	684	143	169	7,433	..	7,433
* Coal Mining - Long Service	29,800	..	12,938	619	..	92	..	43,450	..	43,450
<i>General Public Services -</i>										
Legal Aid	27,939	20,158	13,374	10,116	8,637	84	..	80,308	..	80,308
<i>Not Allocated to Function (a)-</i>										
Sinking Fund on State Debt	16,902	12,830	6,930	4,411	5,497	3,514	1,641	51,726	..	51,726
* Financial Assistance - Local Government	228,800	165,763	106,834	59,285	55,519	19,285	6,045	641,532	..	641,532
Natural Disaster Relief	1,595	4	5,729	..	..	..	-202	7,125	..	7,125
Assistance for South - West TAS	..	..	..	..	..	28,431	..	28,431	..	28,431
Royalties	..	143,906	..	4,791	..	..	3,987	152,684	..	152,684
TOTAL	2,229,124	1,885,115	911,013	600,292	590,450	207,709	116,858	6,540,561	..	6,540,561
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES										
<i>Defence -</i>										
Housing for Servicemen	1,471	270	158	26	18	50	..	1,993	..	1,993
<i>Education -</i>										
* Higher Education	72,782	71,035	40,833	23,349	19,681	5,475	260	233,415	..	233,415
Technical and Further Education	65,113	48,161	26,682	15,032	11,336	7,315	5,042	178,681	..	178,681
Government Schools	54,149	39,736	28,417	15,990	14,351	4,730	3,955	161,328	..	161,328
* Non-Government Schools	18,195	17,279	10,929	4,894	3,982	1,195	1,114	57,587	..	57,587
Video Facilities	93	9	243	63	42	3	147	600	..	600

Table 40 - Commonwealth Payments to States and Northern Territory, Repayments of Advances and Interest Payments (\$ 000) - 1987-88- Continued

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
WA Defence Infrastructure	..	..	..	10,000	..	..	..	10,000	..	10,000
<i>Health -</i>										
Albury RALA Sub-Centre	85	..	..	..	..	..	..	85	..	85
Teaching Hospitals	16,811	12,652	7,713	4,258	4,206	1,400	500	47,540	..	47,540
Launceston General Hospital	..	..	..	..	..	11,204	..	11,204	..	11,204
Home and Community Care	..	..	42	..	..	..	..	42	..	42
Blood Transfusion Services	449	1,028	145	264	235	25	22	2,168	..	2,168
<i>Social Security and Welfare -</i>										
Home and Community Care	1,934	2,396	1,655	651	294	..	59	6,990	..	6,990
Attendant Care Scheme	839	630	401	225	209	66	65	2,435	..	2,435
Children's Services	3,544	5,094	2,939	2,821	2,252	529	251	17,430	..	17,430
Crisis Accommodation Assistance	5,447	4,092	2,553	1,420	1,349	439	200	15,500	..	15,500
Aboriginal Advancement-	206	..	185	5,785	589	..	54	6,819	..	6,819
<i>Housing and Community Amenities -</i>										
Pensioner Housing Grants	14,517	8,560	7,396	3,051	2,614	839	523	37,500	..	37,500
Housing Assistance for Aborigines	12,345	3,417	15,186	10,264	5,595	696	12,497	60,000	..	60,000
Local Government and Community Housing	4,201	3,156	1,969	1,095	1,040	339	200	12,000	..	12,000
CSHA Block Assistance	184,439	141,004	77,545	49,561	57,468	23,222	16,761	550,000	..	550,000
Special Assistance for Water	..	..	..	..	25,000	..	..	25,000	..	25,000
Urban Water Supply and Treatment	1,844	605	1,444	296	5,797	314	119	10,419	..	10,419
Support for Steel Regions	664	..	..	..	..	..	..	664	..	664
Urban Flood Mitigation	3,158	1,629	..	396	245	80	..	5,509	..	5,509
<i>Culture and Recreation -</i>										
National Maritime Museum	10,000	..	..	..	..	..	..	10,000	..	10,000
Bicentennial Programs	3,928	4,747	620	2,861	4,318	993	943	18,409	..	18,409
National Standard Sports Facilities (b)	..	133	..	..	..	..	..	133	..	133
WA Defence Infrastructure	..	..	..	5,000	..	..	..	5,000	..	5,000
National Estate	508	508	508	508	508	508	232	3,282	..	3,282
<i>Transport -</i>										
Aerodrome Local Ownership Plan	..	..	..	..	..	16	..	16	..	16
Australian Land Transport Program	243,600	151,200	159,100	95,400	56,400	28,493	30,100	764,293	..	764,293
Australian Bicentennial Road	164,900	98,100	95,100	58,700	36,200	18,400	8,800	480,200	..	480,200
WA Defence Infrastructure	..	..	..	30,000	..	..	..	30,000	..	30,000

Table 40 - Commonwealth Payments to States and Northern Territory, Repayments of Advances and Interest Payments (\$ 000) - 1987-88- Continued

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
<i>Industry Assistance and Development -</i>										
Support for Steel Regions	5,321	..	..	..	..	..	..	5,321	..	5,321
Bovine Brucellosis and Tuberculosis	..	..	347	..	..	..	306	653	..	653
Fisheries Management	..	..	2,101	..	..	..	..	2,101	..	2,101
Plant Genetic Resource Program	6	75	..	..	30	..	..	111	..	111
Salinity Reduction Control	1,576	837	..	1,250	282	..	..	3,945	..	3,945
Irrigation and Other Water Projects	24	..	20,500	..	..	..	..	20,524	..	20,524
PAWA (NT) Assistance	..	..	..	..	..	..	810	810	..	810
WA Defence Infrastructure	..	..	..	15,000	..	..	..	15,000	..	15,000
<i>Labour and Employment -</i>										
Support for Steel Regions	3,068	..	..	..	1,961	..	..	5,029	..	5,029
<i>Not Allocated to Function -</i>										
Natural Disaster Relief	..	..	8,672	..	..	..	..	8,672	..	8,672
Assistance for South West TAS	..	..	..	..	..	759	..	759	..	759
TOTAL	895,217	616,352	513,384	358,160	256,002	107,090	82,962	2,829,168	..	2,829,168
REPAYMENTS										
<i>Payments to National (and NT) Debt</i>										
Sinking Fund (c)	69,169	52,539	27,966	18,067	148,282	14,365	6,624	337,011	..	337,011
<i>Repayments of Commonwealth Government Loans -</i>										
Loan Council - Housing Nominations	1,703	1,864	763	1,407	2,717	518	413	9,385	..	9,392
<i>Defence -</i>										
Housing For Servicemen	524	379	344	78	30	5	..	1,360	..	1,360
<i>Social Security and Welfare -</i>										
Unemployment Relief Works	..	3	..	..	..	..	..	3	..	3
<i>Housing and Community Amenities -</i>										
CSHA Block Assistance	17,221	14,372	4,662	4,442	6,850	2,538	241	50,329	..	50,329
Other Housing	..	..	..	..	..	..	2,503	2,503	..	2,503
Urban Water Supply and Treatment	..	..	..	25	70	..	..	95	..	95
Water and Sewerage Assistance	..	..	..	..	..	..	136	136	..	136
Growth Centres	67	44	..	..	..	..	..	112	..	112
Land Acquisition	..	..	..	1,500	..	..	..	1,500	..	1,500
Urban Rehabilitation	..	205	..	..	..	..	..	205	..	205
Legana Industrial Estate	..	..	..	..	..	20	..	20	..	20

Table 40 - Commonwealth Payments to States and Northern Territory, Repayments of Advances and Interest Payments (\$ 000) - 1987-88 - Continued

	New		Queens-	Westera	South		Northern	Six States &		Total
	South	Victoria	Land	Australia	Australia	Tasmania	Territory	NT Total	ACT	
	Wales									
Sewerage	443	527	151	215	75	57	..	1,468	..	1,468
Community Facilities-Towasville	..	..	10	..	..	..	..	10	..	10
Captians Flat Project	16	..	..	..	..	..	..	16	..	16
<i>Culture and Recreation -</i>										
Perth Entertainment Centre	..	..	..	200	..	..	..	200	..	200
<i>Transport-</i>										
Railway Projects	1,616	942	904	3,614	..	..	..	7,075	..	7,075
King Island Harbour Works	..	..	..	..	..	45	..	45	..	45
Weipa Development	..	..	136	..	..	..	..	136	..	136
Dairy Adjustment Program	59	193	351	65	13	20	..	701	..	701
Bovine Brucellosis and Tuberculosis	..	..	17	5	79	..	..	102	..	102
Beef Industry Assistance	..	2	66	..	..	..	..	68	..	68
Canned Fruit Industry	383	..	..	..	..	..	..	383	..	383
Rural Adjustment Scheme	1,489	1,606	2,973	1,097	843	..	177	8,186	..	8,186
Rural Reconstruction	3,029	2,177	1,805	1,501	1,076	225	..	9,814	..	9,814
War Service Land Settlement	247	263	..	..	..	..	..	509	..	509
Brigalow Lands Development	..	..	693	..	..	..	..	693	..	693
Blowering Reservoir	230	..	..	..	..	..	..	230	..	230
Irrigation and Other Water Projects	..	..	..	999	..	..	..	999	..	999
Chowilla Reserviour	11	..	..	..	..	..	..	11	..	11
Dartmouth Dam	587	587	..	..	587	..	..	1,760	..	1,760
Softwood Forestry	728	285	549	242	110	281	..	2,194	..	2,194
Other Mining Assistance	66	..	..	..	..	..	..	66	..	66
PAWA (NT) Assistance	..	..	..	..	..	..	2,327	2,327	..	2,327
Gladstone Power Station	..	..	3,556	..	..	..	..	3,556	..	3,556
Exmouth Township-Electricity	..	..	..	10	..	..	..	10	..	10
<i>Not Allocated to Function -</i>										
Natural Disaster Relief	7,071	3,502	11,339	5,115	3,556	64	..	30,647	..	30,647
TOTAL	104,659	79,490	56,286	38,581	164,287	18,137	12,422	473,862	..	473,862
ADVANCES										
<i>Loan Council Program</i>										
Housing Nominations	114,447	94,636	24,966	34,503	51,779	36,877	56,797	414,005	..	414,005
<i>Commonwealth Government Loans</i>										

Table 40 - Commonwealth Payments to States and Northern Territory, Repayments of Advances and Interest Payments (\$ 000) - 1987-88- Continued

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
<i>Defence -</i>										
Housing For Servicemen	1,471	270	158	26	18	50	..	1,993	..	1,993
<i>Housing and Community Amenities--</i>										
Urban Water Supply and Treatment	..	..	..	..	3,850	..	..	3,850	..	3,850
<i>Industry Assistance and Development -</i>										
Bovine Brucellosis and Tuberculosis	..	..	347	..	..	..	306	653	..	653
<i>Not Allocated to Function -</i>										
Natural Disaster Relief	..	..	7,498	..	..	..	..	7,498	..	7,498
TOTAL	115,918	94,906	32,969	34,529	55,647	36,927	57,103	427,999	..	427,999
INTEREST										
<i>Interest on Loan Council & NT Govt Borrowings (d) -</i>										
	695,793	527,220	263,976	180,154	219,368	145,066	75,469	2,107,046	..	2,107,046
<i>Interest on Commonwealth Government Loans -</i>										
Housing Nomination	17,550	18,042	7,282	13,092	24,383	5,290	5,038	90,677	..	90,677
Housing for Servicemen	10,681	3,110	6,255	697	602	65	..	21,410	..	21,410
CSHA Loans	59,415	46,614	16,372	15,673	26,596	10,602	1,742	177,014	..	177,014
Other Housing	..	..	..	..	..	..	5,835	5,835	..	5,835
Urban Water Supply and Treatment	..	..	..	95	1,722	..	..	1,817	..	1,817
Water and Sewerage Assistance	..	..	..	..	..	..	739	739	..	739
Growth Centres	301	199	..	..	..	..	..	500	..	500
Urban Rehabilitation	..	284	..	..	..	..	..	284	..	284
Captains Flat Project	45	..	..	..	..	..	..	45	..	45
Legana Industrial Estate	..	..	..	..	..	10	..	10	..	10
Sewerage	6,036	6,859	2,033	2,828	940	307	..	19,003	..	19,003
Community Facilities - Townsville	..	..	36	..	..	..	..	36	..	36
Perth Entertainment Centre	..	..	..	74	..	..	..	74	..	74
Railway Projects	2,729	3,600	3,873	1,780	..	..	..	11,982	..	11,982
King Island Harbour Works	..	..	..	..	..	5	..	5	..	5
Weipa Development	..	..	89	..	..	..	..	89	..	89
Dairy Adjustment Program	48	207	272	45	11	15	..	599	..	598
Canned Fruit Industry	40	..	..	..	..	..	..	40	..	40
Bovine Brucellosis and Tuberculosis	..	..	6	4	2	..	..	12	..	12
Rural Adjustment Scheme	3,192	3,169	2,794	2,497	1,740	208	245	13,843	..	13,845

Table 40 - Commonwealth Payments to States and Northern Territory, Repayments of Advances and Interest Payments (\$ 000) - 1987-88- Continued

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Rural Reconstruction	1,464	1,058	864	745	560	107	..	4,798	..	4,798
War Service Land Settlement	345	367	..	..	..	..	..	712	..	712
Brigalow Lands Development	..	..	565	..	..	..	..	565	..	565
Blowering Reservoir	8	..	..	..	..	..	..	8	..	8
Irrigation and Other Water Projects	..	..	..	476	..	..	..	476	..	476
Dartmouth Dam	750	750	..	..	750	..	..	2,250	..	2,250
Softwood Forestry	2,214	462	928	845	265	459	..	5,173	..	5,173
PAWA (NT) Assistance	..	..	..	..	..	..	4,115	4,115	..	4,115
Gladstone Power Station	..	..	9,693	..	..	..	..	9,693	..	9,693
Exmouth Township - Electricity	..	..	..	8	..	..	..	8	..	8
Natural Disaster Relief	..	..	..	2	..	..	..	2	..	2
TOTAL	800,612	611,940	315,038	219,015	276,939	162,134	93,182	2,478,859		2,478,859
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS										
For General Purposes	4,449,446	3,255,519	2,599,727	1,665,040	1,549,140	584,182	766,140	14,869,195	..	14,869,195
For Specific Purposes	3,124,341	2,501,468	1,424,398	958,452	846,452	314,799	199,820	9,369,730	..	9,369,730
Total Gross Payments	7,573,788	5,756,987	4,024,124	2,623,492	2,395,592	898,981	965,960	24,238,924	..	24,238,924
Payments to State	6,207,734	4,584,735	3,390,128	2,253,598	2,054,096	796,772	943,946	20,231,010	..	20,231,010
*Payments through State	1,366,053	1,172,252	633,996	369,894	341,496	102,209	22,013	4,007,914	..	4,007,914
Total Gross Payments	7,573,788	5,756,987	4,024,124	2,623,492	2,395,592	898,981	965,960	24,238,924	..	24,238,924
Repayments	-104,659	-79,490	-56,286	-38,581	-164,287	-18,137	-12,422	-473,862	..	-473,862
Total Net Payments	7,469,129	5,677,497	3,967,838	2,584,911	2,231,305	880,844	953,538	23,765,062	..	23,765,062

*Items so marked are classified as payments made through the States. For details, see under 'Classification of Specific Purpose Payments' in Chapter V.

- (a) This category general consists of payments relating to specific purposes which, however, are not subject to conditions on their use by the States and Territories and in that sense therefore are not tied to expenditure in particular functional areas.
- (b) In August 1987 administration of this program passed to the Australian Sports Commission. As a result, these payments are no longer regarded as payments from the Commonwealth to the States, but are Commonwealth own-purpose outlays.
- (c) Includes sinking fund contributions on State debt made by the Commonwealth Government, which are included in this Paper as payments for the States.
- (d) Includes interest on the States' domestic raisings.

Table 41-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1988 - 89

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
GENERAL REVENUE FUNDS										
Financial Assistance Grants	3,665,075	2,661,202	2,233,381	1,451,955	1,301,100	470,672	621,656	12,405,040	..	12,405,040
Special Revenue Assistance	15,062	13,934	8,528	8,281	14,897	18,106	59,099	137,907	12,911	150,818
General Revenue Grants	..	..	..	..	..	..	..	..	416,932	416,932
TOTAL	3,680,137	2,675,136	2,241,909	1,460,236	1,315,996	488,778	680,755	12,542,947	429,843	12,972,790
GENERAL PURPOSE CAPITAL FUNDS										
<i>Loan Council Program</i>										
Housing Nominations	86,336	71,477	18,725	22,877	39,585	27,658	43,848	310,504	7,067	317,571
Capital Grants	86,336	71,477	18,725	22,877	39,585	27,658	43,848	310,504	29,056	339,560
<i>General Purpose Loans to Territories -</i>										
Loan	..	..	..	..	..	..	..	..	21,989	21,989
Loans in Lieu of Semi-Government	..	..	..	..	..	..	..	..	25,000	25,000
TOTAL	172,671	142,954	37,449	45,754	79,169	55,315	87,696	621,008	83,112	704,120
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES										
<i>Education -</i>										
* Higher Education	686,974	641,562	312,637	208,581	198,208	56,287	11,209	2,115,458	31,197	2,146,656
State Contribution to Higher Education Superannuation	-9,430	-9,535	..	-2,339	-2,806	-96	..	-24,206	..	-24,206
Technical and Further Education	46,212	29,550	18,935	11,642	11,662	3,988	1,805	123,793	1,557	125,350
Government Schools	237,903	165,102	105,301	60,451	54,601	18,200	8,450	650,008	5,281	655,289
* Non Government Schools	344,897	307,558	156,235	80,574	66,818	20,635	5,896	982,613	25,710	1,008,323
Joint Schools Programs	9,465	8,042	5,382	3,464	2,846	928	804	30,931	1,863	32,794
Aboriginal Education	2,850	1,790	1,234	2,749	4,231	103	..	12,958	..	12,958
National Policy on Language	2,434	1,836	1,252	780	1,372	536	242	8,452	..	8,452
<i>Health -</i>										
Health Program Grants	1,180	1,180	730	8,036	12,340	..	..	23,466	3,190	26,656
Transfer Pathology Laboratory	1,139	1,683	2,756	..	..	1,470	..	7,049	..	7,049
Hospital Funding Grants	1,087,271	790,820	508,162	273,869	276,707	84,606	19,240	3,040,675	39,240	3,079,915
Hospital Waiting List Reduction	9,573	7,929	2,430	1,803	2,317	303	..	24,355	345	24,700
Nurse Education	5,065	6,562	..	1,519	1,582	440	86	15,254	..	15,254
Geriatric Assessment	4,783	5,149	1,804	1,133	982	421	401	14,672	95	14,767
Home and Community Care	14,425	20,419	9,320	9,274	7,231	1,988	..	62,657	..	62,657
Other Health Advancement	433	150	330	200	329	..	24	1,466	20	1,486

Table 41 Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1988 - 89 Continued

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
National Better Health	123	94	59	27	37	20	20	380	20	400
Funds to Combat AIDS	5,221	3,124	1,434	1,255	904	271	284	12,493	297	12,791
Drug Education Campaigns	5,691	4,290	2,729	1,562	1,516	579	238	16,605	231	16,836
Blood Transfusion Services	4,637	6,269	2,481	2,192	1,691	387	230	17,887	358	18,245
Liver/Heart Transplant Program	679	..	..	..	..	..	..	679	..	679
<i>Social Security and Welfare -</i>										
Home and Community Care	54,895	42,724	11,249	11,461	7,732	2,506	888	131,455	1,726	133,181
Rehabilitation Centres	428	..	..	..	..	..	53	481	..	481
Children's Services	1,918	2,881	638	458	7,610	148	219	13,871	..	13,871
Mortgage and Rent Relief	9,257	6,949	4,418	2,471	2,302	742	261	26,400	430	26,830
Supported Accommodation Assistance	21,026	13,445	9,700	6,031	5,719	2,907	1,583	60,411	2,047	62,458
Translating and Interpreting Services	173	353	56	..	168	..	85	835	..	835
Unattached Refugee Children	177	71	22	43	26	..	..	340	..	340
Aboriginal Advancement	50	310	5,477	5,962	2,088	44	2,314	16,245	..	16,245
<i>Housing and Community Amenities -</i>										
Assistance for Housing	1,848	1,347	423	627	941	314	..	5,500	..	5,500
Urban Water Supply and Treatment	140	386	..	75	..	..	50	651	..	651
Assistance for Water and Sewerage	..	..	..	..	..	..	..	..	5,611	5,611
Urban Flood Mitigation	8	..	..	..	..	..	116	124	..	124
Rainforest Conservation	980	537	..	119	..	456	45	2,137	..	2,137
<i>Culture and Recreation -</i>										
South West TAS - Heritage Area	..	..	..	..	..	2,336	..	2,336	..	2,336
<i>Transport -</i>										
Aerodrome Local Ownership Plan	..	..	297	..	121	..	..	417	..	417
Interstate Road Transport	4,357	2,593	1,414	583	1,378	54	391	10,771	65	10,836
<i>Industry Assistance and Development -</i>										
Bovine Brucellosis and Tuberculosis	1,271	1,021	12,807	2,761	870	94	11,047	29,871	46	29,917
Exotic Disease Eradication	19	13	42	20	5	23	52	174	15	189
Sugar Industry	605	..	2,316	..	..	..	..	2,922	..	2,922
Destruction of Organochlorines	255	133	231	262	88	8	23	1,000	..	1,000
Rural Adjustment Scheme	16,674	11,553	8,246	6,763	7,780	1,275	971	53,263	..	53,263
Agricultural Research	304	419	609	255	87	122	10	1,807	..	1,807
Fertiliser Assistance	307	224	1,953	1,308	226	..	..	4,018	..	4,018

Table 41 Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1988 - 89 Continued

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Irrigation and Other Water Projects	50	748	..	..	212	..	..	1,010	..	1,010
Afforestation Program	1,324	579	141	359	449	997	..	3,850	..	3,850
Forestry Development	..	..	..	..	..	8,000	..	8,000	..	8,000
Soil Conservation	1,802	1,413	1,223	1,871	860	332	398	7,900	38	7,938
PAWA (NT) Assistance	..	..	..	..	..	..	90,890	90,890	..	90,890
National Industry Extension Service	2,713	2,398	1,006	665	706	368	85	7,941	104	8,045
<i>Labour and Employment -</i>										
Community Employment Program	..	..	..	..	153	..	..	153	..	153
Employment Training - Aboriginal	2,974	331	1,211	1,756	1,094	92	61	7,520	38	7,558
* Coal Mining - Long Service	22,792	..	4,560	1,111	..	158	..	28,621	..	28,621
<i>General Public Services -</i>										
Legal Aid	29,552	23,291	14,639	10,801	9,281	84	..	87,647	1,395	89,042
* Research at Universities	4,503	3,022	1,406	1,283	1,548	339	..	12,103	..	12,103
<i>Not Allocated to Function (a)-</i>										
Sinking Fund on State Debt	16,678	12,660	6,844	4,352	5,079	3,468	1,617	50,697	..	50,697
* Financial Assistance - Local	229,435	172,726	108,322	59,892	57,348	18,530	6,248	652,500	11,291	663,791
Natural Disaster Relief	2,175	4	8,591	47	..	..	465	11,282	..	11,282
Assistance for South - West Tas	..	..	..	..	..	30,036	..	30,036	..	30,036
Royalties	..	93,488	..	4,609	..	..	3,211	101,308	..	101,308
ACT National Capital Influences	..	..	..	..	..	..	..	..	15,990	15,990
TOTAL	2,890,217	2,389,193	1,341,054	792,718	756,437	264,498	170,013	8,604,130	148,201	8,752,331
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES										
<i>Defence -</i>										
Housing for Servicemen	373	233	46	..	..	55	..	707	..	707
<i>Education -</i>										
* Higher Education	53,226	46,950	30,312	13,704	12,529	2,706	124	159,552	1,080	160,632
Technical and Further Education	53,167	38,525	26,976	14,617	16,362	3,849	4,818	158,314	..	158,314
Government Schools	58,709	43,148	31,300	17,860	15,738	5,128	4,951	176,834	1,397	178,232
* Non-Government Schools	20,355	20,289	12,293	5,419	4,957	1,322	1,454	66,089	1,608	67,698
<i>Health -</i>										
Hospital Enhancement Program	8,100	6,100	4,258	2,167	2,041	615	225	23,506	494	24,000
Launceston General Hospital	..	..	..	..	..	8,500	..	8,500	..	8,500
Home and Community Care	..	..	98	14	..	..	..	112	..	112

Table 41 Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1988 - 89 Continued

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Blood Transfusion Services	543	377	501	323	413	72	20	2,249	18	2,267
<i>Social Security and Welfare -</i>										
Home and Community Care	3,062	1,580	1,963	936	849	235	113	8,738	59	8,797
Children's Services	2,440	1,569	1,234	494	559	275	..	6,571	..	6,571
Supported Accommodation Assistance	1,000	..	..	..	..	..	..	1,000	..	1,000
Crisis Accommodation Assistance	6,835	5,131	3,262	1,824	1,700	548	200	19,500	283	19,783
Aboriginal Advancement -	1,093	..	338	5,365	3,639	..	4,500	14,935	..	14,935
<i>Housing and Community Amenities -</i>										
Pensioner Housing Grants	13,869	8,794	7,382	3,268	2,819	845	523	37,500	574	38,074
Housing Assistance For Aborigines	13,641	3,417	19,000	12,121	6,391	696	14,734	70,000	..	70,000
Local Government and Community Housing	5,596	4,200	2,671	1,494	1,391	448	200	16,000	234	16,234
CSHA Block Assistance	179,027	135,989	79,428	48,502	52,053	20,952	14,649	530,600	9,184	539,784
Special Assistance for Water	..	..	..	..	50,000	..	..	50,000	..	50,000
Urban Water Supply and Treatment	1,586	357	2,617	1,242	5,542	286	250	11,880	..	11,880
Urban Flood Mitigation	3,356	1,374	901	117	3	1,076	15	6,842	..	6,842
Environment Restoration	..	1,500	..	..	..	..	..	1,500	..	1,500
<i>Culture and Recreation -</i>										
Bicentennial Programs	..	2,505	..	958	1,491	1,341	465	6,759	..	6,759
National Estate	547	547	547	547	547	547	261	3,541	92	3,633
Cradle Mountain Visitor Centre	..	..	..	..	..	800	..	800	..	800
<i>Transport -</i>										
Australian Land Transport Program	134,895	84,966	88,768	53,061	31,864	15,300	16,772	425,626	..	425,626
Australian Bicentennial Road	82,254	55,823	58,655	40,652	19,450	11,140	4,978	272,953	..	272,953
Australian Centennial Road Development	170,051	103,011	97,076	66,188	37,386	21,373	17,050	512,135	6,500	518,635
Transport Improvement Grant	..	50,000	..	..	..	..	..	50,000	..	50,000
<i>Industry Assistance and Development -</i>										
Bovine Brucellosis and Tuberculosis	..	..	251	..	..	..	16	267	..	267
Fisheries Management	..	..	40	..	..	..	..	40	..	40
Plant Genetic Resource Program	..	35	113	..	..	..	..	148	..	148
Salinity Reduction Control	1,300	1,062	..	5,446	200	..	..	8,008	..	8,008
Irrigation and Other Water Projects	25	..	6,150	..	..	..	..	6,175	..	6,175

Table 41 Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1988 - 89 Continued

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
<i>Labour and Employment -</i>										
Support for Steel Regions	..	..	..	..	1,410	..	..	1,410	..	1,410
<i>Not Allocated to Function (a)-</i>										
Natural Disaster Relief	23,214	..	20,551	..	..	2,993	3,873	50,631	..	50,631
Assistance for South West TAS	..	..	..	..	..	1,061	..	1,061	..	1,061
Supplementation Grants	..	..	..	..	..	..	..	..	9,800	9,800
Unaligned Payments	..	..	..	..	..	..	..	..	7,926	7,926
TOTAL	838,265	617,482	496,731	296,318	269,332	102,163	90,192	2,710,482	39,250	2,749,732
REPAYMENTS										
Payments to National Debt Sinking Fund & Territory Debt (b)	76,580	51,786	27,901	17,835	86,261	14,182	6,527	281,072	4,224	285,297
<i>Repayments of Commonwealth Government Loans -</i>										
Other ACT Government Debt	..	..	..	..	..	..	..	..	4,092	4,092
Loan Council - Housing Nominations	2,333	2,405	919	1,637	3,089	720	707	11,809	3,177	14,985
<i>Defence -</i>										
Housing for Servicemen	556	398	363	82	31	5	..	1,436	..	1,436
<i>Social Security and Welfare</i>										
Unemployment Relief Works	..	3	..	..	..	..	..	3	..	3
<i>Housing and Community Amenities nec</i>										
CSHA Block Assistance	17,913	14,940	4,848	4,621	7,138	2,647	252	52,358	..	52,358
Other Housing	..	..	..	..	..	..	1,058	1,058	..	1,058
Urban Water Supply and Treatment	..	..	..	24	80	..	..	104	..	104
Water and Sewerage Assistance	..	..	..	..	..	..	136	136	..	136
Growth Centres	13,034	48	..	..	..	..	..	13,082	..	13,082
Urban Rehabilitation	191	205	..	..	..	..	..	396	..	396
Legana Industrial Estate	..	..	..	..	..	20	..	20	..	20
Sewerage	657	578	166	231	8	69	..	1,708	..	1,708
Community Facilities-Townsville	..	..	11	..	..	..	..	11	..	11
Captains Flat Project	18	..	..	..	..	..	..	18	..	18
<i>Culture and Recreation -</i>										
Perth Entertainment Centre	..	..	..	200	..	..	..	200	..	200
<i>Transport</i>										
Railway Projects	1,616	1,168	1,047	3,814	..	..	..	7,645	..	7,645

Table 41 Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1988 - 89 Continued

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
King Island Harbour Works	..	..	..	..	..	8	..	8	..	8
Weipa Development	..	..	143	..	..	..	..	143	..	143
<i>Industry Assistance and Development</i>										
Dairy Adjustment Program	63	200	373	54	14	15	..	719	..	719
Bovine Brucellosis and Tuberculosis	..	..	133	10	134	..	158	435	..	435
Beef Industry Assistance	..	..	56	..	..	..	..	56	..	56
Canned Fruit Industry	383	..	..	..	..	..	..	383	..	383
Rural Adjustment Scheme	1,772	1,905	1,944	1,300	1,023	111	111	8,165	..	8,165
Rural Reconstruction	3,217	2,310	1,914	1,592	1,141	239	..	10,415	..	10,415
War Service Land Settlement	256	273	..	..	..	..	..	528	..	528
Brigalow Lands Development	..	..	693	..	..	..	..	693	..	693
Blowering Reservoir	20	..	..	..	..	..	..	20	..	20
Irrigation and Other Water Projects	..	..	..	999	..	..	..	999	..	999
Dartmouth Dam	587	587	..	..	125	..	..	1,298	..	1,298
Softwood Forestry	743	287	549	242	110	281	..	2,212	..	2,212
PAWA (NT) Assistance	..	..	..	..	..	..	2,552	2,552	..	2,552
Gladstone Power Station	..	..	3,773	..	..	..	..	3,773	..	3,773
Exmouth Township-Electricity	..	..	..	14	..	..	..	14	..	14
<i>Not Allocated to Function</i>										
Natural Disaster Relief	6,967	3,499	14,178	4,393	3,001	64	..	32,101	..	32,101
TOTAL	126,903	80,592	59,012	37,048	102,155	18,359	11,501	435,570	11,493	447,063
ADVANCES										
<i>Loan Council Borrowings -</i>										
Loan Council - Housing Nominations	86,336	71,477	18,725	22,877	39,585	27,658	43,848	310,504	7,067	317,571
Commonwealth Government Loans	..	..	..	..	..	..	..	..	21,989	21,989
Loans in lieu of Semi-Government Program	..	..	..	..	..	..	..	..	25,000	25,000
<i>Defence -</i>										
Housing For Servicemen	373	233	46	..	..	55	..	707	..	707
<i>Housing and Community Amenities -</i>										
Urban Water Supply and Treatment	..	..	..	..	3,675	..	..	3,675	..	3,675
<i>Industries Assistance and Development</i>										
Bovine Brucellosis and Tuberculosis	..	..	251	..	..	..	16	267	..	267

Table 41 Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1988 - 89 Continued

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
<i>Not Allocated to Function -</i>										
Natural Disaster Relief	805	..	5,862	..	..	2,993	..	9,660	..	9,660
TOTAL	87,513	71,710	24,884	22,877	43,259	30,705	43,864	324,813		
INTEREST										
<i>Interest on Loan Council & NT Govt Borrowings (c)-</i>	691,104	524,669	262,219	179,026	206,677	144,364	73,748	2,081,806	31,186	2,132,486
<i>Interest on Commonwealth Government Loans -</i>										
Other ACT Government Debt	..	..	..	..	..	..	..	..	19,492	19,492
Housing Nomination	21,584	21,711	8,235	14,325	26,325	6,724	7,293	106,196	13,244	119,440
Housing for Servicemen	10,841	3,129	6,256	696	602	71	..	21,595	..	21,595
CSHA Loans	58,724	46,047	16,185	15,495	26,309	10,494	1,731	174,985	..	174,985
Other Housing	..	..	..	..	..	..	5,446	5,446	..	5,446
Urban Water Supply and Treatment	..	..	..	92	1,496	..	..	1,587	..	1,587
Water and Sewerage Assistance	..	..	..	..	..	..	732	732	..	732
Growth Centres	294	195	..	..	..	..	..	489	..	489
Urban Rehabilitation	..	266	..	..	..	..	..	266	..	266
Captains Flat Project	41	..	..	..	..	..	..	41	..	41
Legana Industrial Estate	..	..	..	..	..	7	..	7	..	7
Sewerage	7,751	6,807	2,018	2,801	99	307	..	19,783	..	19,783
Community Facilities - Townsville	..	..	35	..	..	..	..	35	..	35
Perth Entertainment Centre	..	..	..	55	..	..	..	55	..	55
Railway Projects	2,485	3,576	3,730	1,562	..	..	..	11,353	..	11,353
King Island Harbour Works	..	..	..	..	..	2	..	2	..	2
Weipa Development	..	..	82	..	..	..	..	82	..	82
Dairy Adjustment Program	45	196	251	42	11	14	..	557	..	557
Canned Fruit Industry	40	..	..	..	..	..	..	40	..	40
Bovine Brucellosis and Tuberculosis	..	..	25	5	70	..	116	217	..	217
Rural Adjustment Scheme	3,072	3,085	4,725	2,405	1,677	201	238	15,402	..	15,402
Rural Reconstruction	1,274	925	755	653	495	94	..	4,195	..	4,195
War Service Land Settlement	336	357	..	..	..	..	..	693	..	693
Brigalow Lands Development	..	..	518	..	..	..	..	518	..	518

Table 41 Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1988 - 89 Continued

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Blowering Reservoir	1	..	..	..	..	..	..	1	..	1
Irrigation and Other Water Projects	..	..	..	411	..	..	..	411	..	411
Dartmouth Dam	694	694	..	..	179	..	..	1,567	..	1,567
Softwood Forestry	2,274	489	926	849	257	471	..	5,266	..	5,266
PAWA (NT) Assistance	..	..	..	..	..	..	3,889	3,889	..	3,889
Gladstone Power Station	..	..	9,476	..	..	..	..	9,476	..	9,476
Exmouth Township - Electricity	..	..	..	7	..	..	..	7	..	7
Natural Disaster Relief	..	..	..	1	..	..	..	1	..	1
TOTAL	800,559	612,145	315,437	218,427	264,195	162,749	93,193	2,466,704	63,923	2,530,627
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS										
For General Purposes	3,852,808	2,818,090	2,279,358	1,505,990	1,395,165	544,093	768,451	13,163,955	512,955	13,676,910
For Specific Purposes	3,728,481	3,006,675	1,837,785	1,089,036	1,025,769	366,661	260,206	11,314,613	187,451	11,502,063
Total Gross Payments	7,581,289	5,824,765	4,117,143	2,595,026	2,420,934	910,754	1,028,656	24,478,568	700,405	25,178,973
Payments to State	6,219,105	4,632,658	3,491,378	2,224,461	2,079,527	810,777	1,003,725	20,461,632	661,796	21,123,428
*Payments through State	1,362,184	1,192,107	625,765	370,565	341,407	99,977	24,931	4,016,936	38,609	4,055,546
Total Gross Payments	7,581,289	5,824,765	4,117,143	2,595,026	2,420,934	910,754	1,028,656	24,478,568	700,405	25,178,973
Repayments	-126,903	-80,592	-59,012	-37,048	-102,155	-18,359	-11,501	-435,570	-11,493	-447,063
Total Net Payments	7,454,387	5,744,173	4,058,131	2,557,978	2,318,779	892,395	1,017,155	24,042,998	688,913	24,731,911

*Items so marked are classified as payments made through the States. For details, see under 'Classification of Specific Purpose Payments' in Chapter V.

- (a) This category general consists of payments relating to specific purposes which, however, are not subject to conditions on their use by the States and Territories and in that sense therefore are not tied to expenditure in particular functional areas.
- (b) Includes sinking fund contributions on State debt made by the Commonwealth Government, which are included in this Paper as payments for the States.
- (c) Includes interest on the States' domestic raisings.

Table 42-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1989 - 90

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
GENERAL REVENUE FUNDS										
Financial Assistance Grants	3,668,369	2,710,076	2,438,704	1,494,457	1,397,060	501,129	649,784	12,859,578	..	12,859,578
Special Revenue Assistance	26	..	..	..	..	..	45,452	45,478	..	45,478
General Revenue Grants	..	..	..	..	..	..	..	..	373,113	373,113
TOTAL	3,668,395	2,710,076	2,438,704	1,494,457	1,397,060	501,129	695,236	12,905,056	373,113	13,278,169
GENERAL PURPOSE CAPITAL FUNDS										
<i>Loan Council Program-</i>										
Capital Grants	86,336	71,477	18,725	22,877	39,585	27,658	43,848	310,504	31,968	342,472
<i>Payments to Territories -</i>										
Loan	..	..	..	..	..	..	..	..	22,501	22,501
Transitional Funding Payment	..	..	..	..	..	..	..	..	7,000	7,000
TOTAL	86,335	71,477	18,724	22,877	39,584	27,657	43,848	310,504	61,468	371,972
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES										
<i>Education -</i>										
*Higher Education	745,923	669,653	333,153	223,516	210,833	60,660	15,997	2,259,735	1,083	2,260,818
State Contribution to Higher Education Superannuation	-12,481	-10,871	..	-2,779	-3,014	-131	..	-29,276	..	-29,276
Technical and Further Education	49,541	34,041	22,169	11,858	11,635	5,119	1,782	136,145	3,099	139,245
Government Schools	260,266	187,043	123,092	69,609	62,438	20,522	8,708	731,677	13,389	745,066
* Non Government Schools	381,727	330,919	177,386	94,316	74,083	23,821	7,458	1,089,711	22,391	1,112,102
Joint Schools Programs	11,833	9,649	7,067	4,517	3,707	978	731	38,483	632	39,115
Aboriginal Education	1,513	1,918	1,278	2,782	3,478	192	50	11,210	..	11,210
National Policy on Language	2,389	1,922	1,444	690	795	213	191	7,644	181	7,825
<i>Health -</i>										
Health Program Grants	1,180	2,680	730	8,036	14,664	..	..	27,290	3,730	31,020
Transfer Pathology Laboratory	7,030	3,028	13,032	..	..	1,641	..	24,731	..	24,731
Lithotripter Program	..	328	..	..	..	..	..	328	..	328
Hospital Funding Grants	1,185,683	863,526	561,896	302,238	301,191	91,968	20,673	3,327,176	42,916	3,370,092
Nurse Education	6,829	8,353	830	1,682	2,675	639	42	21,050	994	22,044
Geriatric Assessment	6,787	5,562	2,392	1,931	1,523	473	429	19,098	243	19,341
Home and Community Care	15,833	21,141	12,362	9,874	7,202	2,119	37	68,568	432	69,000
National Better Health	826	618	381	..	206	87	122	2,241	107	2,347
Youth Health Services	313	..	..	..	18	..	15	346	..	346

Table 42. Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1989-90

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Other Health Advancement	1,326	976	888	619	779	548	536	5,672	97	5,769
Funds to Combat AIDS	7,640	4,578	2,155	1,834	1,300	520	479	18,505	536	19,041
Drug Education Campaigns	6,259	4,739	3,035	1,767	1,715	694	275	18,484	321	18,805
Blood Transfusion Services	5,060	6,724	3,439	2,142	2,761	602	247	20,976	446	21,421
Asbestos Removal Assistance	..	..	..	..	..	..	..	..	3,200	3,200
Liver/Heart Transplant Program	719	..	..	..	..	..	..	719	..	719
<i>Social Security and Welfare -</i>										
Home and Community Care	68,306	51,478	16,180	13,153	11,426	3,953	1,135	165,630	1,794	167,424
Rehabilitation Centres	400	..	..	..	..	..	106	506	..	506
Children's Services	1,837	3,022	669	463	8,242	201	253	14,686	..	14,686
Mortgage and Rent Relief	10,646	7,961	5,142	2,898	2,630	836	291	30,404	510	30,914
Mortgage Relief	2,583	3,861	2,496	1,406	1,275	405	141	12,167	248	12,415
Supported Accommodation Assistance	26,087	15,801	11,355	7,024	6,459	3,252	1,871	71,849	2,354	74,203
Translating and Interpreting Services	149	377	58	..	112	..	73	769	..	769
Unattached Refugee Children	117	94	32	30	34	..	..	307	..	307
Aboriginal Advancement (a)	36	..	5,069	2,589	2,238	..	2,000	11,931	..	11,931
<i>Housing and Community Amenities -</i>										
Assistance for Housing	1,848	1,348	424	627	941	314	..	5,500	..	5,500
Urban Water Supply and Treatment	70	200	..	..	275	..	..	545	..	545
Assistance for Water and Sewerage	..	..	..	..	..	..	..	..	6,846	6,846
Urban Flood Mitigation	..	..	..	..	..	..	81	81	..	81
Environmental Restoration	..	..	..	..	..	..	1,000	1,000	..	1,000
Rainforest Conservation	1,386	95	..	111	..	350	300	2,242	..	2,242
<i>Culture and Recreation -</i>										
South West TAS - Heritage Area	..	..	..	..	..	5,496	..	5,496	..	5,496
<i>Transport -</i>										
Aerodrome Local Ownership Plan	61	..	137	..	12	285	105	601	..	601
Interstate Road Transport	6,817	4,057	2,216	912	2,306	85	612	17,004	102	17,106
<i>Industry Assistance and Development -</i>										
TAS Wheat Freight Subsidy	..	..	..	..	..	2,960	..	2,960	..	2,960
Bovine Brucellosis and Tuberculosis	1,354	1,075	9,380	4,191	541	88	11,451	28,080	28	28,108
Exotic Disease Eradication	100	11	19	23	5	..	27	185	20	205
Sugar Industry	93	..	2,922	..	..	..	..	3,015	..	3,015

Table 42-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1989-90

	New South Wales		Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Rural Adjustment Scheme	16,044	11,821	8,312	6,983	7,905	1,353	929	53,347	..	53,347
Agricultural Research	320	451	784	267	65	133	7	2,026	..	2,026
Irrigation and Other Water Projects	50	318	..	..	489	..	..	858	..	858
Afforestation Program	1,547	1,505	63	855	358	1,220	..	5,548	..	5,548
Forestry Development	..	..	..	..	..	13,674	..	13,674	..	13,674
Soil Conservation	5,909	2,680	3,192	4,370	2,914	962	594	20,620	110	20,730
Assistance to Tin Mining	-112	..	-674	..	..	-35	..	-821	..	-821
Coal Rail Freight	10,000	..	..	..	..	..	..	10,000	..	10,000
National Industry Extension Service	2,998	2,659	1,127	738	778	290	92	8,681	110	8,791
Tourism Assistance	..	..	2,167	1,250	..	2,196	2,167	7,780	..	7,780
<i>Labour and Employment -</i>										
Forest Industry Package	..	..	..	..	..	3,540	..	3,540	..	3,540
Employment Training - Aboriginal	2,694	147	2,792	1,606	1,484	31	457	9,211	37	9,248
* Coal Mining Long Service	18,152	..	4,296	1,045	..	87	..	23,581	..	23,581
<i>General Public Services -</i>										
Legal Aid	30,940	26,426	16,364	11,337	9,433	329	200	95,030	1,779	96,810
*Research at Universities	26,993	20,608	10,746	7,148	8,854	2,964	..	77,313	..	77,313
<i>Not Allocated to Function -</i>										
Sinking Fund on State Debt	16,486	12,526	6,770	4,307	4,834	3,432	1,599	49,953	..	49,953
*Financial Assistance - Local Government	237,124	177,280	114,989	64,821	58,496	18,565	6,464	677,740	11,727	689,467
Natural Disaster Relief	1,074	200	-17	16	..	-546	261	987	..	987
Assistance for South - West TAS	..	..	..	..	..	31,659	..	31,659	..	31,659
Royalties	..	132,391	..	9,047	..	..	2,792	144,230	..	144,230
ACT National Capital Influences	..	..	..	..	..	..	..	..	17,029	17,029
TOTAL	3,176,305	2,624,921	1,493,737	881,849	830,095	308,743	92,778	9,410,428	136,493	9,546,921
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES										
<i>Education -</i>										
* Higher Education	58,806	24,379	15,439	19,434	6,960	3,210	..	128,228	..	128,228
Technical and Further Education	72,311	55,342	33,358	15,414	15,401	3,663	3,924	199,412	..	199,412
Government Schools	64,552	45,696	32,262	17,819	15,922	5,565	2,277	184,093	3,490	187,584
*Non-Government Schools	19,290	20,113	7,280	4,132	4,203	1,271	439	56,729	2,369	59,098
Aboriginal Education	879	547	1,448	1,103	1,535	69	1,166	6,747	..	6,747

Table 42-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1989-90

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
<i>Health -</i>										
Hospitals Enhancement Program	16,042	12,744	8,002	5,418	5,217	1,900	421	49,744	756	50,500
Launceston General Hospital	..	..	..	..	..	5,142	..	5,142	..	5,142
Blood Transfusion Services	372	328	530	352	466	428	41	2,515	31	2,546
<i>Social Security and Welfare -</i>										
Home and Community Care	3,645	..	..	236	499	..	195	4,575	155	4,730
Children's Services	627	182	7	129	138	112	..	1,195	..	1,195
Supported Accommodation Assistance	1,000	..	..	..	..	..	..	1,000	..	1,000
Crisis Accommodation Assistance	13,656	10,212	6,598	3,717	3,372	1,072	373	39,000	655	39,655
Youth Accommodation	3,444	2,575	1,664	937	850	270	94	9,834	166	10,000
Aboriginal Advancement (a)	..	300	..	1,924	212	..	4,500	6,935	..	6,935
<i>Housing and Community Amenities</i>										
Pensioner Housing Grants	18,520	10,882	9,644	4,153	3,849	1,179	523	48,750	523	49,273
Housing Assistance For Aborigines	17,777	3,638	25,228	15,862	8,341	696	19,458	91,000	..	91,000
Local Government and Community Housing	8,404	6,284	4,060	2,288	2,075	660	229	24,000	403	24,403
CSHA Block Assistance	244,874	190,776	92,592	66,266	82,060	44,983	55,701	777,250	15,681	792,931
Special Assistance for Water	..	..	..	..	12,000	..	..	12,000	..	12,000
Urban Water Supply and Treatment	1,340	379	1,268	520	5,509	258	322	9,596	..	9,596
Urban Flood Mitigation	4,100	1,490	1,051	400	..	1,080	5	8,126	..	8,126
<i>Culture and Recreation -</i>										
National Estate	597	597	597	597	597	597	296	3,878	101	3,979
<i>Transport -</i>										
Roads	436,500	276,300	268,792	160,100	91,300	49,800	40,250	1,323,042	12,100	1,335,142
WA Defence Infrastructure	..	..	..	20,000	..	..	..	20,000	..	20,000
<i>Industry Assistance and Development -</i>										
Bovine Brucellosis and Tuberculosis	..	..	57	..	..	..	69	126	..	126
Fisheries Management	..	..	336	..	..	..	..	336	..	336
Salinity Reduction Control	1,550	1,742	..	9,861	301	..	..	13,454	..	13,454
Irrigation and Other Water Projects	463	334	4,728	..	244	..	..	5,769	..	5,769
Forestry Development	800	..	..	..	..	..	..	800	..	800
TAS Industrial Development	..	..	..	..	..	10,500	..	10,500	..	10,500

Table 42-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1989-90

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
<i>Not Allocated to Function -</i>										
Natural Disaster Relief	11,322	..	15,314	..	..	302	829	27,767	..	27,767
Public Sector Restructuring	..	..	..	..	..	40,000	..	40,000	..	40,000
Assistance For South West TAS	..	..	..	..	..	1,813	..	1,813	..	1,813
TOTAL	1,000,870	664,840	530,253	350,661	261,050	174,4570	131,112	3,113,0355	36,7429	3,149,785
REPAYMENTS										
Payments to National (and NT) Debt Sinking Fund	67,526	51,307	27,672	17,642	122,354	14,033	6,453	306,988	..	306,988
<i>Repayments of Commonwealth Government Loans -</i>										
Other ACT Government Debt	..	..	..	..	..	..	..	..	4,092	4,092
Loan Council - Housing Nominations	2,855	2,859	1,050	1,821	3,420	886	950	13,841	..	13,841
<i>Defence -</i>										
Housing for Servicemen	589	417	384	86	33	5	..	1,516	..	1,516
<i>Housing and Community Amenities -</i>										
CHSA Block Assistance	18,633	15,530	5,042	4,806	7,437	2,759	264	54,471	..	54,471
Other Housing	..	..	..	..	..	..	1,107	1,107	..	1,107
Urban Water Supply and Treatment	..	..	..	28	..	..	..	28	..	28
Water and Sewerage Assistance	..	..	..	..	..	..	136	136	..	136
Growth Centres	6,561	53	..	..	..	..	..	6,614	..	6,614
Urban Rehabilitation	..	205	..	..	..	..	..	205	..	205
Legana Industrial Estate	..	..	..	..	..	39	..	39	..	39
Sewerage	722	633	183	311	..	34	..	1,883	..	1,883
Community Facilities-Townsville	..	..	12	..	..	..	..	12	..	12
Captians Flat Project	20	..	..	..	..	..	..	20	..	20
<i>Culture and Recreation -</i>										
Perth Entertainment Centre	..	..	..	200	..	..	..	200	..	200
<i>Transport-</i>										
Railway Projects	1,616	1,224	1,213	1,312	..	..	..	5,365	..	5,365
King Island Harbour Works	..	..	..	..	..	8	..	8	..	8
Weipa Development	..	..	151	..	..	..	..	151	..	151
<i>Industry Assistance and Development-</i>										
Dairy Adjustment Program	66	212	396	49	..	16	..	740	..	740
Bovine Brucellosis and Tuberculosis	..	..	301	37	..	..	88	425	..	425

Table 42-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1989-90

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Beef Industry Assistance	..	..	11	2	..	..	..	12	..	12
Canned Fruit Industry	383	..	..	..	..	..	..	383	..	383
Rural Adjustment Scheme	1,960	3,030	2,658	738	7	123	120	8,635	..	8,635
Rural Reconstruction	4,242	2,367	2,031	857	..	129	..	9,625	..	9,625
War Service Land Settlement	265	283	..	..	..	..	..	548	..	548
Brigalow Development Scheme	..	..	693	..	..	..	..	693	..	693
Irrigation and Other Water Projects	..	..	..	999	..	..	..	999	..	999
Dartmouth Dam	587	587	..	..	..	..	..	1,173	..	1,173
Softwood Forestry	743	287	549	243	..	140	..	1,962	..	1,962
Gladstone Power Station	..	..	4,002	..	..	..	..	4,002	..	4,002
Exmouth Township-Electricity	..	..	..	14	..	..	..	14	..	14
<i>Not Allocated to Function -</i>	..	..	..	..	..	..	..	..	..	..
Natural Disaster Relief	6,967	3,499	15,099	3,213	..	64	..	28,841	..	28,841
Land Development Cost	..	..	..	..	..	..	..	..	59,600	59,600
TOTAL	113,735	82,493	61,448	32,357	133,250	18,236	9,119	450,637	63,692	514,329
ADVANCES										
Commonwealth Government Loans	..	..	..	..	..	..	..	..	22,501	22,501
<i>Housing and Community Amenities-</i>	..	..	..	..	3,675	..	..	3,675	..	3,675
Urban Water Supply and Treatment	..	..	..	..	3,675	..	..	3,675	..	3,675
<i>Industries Assistance and Development</i>	..	..	57	..	..	..	69	126	..	126
Bovine Brucellosis and Tuberculosis	..	..	57	..	..	..	69	126	..	126
<i>Not Allocated to Function -</i>	..	..	..	..	..	..	..	..	..	..
Natural Disaster Relief	1,376	..	931	..	..	302	61	2,669	..	2,670
TOTAL	1,376	..	987	..	3,675	302	129	6,470	22,501	28,972
INTEREST										
<i>Interest on Loan Council & Territory Govt Borrowings (d) -</i>	707,771	536,522	274,268	182,727	199,799	147,220	75,209	2,123,517	..	2,123,517
<i>Interest on Commonwealth Government Loans -</i>	..	..	..	..	..	..	..	..	12,283	12,283
Other ACT Government Debt	..	..	..	..	..	..	..	..	12,283	12,283
Housing Nomination	24,282	23,220	8,616	14,769	27,080	7,317	8,252	113,536	..	113,536
Loans in Lieu of Semi Government Borrowings	..	..	..	..	..	..	..	..	5,020	5,020
Housing for Servicemen	10,858	3,056	6,242	692	562	78	..	21,488	..	21,488

Table 42-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1989-90

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
CSHA Loans	58,004	45,456	15,991	15,310	26,010	10,381	1,719	172,872	..	172,872
Other Housing	..	..	..	..	..	..	5,396	5,396	..	5,396
Urban Water Supply and Treatment	..	..	..	89	..	..	..	89	..	89
Water and Sewerage Assistance	..	..	..	..	..	..	725	725	..	725
Growth Centres	287	190	..	..	..	..	..	477	..	477
Urban Rehabilitation	..	249	..	..	..	..	..	249	..	249
Captains Flat Project	41	..	..	..	..	..	..	41	..	41
Legana Industrial Estate	..	..	..	..	..	3	..	3	..	3
Sewerage	7,693	6,751	2,002	2,497	..	150	..	19,094	..	19,094
Community Facilities - Townsville	..	..	34	..	..	..	..	34	..	34
Perth Entertainment Centre	..	..	..	28	..	..	..	28	..	28
Railway Projects	2,249	3,302	3,564	1,366	..	..	..	10,482	..	10,482
King Island Harbour Works	..	..	..	..	..	1	..	1	..	1
Weipa Development	..	..	75	..	..	..	..	75	..	75
Dairy Adjustment Program	41	183	228	46	..	13	..	511	..	511
Canned Fruit Industry	40	..	..	..	..	..	..	40	..	40
Bovine Brucellosis and Tuberculosis	..	..	53	6	..	..	72	131	..	131
Rural Adjustment Scheme	2,932	1,838	2,586	2,298	2	191	229	10,075	..	10,075
Rural Reconstruction	1,375	1,875	638	266	..	38	..	4,191	..	4,191
War Service Land Settlement	327	346	..	..	..	..	..	673	..	673
Brigalow Development Scheme	..	..	472	..	..	..	..	472	..	472
Irrigation and Other Water Projects	..	..	..	346	..	..	..	346	..	346
Dartmouth Dam	638	638	..	..	..	..	..	1,276	..	1,276
Softwood Forestry	2,214	466	881	831	..	227	..	4,619	..	4,619
Gladstone Power Station	..	..	9,246	..	..	..	..	9,246	..	9,246
Exmouth Township - Electricity	..	..	..	6	..	..	..	6	..	6
Natural Disaster Relief	39	..	279	..	..	134	3	455	..	455
Land Development Costs	..	..	..	..	..	..	..	..	16,400	16,400
TOTAL	818,790	624,093	325,176	221,276	253,453	165,753	91,605	2,500,148	33,703	2,533,850

Table 42-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1989-90

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS										
For General Purposes	3,754,730	2,781,553	2,457,429	1,517,334	1,436,644	528,786	739,084	13,215,560	434,581	13,650,141
For Specific Purposes	4,179,176	3,289,760	2,023,990	1,232,509	1,091,145	483,313	223,890	12,523,783	172,923	12,696,706
Total Gross Payments	7,933,906	6,071,314	4,481,419	2,749,843	2,527,789	1,012,099	962,974	25,739,344	607,503	26,346,847
Payments to State	6,445,890	4,828,361	3,818,130	2,335,431	2,164,358	901,520	932,616	21,426,306	569,933	21,996,239
*Payments through State	1,488,016	1,242,953	663,289	414,412	363,431	110,579	30,358	4,313,038	37,571	4,350,608
Total Gross Payments	7,933,906	6,071,314	4,481,419	2,749,843	2,527,789	1,012,099	962,974	25,739,344	607,503	26,346,847
Repayments	-113,735	-82,493	-61,448	-32,357	-133,250	-18,236	-9,119	-450,637	-63,692	-514,329
Total Net Payments	7,820,171	5,988,821	4,419,971	2,717,486	2,394,539	993,864	953,856	25,288,707	543,811	25,832,518

*Items so marked are classified as payments made through the States. For details, see under 'Classification of Specific Purpose Payments' in Chapter V.

- (a) With the establishment of the Aboriginal and Torres Strait Islander Commission (ATSIC) on 5 March 1990, all previously Department of Aboriginal Affairs programs previously made direct to the States and Territories were classified as payments to the non-budget agency and are no longer reflected in these tables.
- (b) This category general consists of payments relating to specific purposes which, however, are not subject to conditions on their use by the States and Territories and in that sense therefore are not tied to expenditure in particular functional areas.
- (d) Includes sinking fund contributions on State debt made by the Commonwealth Government, which are included in this Paper as payments for the States.
- (e) Includes interest on the States' domestic raisings.

Table 43-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1990-91

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
GENERAL REVENUE FUNDS										
Financial Assistance Grants	3,701,611	2,711,697	2,520,502	1,547,756	1,434,812	521,941	678,681	13,116,998	..	13,116,998
Special Revenue Assistance	..	..	..	..	..	..	49,955	49,955	..	49,955
General Revenue Grants	..	..	..	..	..	..	..	..	434,439	434,439
TOTAL	3,701,611	2,711,697	2,520,502	1,547,756	1,434,812	521,941	728,635	13,166,953	434,439	13,601,392
GENERAL PURPOSE CAPITAL FUNDS										
Capital Grants	79,756	68,263	16,095	22,425	38,963	27,468	43,816	296,786	33,420	330,206
TOTAL	79,756	68,263	16,095	22,425	38,963	27,468	43,816	296,786	33,420	330,206
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES										
<i>Education -</i>										
*Higher Education	796,036	721,176	355,474	246,031	233,581	62,160	20,221	2,435,679	607	2,436,286
State Contribution to Higher Education Superannuation	..	-11,497	..	-3,236	-3,992	-137	..	-18,862	..	-18,862
Technical and Further Education	55,442	36,591	22,617	13,221	12,663	6,904	1,977	149,415	4,060	153,476
Government Schools	280,894	209,236	135,144	80,703	69,342	23,575	10,136	809,030	14,522	823,552
*Non Government Schools	410,157	346,249	193,425	104,525	80,398	26,089	7,945	1,168,788	29,001	1,197,788
Joint Schools Programs	11,632	11,483	6,802	6,436	2,356	2,350	1,164	42,223	632	42,855
Aboriginal Education	6,281	3,769	7,827	8,407	2,137	600	12,079	41,100	500	41,600
National Policy on Language	1,331	1,246	813	452	438	117	369	4,766	251	5,017
<i>Health -</i>										
Health Program Grants	1,180	2,680	730	9,293	16,589	..	..	30,472	4,989	35,461
Transfer Pathology Laboratory	7,506	2,695	12,777	..	..	1,696	..	24,674	..	24,674
Hospital Funding Grants	1,270,996	934,617	608,227	326,190	322,376	98,127	22,414	3,582,947	47,389	3,630,337
Medical Speciality Centres	563	404	119	..	..	..	..	1,086	..	1,086
Nurse Education	10,915	9,903	2,651	2,064	3,348	909	120	29,910	436	30,346
Geriatric Assessment	9,042	6,093	3,136	2,071	2,060	614	482	23,498	213	23,712
Home and Community Care	19,736	20,045	15,917	10,207	8,805	3,438	50	78,197	483	78,680
National Better Health	826	618	426	..	165	87	122	2,245	107	2,352
Youth Health Services	606	678	292	75	100	79	..	1,830	29	1,859
Funds to Combat AIDS	9,295	5,486	2,888	2,030	1,593	568	612	22,470	575	23,045
Other Health Care Access	339	509	178	40	109	40	40	1,255	40	1,295
Other Health Advancement	1,657	1,272	1,100	546	539	303	234	5,650	115	5,766
Drug Education Campaigns	6,660	5,042	3,229	1,879	1,826	738	293	19,667	342	20,009

Table 43-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1990-91

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Blood Transfusion Services	6,847	7,963	4,756	3,344	2,510	451	308	26,178	529	26,707
Asbestos Removal Assistance	..	..	..	..	..	..	..	..	11,700	11,700
Liver/Heart Transplant Program	381	..	..	..	..	..	..	381	..	381
<i>Social Security and Welfare -</i>										
Geriatric Assessment	245	542	154	..	103	30	..	1,073	47	1,120
Home and Community Care	73,730	58,159	19,278	16,090	14,173	4,184	1,455	187,069	2,271	189,340
Rehabilitation Centres	430	..	..	..	..	..	..	430	..	430
Children's Services	1,472	2,936	544	488	9,551	205	209	15,405	51	15,456
Mortgage and Rent Relief	10,599	7,938	5,206	2,927	2,618	829	287	30,404	510	30,914
Supported Accommodation Assistance	29,968	18,812	13,172	8,087	7,531	3,442	2,200	83,212	2,711	85,923
Translating and Interpreting Services	..	283	45	..	84	..	53	465	..	465
Unattached Refugee Children	32	97	46	51	64	..	..	292	..	292
<i>Housing and Community Amenities -</i>										
Home Deposit Assistance	2,263	1,695	1,111	625	559	177	61	6,491	109	6,600
Assistance for Housing	1,848	1,348	424	627	941	314	..	5,500	..	5,500
Urban Water Supply and Treatment	186	249	..	154	97	40	9	735	..	735
Assistance for Water and Sewerage	..	..	..	..	..	..	..	..	7,274	7,274
Urban Flood Mitigation	71	..	2	..	..	88	30	191	..	191
Environmental Restoration	..	..	..	..	..	..	1,487	1,487	..	1,487
Rainforest Conservation	190	198	1,372	25	..	310	143	2,238	..	2,238
<i>Culture and Recreation -</i>										
Wet Tropics - Heritage Area	..	..	4,000	..	..	..	..	4,000	..	4,000
South West TAS - Heritage Area	..	..	..	..	..	5,855	..	5,855	..	5,855
<i>Transport -</i>										
Aerodrome Local Ownership Plan	240	..	25	..	101	262	72	700	..	700
Interstate Road Transport	5,794	3,523	1,853	764	2,007	71	513	14,525	..	14,525
<i>Industry Assistance and Development -</i>										
TAS Wheat Freight Subsidy	..	..	..	..	..	3,303	..	3,303	..	3,303
Bovine Brucellosis and Tuberculosis	1,011	951	6,135	5,262	833	113	24,149	38,455	27	38,482
Exotic Disease Eradication	39	21	8	23	44	..	30	165	53	217
Sugar Industry	..	..	600	..	..	..	..	600	..	600
Rural Adjustment Scheme	18,702	14,687	9,508	7,895	8,952	1,582	1,124	62,450	..	62,450
Agricultural Research	14	..	59	75	..	51	..	200	..	200

Table 43-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1990-91

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Irrigation and Other Water Projects	100	289	--	--	480	--	--	869	--	869
Afforestation Program	--	--	--	8	47	168	--	223	--	223
Forestry Development	--	3,935	--	--	--	--	--	3,935	--	3,935
Soil Conservation	5,168	3,022	3,261	3,992	1,954	975	1,226	19,598	92	19,690
Assistance to Tin Mining	--	--	-5	--	--	--	--	-5	--	-5
PAWA (NT) Assistance	--	--	--	--	--	--	30,000	30,000	--	30,000
National Industry Extension Service	3,501	3,201	1,405	888	911	340	101	10,346	124	10,470
Multi Function Polis	--	--	--	--	1,078	--	--	1,078	--	1,078
<i>Labour and Employment -</i>										
Employment Training - Aboriginal	427	8	96	483	924	--	44	1,983	--	1,983
* Coal Mining - Long Service	15,148	--	6,463	1,649	--	98	--	23,359	--	23,359
<i>Other Economic Services -</i>										
ACT Unclaimed Moneys	--	--	--	--	--	--	--	--	127	127
<i>General Public Services -</i>										
Sharing of Criminal Asset Recovery	122	--	--	62	--	--	--	184	--	184
Legal Aid	33,799	27,756	16,650	11,265	9,513	2,226	2,361	103,570	1,991	105,560
* Research at Universities	59,507	43,263	24,170	16,799	19,024	5,384	420	168,566	--	168,566
<i>Not Allocated to Function (a)-</i>										
Sinking Fund on State Debt	16,393	12,455	6,723	4,282	4,518	3,411	1,590	49,371	--	49,371
Debt Redemption Assistance	884	2,247	404	375	455	246	125	4,736	--	4,736
* Financial Assistance - Local Government	243,138	182,408	120,399	67,718	60,044	19,022	6,564	699,292	12,100	711,392
Compensation -Companies Regulation	22,902	19,651	10,874	6,933	5,070	1,576	1,022	68,028	--	68,028
Natural Disaster Relief	7,764	--	5,477	--	--	--	2	13,243	--	13,242
Assistance for South - West TAS	--	--	--	--	--	32,689	--	32,689	--	32,689
Royalties	--	176,708	--	14,090	--	--	3,427	194,225	--	194,225
Tax Compensation--Sale of Assets	--	413,000	--	--	--	--	--	413,000	--	413,000
ACT National Capital Influences	--	--	--	--	--	--	--	--	18,093	18,093
TOTAL	3,464,008	3,315,638	1,637,985	985,913	908,618	316,700	157,270	10,786,133	162,101	10,948,234
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES										
<i>Education -</i>										
*Higher Education	73,363	44,711	43,457	25,673	11,728	6,851	2,524	208,307	--	208,307
Technical and Further Education	87,698	56,171	31,442	18,308	22,650	2,391	2,164	220,823	85	220,908

Table 43-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1990-91

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Government Schools	66,030	49,120	35,263	19,359	16,221	6,035	2,323	194,350	3,568	197,918
*Non-Government Schools	27,235	20,051	11,357	6,192	4,567	1,581	546	71,529	1,677	73,206
Aboriginal Education	198	-	2,276	1,290	198	-	2,180	6,143	-	6,143
<i>Health -</i>										
Hospitals Enhancement Program	17,239	12,320	8,257	4,932	4,278	1,731	443	49,200	800	50,000
Launceston General Hospital	-	-	-	-	-	205	-	205	-	205
Home and Community Care	280	253	-	22	-	-	-	554	-	554
Blood Transfusion Services	694	487	683	658	300	78	51	2,950	33	2,983
<i>Social Security and Welfare -</i>										
Home and Community Care	4,414	2,479	-	1,284	-	84	255	8,516	284	8,800
Children's Services	182	901	-	865	236	41	17	2,242	-	2,242
Crisis Accommodation Assistance	13,595	10,182	6,678	3,754	3,358	1,064	369	39,000	655	39,655
<i>Housing and Community Amenities -</i>										
Pensioner Housing Grants	18,520	10,882	9,644	4,153	3,849	1,179	523	48,750	523	49,273
Housing Assistance For Aborigines	17,777	3,638	25,227	15,862	8,342	696	19,458	91,000	-	91,000
Local Government and Community Housing	8,366	6,266	4,109	2,310	2,067	655	227	24,000	403	24,403
CSHA Block Assistance	252,918	193,991	108,368	69,202	74,715	37,383	40,673	777,250	15,681	792,931
Urban Water Supply and Treatment	1,601	710	1,366	511	5,417	298	399	10,302	-	10,302
Urban Flood Mitigation	5,135	946	640	16	128	100	4	6,969	-	6,969
<i>Culture and Recreation -</i>										
Support for 1991 Swimming	-	-	-	3,000	-	-	-	3,000	-	3,000
National Estate	600	600	600	600	600	600	288	3,885	101	3,985
World Heritage Assistance	-	-	-	568	-	-	-	568	-	568
<i>Transport -</i>										
Aerodrome Local Ownership Plan	72	-	-	-	120	-	134	326	-	326
Badgerys Creek Road System	11,000	-	-	-	-	-	-	11,000	-	11,000
Roads	518,900	326,358	310,805	172,410	107,276	55,600	56,860	1,548,210	13,000	1,561,210
Railway Projects	13,500	10,600	3,450	6,596	-	-	-	33,996	-	33,996
<i>Industry Assistance and Development -</i>										
Bovine Brucellosis and Tuberculosis	-	-	7	-	-	-	111	117	-	117
Fisheries Management	-	-	960	-	-	-	-	960	-	960
Meat Inspectors Superannuation Loan	-	587	-	-	-	-	-	587	-	587
Salinity Reduction Control	2,950	2,138	-	972	-	-	-	6,060	-	6,060

Table 43-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1990-91

	New South Wales		Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Irrigation and Other Water Projects	1,720	2,352	3,811	..	735	..	..	8,618	..	8,618
<i>Labour and Employment -</i>										
Natural Disaster Relief	97,080	..	52,310	..	..	..	475	149,866	..	149,866
ACT Establishment Assistance	..	..	..	..	..	..	..	..	3,000	3,000
Infrastructure Restoration	..	..	2,000	..	..	..	..	2,000	..	2,000
Assistance For South West TAS	..	..	..	..	..	125	..	125	..	125
TOTAL	1,240,917	755,742	662,708	358,535	266,785	116,696	130,024	3,531,406	39,809	3,571,215
REPAYMENTS										
Payments to National (&NT) Debt Sinking Funds (b)	65,371	462,681	26,767	17,058	19,371	13,574	6,283	611,073	..	611,073
Supplementary NDSF Contributions	303,858	236,928	114,512	97,600	130,115	59,287	23,332	965,632	..	965,632
<i>Repayments of Commonwealth Government Loans -</i>										
Other ACT Government Debt	..	..	..	..	..	..	..	..	16,965	16,965
Loan Council - Housing Nominations	2,984	2,987	1,098	1,903	128,184	926	993	139,074	6,858	145,933
<i>Defence -</i>										
Housing For Servicemen	625	438	406	91	35	5	..	1,601	..	1,601
<i>Housing and Community Amenities -</i>										
CHSA Bloack Assistance	19,382	16,144	5,244	4,999	7,749	2,877	275	56,671	..	56,671
Other Housing	..	..	..	..	..	..	1,292	1,292	..	1,292
Urban Water Supply and Treatment	..	..	..	32	23	..	..	54	..	54
Water and Sewerage Assistance	..	..	..	..	..	..	136	136	..	136
Growth Centres	6,569	58	..	..	..	..	..	6,627	..	6,627
Urban Rehabilitation	220	205	..	..	..	..	..	425	..	425
Sewerage	792	697	200	286	..	..	..	1,975	..	1,975
Community Facilities-Townsville	..	..	13	..	..	..	..	13	..	13
Captians Flat Project	22	..	..	..	..	..	..	22	..	22
<i>Transport -</i>										
Railway Projects	1,616	1,399	1,406	1,397	..	..	..	5,817	..	5,817
King Island Harbour Works	..	..	..	..	..	8	..	8	..	8
Weipa Development	..	..	159	..	..	..	..	159	..	159
<i>Industry Assistance and Development -</i>										
Dairy Adjustment Program	71	225	420	58	..	17	..	791	..	791
Bovine Brucellosis and Tuberculosis	..	..	345	13	..	..	67	425	..	425

Table 43-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1990-91

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Beef Industry Assistance	--	--	6	--	--	--	--	6	--	6
Canned Fruit Industry	383	--	--	--	--	--	--	383	--	383
Rural Adjustment Scheme	2,153	2,333	3,893	1,652	29	133	159	10,351	--	10,351
Rural Reconstruction	3,617	2,600	2,155	1,792	--	269	--	10,433	--	10,433
War Service Land Settlement	275	294	--	--	--	--	--	569	--	569
Brigalow Development Scheme	--	--	693	--	--	--	--	693	--	693
Irrigation and Other Water Projects	--	--	--	959	--	--	--	959	--	959
Dartmouth Dam	587	587	--	--	--	--	--	1,173	--	1,173
Softwood Forestry	743	287	549	243	--	--	--	1,822	--	1,822
Gladstone Power Station	--	--	4,246	--	--	--	--	4,246	--	4,246
Exmouth Township-Electricity	--	--	--	14	--	--	--	14	--	14
<i>Not Allocated to Function -</i>										
Natural Disaster Relief	3,886	3,499	14,934	1,885	--	392	8	24,602	--	24,602
Land Development Costs	--	--	--	--	--	--	--	--	6,700	6,700
TOTAL	413,152	731,332	177,046	129,980	285,505	77,488	32,545	1,847,049	30,524	1,877,573
ADVANCES										
<i>Housing and Community Amenities</i>										
Urban Water Supply and Treatment	--	--	--	--	3,675	--	--	3,675	--	3,675
<i>Transport -</i>										
Railway Projects	--	--	--	496	--	--	--	496	--	496
<i>Industries Assistance and Development</i>										
Bovine Brucellosis and Tuberculosis	--	--	7	--	--	--	111	117	--	117
Meat Inspectors Superannuation	--	587	--	--	--	--	--	587	--	587
<i>Not Allocated to Function -</i>										
Natural Disaster Relief	12,053	--	2,284	--	--	--	--	14,337	--	14,337
TOTAL	12,053	587	2,290	496	3,675	--	111	19,212	--	19,212
INTEREST										
Interest on Loan Council & NT Govt Borrowings (c) -	689,779	497,981	265,520	178,153	184,837	143,356	71,982	2,031,607	--	2,031,607
<i>Interest on Commonwealth Government Loans -</i>										
Other ACT Government Debt	--	--	--	--	--	--	--	--	31,166	31,166
Housing Nomination	23,728	23,091	8,569	14,687	26,926	7,277	8,210	112,488	26,371	138,859
Housing for Servicemen	10,822	2,990	6,141	688	576	78	--	21,295	--	21,295

Table 43-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1990-91

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
CSHA Loans	57,255	44,842	15,790	15,117	25,698	10,263	1,707	170,672	-	170,672
Other Housing	-	-	-	-	-	-	5,923	5,923	-	5,923
Urban Water Supply and Treatment	-	-	-	85	507	-	-	592	-	592
Water and Sewerage Assistance	-	-	-	-	-	-	718	718	-	718
Growth Centres	279	184	-	-	-	-	-	463	-	463
Urban Rehabilitation	-	231	-	-	-	-	-	231	-	231
Captains Flat Project	39	-	-	-	-	-	-	39	-	39
Sewerage	7,616	6,688	1,985	2,757	-	-	-	19,046	-	19,046
Community Facilities - Townsville	-	-	33	-	-	-	-	33	-	33
Railway Projects	2,013	3,122	3,371	1,262	-	-	-	9,768	-	9,768
King Island Harbour Works	-	-	-	-	-	1	-	1	-	1
Weipa Development	-	-	67	-	-	-	-	67	-	67
Dairy Adjustment Program	37	170	204	35	-	12	-	458	-	458
Canned Fruit Industry	40	-	-	-	-	-	-	40	-	40
Bovine Brucellosis and Tuberculosis	-	-	52	4	-	-	-	56	-	56
Rural Adjustment Scheme	2,715	2,725	2,450	2,116	3	181	166	10,357	-	10,357
Rural Reconstruction	876	635	514	454	-	64	-	2,543	-	2,543
War Service Land Settlement	317	336	-	-	-	-	-	652	-	652
Brigalow Lands Development	-	-	426	-	-	-	-	426	-	426
Irrigation and Other Water Projects	-	-	-	282	-	-	-	282	-	283
Dartmouth Dam	582	582	-	-	-	-	-	1,163	-	1,163
Softwood Forestry	2,154	443	837	812	-	-	-	4,246	-	4,246
Gladstone Power Station	-	-	9,003	-	-	-	-	9,003	-	9,003
Exmouth Township - Electricity	-	-	-	5	-	-	-	5	-	5
Land Development Costs	-	-	-	-	-	-	-	-	2,730	2,730
Natural Disaster Relief	98	-	282	2	-	114	3	498	-	498
TOTAL	798,348	584,022	315,243	216,459	238,546	161,345	88,709	24,026,671	38,024	24,406,695

Table 43-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1990-91

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS										
For General Purposes	3,781,367	2,779,960	2,536,597	1,570,181	1,473,775	549,409	772,451	13,463,739	467,859	13,931,598
For Specific Purposes	4,704,925	4,071,379	2,300,694	1,344,448	1,175,403	433,396	287,294	14,317,539	201,910	14,519,450
Total Gross Payments	8,486,292	6,851,339	4,837,291	2,914,629	2,649,178	982,805	1,059,745	27,781,279	669,769	28,451,048
Payments to State	6,861,709	5,493,481	4,082,546	2,446,043	2,239,837	860,619	1,021,524	23,005,759	626,384	23,632,143
*Payments through State	1,624,583	1,357,858	754,745	468,586	409,341	122,18	38,221	4,775,520	43,385	4,818,905
Total Gross Payments	8,486,292	6,851,339	4,837,291	2,914,629	2,649,178	982,805	1,059,745	27,781,279	669,769	28,451,048
Repayments	-413,152	-731,332	-177,046	-129,980	-285,505	-77,488	-32,545	-1,847,049	-30,524	-1,877,573
Total Net Payments	8,073,140	6,120,007	4,660,245	2,784,649	2,363,673	905,317	1,027,200	25,934,230	639,245	26,573,475

*Items so marked are classified as payments made through the States. For details, see under 'Classification of Specific Purpose Payments' in Chapter V.

- (a) This category general consists of payments relating to specific purposes which, however, are not subject to conditions on their use by the States and Territories and in that sense therefore are not tied to expenditure in particular functional areas.
- (b) Includes sinking fund contributions on State debt made by the Commonwealth Government, which are included in this Paper as payments for the States.
- (c) Includes interest on the States' domestic raisings.

Table 44- Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$ 000) - 1991 - 92

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
GENERAL REVENUE FUNDS										
Financial Assistance Grants	3,623,326	2,675,118	2,639,044	1,596,785	1,494,381	553,305	721,348	13,303,306	..	13,303,306
Identified Road Funds	4,543	2,653	6,019	..	8,771	5,193	12,205	39,385	..	39,385
Special Revenue Assistance	..	..	..	..	..	..	39,767	39,767	52,670	92,437
General Revenue Grants	..	..	..	..	..	..	..	..	364,769	364,769
TOTAL	3,627,868	2,677,771	2,645,063	1,596,785	1,503,152	558,498	773,320	13,382,458	417,439	13,799,897
GENERAL PURPOSE CAPITAL FUNDS										
Capital Grants	98,725	82,503	25,607	27,766	43,636	28,914	44,317	351,468	34,367	385,835
TOTAL	98,725	82,503	25,607	27,766	43,636	28,914	44,317	351,468	34,367	385,835
Education -										
*Higher Education	840,079	735,710	385,321	262,893	246,600	66,569	21,799	2,558,971	..	2,558,971
State Contribution to Higher Education	-23,009	-12,266	..	-3,452	-4,259	-146	..	-43,132	..	-43,132
Technical and Further Education	60,416	39,874	24,646	14,408	13,799	7,523	2,154	162,820	4,425	167,245
Government Schools	311,701	232,184	149,966	89,554	76,947	26,161	11,247	897,760	16,115	913,875
*Non Government Schools	435,938	368,013	205,582	111,095	85,451	27,729	8,445	1,242,252	30,824	1,273,076
Joint Schools Programs	15,339	15,143	8,969	8,486	3,107	2,736	1,535	55,315	834	56,149
Aboriginal Education	7,500	2,306	8,548	7,419	5,570	982	10,666	42,992	438	43,430
Cost Escallation Allowance	11,435	8,971	5,358	3,069	2,512	832	355	32,532	623	33,155
*Cost Escallation Allowance	39,089	33,908	18,020	12,070	11,154	3,037	1,024	118,301	261	118,562
Health -										
Health Program Grants	438	2267	303	7,561	12,731	2,400	..	25,700	3,823	29,523
Transfer Pathology Laboratory	7,911	3,157	13,467	..	..	1,763	..	26,298	..	26,298
Hospital Funding Grants	1,337,519	985,872	643,445	344,213	337,404	102,496	23,469	3,774,418	50,624	3,825,042
Medical Speciality Centers	941	761	213	..	..	..	..	1,915	..	1,915
Ihigh Cost Drugs	13,756	11,582	6,489	1,749	1,327	621	205	35,729	371	36,100
Nurse Education	15,069	10,637	5,218	2,370	4,008	1,210	198	38,710	460	39,170
Geriatric Assessment	9,527	6,419	3,304	2,182	2,170	647	508	24,757	224	24,981
Home and Community Care	22,977	23,321	18,519	11,875	10,244	3,999	58	90,993	562	91,555
National Better Health	826	618	403	..	206	87	122	2,263	107	2,370
Youth Health Services	789	647	547	208	185	55	38	2,468	61	2,529

Table 44-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$'000) - 1991 - 92

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Other Health Advancement	3,142	2,377	1,588	956	963	391	143	9,560	209	9,769
Other Health Care Access	7,718	5,436	3,761	1,646	3,286	771	511	23,128	537	23,665
Funds to Combat AIDS	9,305	5,328	2,930	2,097	1,668	587	522	22,437	520	22,957
Drug Education Campaigns	9,796	6,361	3,772	2,010	1,948	768	311	24,966	367	25,333
Blood Transfusion Services	7,844	9,411	5,561	2,916	2,556	1,039	313	29,640	731	30,371
Asbestos Removal Assistance	..	..	..	..	..	..	..	..	20,829	20,829
<i>Social Security and Welfare -</i>										
Geriatric Assessment	799	1,769	501	..	335	98	..	3,502	152	3,654
Home and Community Care	85,754	67,643	22,422	18,714	16,484	4,866	1,692	217,575	2,642	220,217
Disabilities Services	1,700	1,285	850	475	425	135	45	4,915	85	5,000
Rehabilitation Centres	485	..	..	..	..	..	..	485	..	485
Childrens' Services	2,209	4,577	816	732	14,875	308	314	23,831	77	23,908
Mortgage and Rent Relief	10,533	7,917	5,280	2,964	2,601	824	285	30,404	510	30,914
Supported Accommodation Assistance	33,345	20,809	14,722	9,004	8,394	4,003	2,466	92,743	3,005	95,748
Translating and Interpreting Services	..	194	31	..	57	..	36	318	..	318
Unattached Refugee Children	90	100	48	55	65	..	..	358	..	358
<i>Housing and Community Amenities -</i>										
Rental Housing Subsidy	1,023	768	513	288	252	78	27	2,949	51	3,000
Home Deposit Assistance	7,698	5,786	3,859	2,167	1,901	602	208	22,221	379	22,600
Assistance for Housing	1,848	1,348	424	627	941	314	..	5,500	..	5,500
Urban Water Supply and Treatment	310	350	..	140	665	175	40	1,680	..	1,680
Assistance for Water and Sewerage	..	..	..	..	..	..	..	..	7,225	7,225
Urban Flood Mitigation	60	..	240	..	..	72	75	447	38	485
Environmental Restoration	..	..	2,000	310	..	..	1,120	3,430	..	3,430
Rainforést Conservation	195	..	1,855	..	..	471	..	2,521	..	2,521
<i>Culture and Recreation -</i>										
Wet Tropics - Heritage Area	..	..	11,000	..	..	..	..	11,000	..	11,000
South West TAS - Heritage Area	..	..	..	..	..	5,021	..	5,021	..	5,021
<i>Transport -</i>										
Aerodrome Local Ownership Plan	312	..	28	31	..	457	100	928	..	928
Interstate Road Transport	7,067	4,175	1,425	595	2,062	75	75	15,474	77	15,550
<i>Industry Assistance and Development -</i>										
TAS Wheat Freight Subsidy	..	..	..	..	..	3,150	..	3,150	..	3,150

Table 44 - Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$'000) - 1991 - 92

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Bovine Brucellosis and Tuberculosis	920	1,071	6,174	7,720	539	85	15,450	31,959	37	31,996
Exotic Disease Eradication	37	38	-	28	-	39	28	170	55	225
Rural Adjustment Scheme	43,722	34,337	22,230	18,457	20,928	3,699	2,628	146,000	-	146,000
Irrigation and Other Water Projects	150	200	-	-	345	-	-	695	-	695
Afforestation Program	320	75	50	30	30	15	-	520	-	520
Forestry Development	-	5,066	-	-	-	6,622	-	11,688	-	11,688
Soil Conservation	6,022	2,926	4,524	4,231	2,161	1,125	1,440	22,429	110	22,539
Compensation Gas/RRT	-	60,000	-	-	-	-	-	60,000	-	60,000
PAWA (NT) Assistance	-	-	-	-	-	-	20,000	20,000	-	20,000
National Industry Extension Service	3,654	3,429	1,661	1,092	1,022	473	216	11,548	240	11,788
Multi Function Polis	-	-	-	-	2,772	-	-	2,772	-	2,772
<i>Labour and Employment -</i>										
Forest Industry Package	-	-	-	-	-	3,378	-	3,378	-	3,378
Employment Training - Aboriginal	1,375	100	1,000	846	1,200	-	750	5,271	-	5,271
*Coal Mining Industry - Long Service	15,030	-	6,266	2,000	-	100	-	23,396	-	23,396
<i>General Public Services -</i>										
Sharing of Criminal Asset Recovery	-	300	-	-	-	-	-	300	-	300
Legal Aid	37,725	31,702	18,870	11,942	10,231	5,252	2,383	118,105	2,284	120,389
*Research at Universities	84,187	61,205	34,195	23,765	26,914	7,617	594	238,477	-	238,477
<i>Not Allocated to Function (a)-</i>										
Sinking Fund on State Debt	15,360	10,559	6,326	3,961	4,091	3,208	1,506	45,011	-	45,011
Debt Redemption Assistance	54,000	73,000	19,300	20,400	21,000	15,800	9,500	213,000	-	213,000
* Financial Assistance - Local Government	248,927	187,116	124,778	70,061	61,481	19,473	6,725	718,561	12,260	730,821
* Local Government -Identified Road	94,246	66,970	60,863	49,668	17,852	12,021	3,583	305,205	10,417	315,622
Compensation -Companies Regulation	39,364	34,341	19,303	11,927	8,855	2,744	1,754	118,288	-	118,288
Natural Disaster Relief	2,673	-	3,920	-	-	-	8	6,600	-	6,600
Assistance for South - West Tas	-	-	-	-	-	33,586	-	33,586	-	33,586
Royalties	-	118,000	-	17,600	-	-	2,700	138,300	-	138,300
Tax Compensation-Sale of Assets	-	-	-	-	-	14,000	-	14,000	-	14,000
ACT National Capital Influences	-	-	-	-	-	-	-	-	17,972	17,972
TOTAL	3,947,187	3,305,192	1,911,402	1,165,156	1,048,054	402,141	159,372	11,938,505	190,559	12,129,064

Table 44-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$'000) - 1991 - 92

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES										
<i>Education -</i>										
*Higher Education	93,725	70,189	45,163	15,389	10,248	216	310	235,240	-	235,240
Technical and Further Education	77,108	50,891	31,455	18,388	17,611	9,602	2,749	207,804	5,647	213,451
Government Schools	70,051	52,111	37,410	20,538	17,209	6,402	2,465	206,186	3,785	209,971
*Non-Government Schools	31,014	22,833	12,933	7,051	5,200	1,801	622	81,454	1,910	83,364
Aboriginal Education	889	-	1,639	384	322	-	1,797	5,031	-	5,031
<i>Health -</i>										
Hospitals Enhancement Program	9,060	6,811	4,542	2,550	2,238	709	245	26,154	446	26,600
Home and Community Care	281	294	-	25	-	-	-	600	-	600
Blood Transfusion Services	5,689	503	746	477	181	113	46	7,755	38	7,793
<i>Social Security and Welfare -</i>										
Home and Community Care	5,134	2,884	0	1,493	-	98	296	9,905	330	10,235
Childrens' Services	597	2,959	-	2,840	775	135	56	7,362	-	7,362
Crisis Accommodation Assistance	13,511	10,156	6,772	3,802	3,337	1,057	365	39,000	655	39,655
<i>Housing and Community Amenities</i>										
Pensioner Housing Grants	18,520	10,882	9,644	4,153	3,849	1,179	523	48,750	523	49,273
Housing Assistance For Aborigines	17,777	3,638	25,227	15,862	8,342	696	19,458	91,000	-	91,000
Local Government and Community Housing	8,314	6,250	4,168	2,340	2,053	650	225	24,000	403	24,403
CSHA Block Assistance	258,913	196,797	121,681	72,405	69,977	30,760	26,717	777,250	15,681	792,931
Urban Water Supply and Treatment	1,508	650	1,302	545	3,750	350	350	8,455	-	8,455
Urban Flood Mitigation	6,131	769	595	566	136	112	-	8,309	-	8,309
<i>Culture and Recreation -</i>										
National Estate	619	619	619	619	619	619	298	4,010	105	4,115
World-Heritage Area Assistance	-	-	11,000	1,052	-	-	-	12,052	-	12,052
<i>Transport -</i>										
Badgerys Creek Road System	9,000	-	-	-	-	-	-	9,000	-	9,000
Roads	449,860	276,320	256,539	123,730	77,010	38,870	33,100	1,255,429	1,920	1,257,349
<i>Industry Assistance and Development -</i>										
Bovine Brucellosis and Tuberculosis	-	-	63	53	-	-	52	168	-	168
Salinity Reduction Control	2,593	3,125	-	430	-	-	-	6,148	-	6,148
Irrigation and Other Water Projects	2,448	2,318	330	-	684	-	-	5,780	-	5,780

Table 44. Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$'000) - 1991 - 92

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Forestry Development	2,000	..	..	..	..	..	..	2,000	..	2,000
TAS Industrial Development	..	..	..	..	..	6,000	..	6,000	..	6,000
<i>Not Allocated to Function (a)-</i>										
Natural Disaster Relief	32,961	..	48,339	..	..	..	101	81,400	..	81,400
Infrastructure Restoration	..	..	2,000	..	..	..	..	2,000	..	2,000
Assistance For South West TAS	..	..	..	..	..	100	..	100	..	100
TOTAL	1,117,703	720,999	615,166	294,691	223,541	99,468	89,775	3,161,342	31,443	3,192,785
REPAYMENTS										
Payments to National Debt Sinking Fund & Territory Debt (b)P	62,307	42,858	25,644	16,068	16,783	13,005	6,079	182,744	5,448	195,192
Supplementary NDSF Contributions	801,800	610,600	216,200	220,300	227,900	180,200	82,436	2,339,436	..	2,339,436
<i>Repayments of Commonwealth Government Loans -</i>	..	..	..	..	..	..	..	..	..	..
Other ACT Government Debt	..	..	..	..	..	..	..	..	22,804	22,804
Loan Council - Housing Nominations	3,118	3,121	1,147	1,989	3,735	967	1,038	15,115	3,662	18,777
<i>Defence -</i>										
Housing For Servicemen	660	463	430	96	37	6	..	1,692	..	1,692
<i>Social Security and Welfare -</i>										
Unemployment Relief Works	..	10	..	..	..	..	..	10	..	10
<i>Housing and Community Amenities</i>										
CSHA Block Assistance	20,138	16,810	5,459	5,205	8,068	2,995	288	58,963	..	58,963
Other Housing	..	..	..	..	..	..	1,235	1,235	..	1,235
Urban Water Supply and Treatment	..	..	..	36	26	..	..	62	..	62
Water and Sewerage Assistance	..	..	..	..	..	..	136	136	..	136
Growth Centres	6,578	64	..	..	..	..	..	6,642	..	6,642
Urban Rehabilitation	..	205	..	..	..	..	..	205	..	205
Sewerage	872	767	220	313	..	..	..	2,173	..	2,173
Community Facilities-Townsville	..	..	14	..	..	..	..	14	..	14
Captains Flat Project	22	..	..	..	..	..	..	22	..	22
<i>Transport</i>										
Railway Projects	1,616	1,602	1,629	805	..	..	..	5,653	..	5,653
Weipa Development	..	..	168	..	..	..	..	168	..	168
<i>Industry Assistance and Development -</i>										
Dairy Adjustment Program	75	239	445	61	..	18	..	838	..	838

Table 44-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$'000) - 1991 - 92

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Bovine Brucellosis and Tuberculosis	-	-	112	9	69	-	234	424	-	424
Canned Fruit Industry	383	-	-	-	-	-	-	383	-	383
Rural Adjustment Scheme	2,221	2,372	1,782	1,689	-	143	137	8,344	-	8,344
Rural Reconstruction	3,557	2,758	2,286	1,901	-	286	-	10,788	-	10,788
Meat Inspectors Superannuation	-	118	-	-	-	-	-	118	-	118
War Service Land Settlement	286	304	-	-	-	-	-	590	-	590
Brigalow Lands Development	-	-	693	-	-	-	-	693	-	693
Irrigation and Other Water Projects	-	-	-	849	-	-	-	849	-	849
Dartmouth Dam	587	587	-	-	-	-	-	1,173	-	1,173
Softwood Forestry	743	288	549	243	-	-	-	1,822	-	1,822
Gladstone Power Station	-	-	4,505	-	-	-	-	4,505	-	4,505
Exmouth Township-Electricity	-	-	-	14	-	-	-	14	-	14
Not Allocated to Function -	-	-	-	-	-	-	-	-	-	-
Natural Disaster Relief	3,025	3,480	14,609	1,618	-	386	8	23,126	-	23,126
TOTAL	907,986	686,646	275,249	251,196	256,618	198,007	91,531	2,667,936	31,914	2,699,850
ADVANCES										
<i>Housing and Community Amenities -</i>										
Urban Water Supply and Treatment	-	-	-	-	2,450	-	-	2,450	-	2,450
<i>Industries Assistance and Development</i>										
Bovine Brucellosis and Tuberculosis	-	-	63	53	-	-	52	168	-	168
Not Allocated to Function -										
Natural Disaster Relief	2,672	-	3,920	-	-	-	8	6,601	-	6,601
TOTAL	2,672	-	3,982	53	2,450	-	60	6,769	-	6,769
INTEREST										
Interest on Loan Council & NT Govt Borrowings (c)	638,698	433,177	244,405	162,169	164,187	67,419	67,910	1,844,000	16,228	1856,228
Interest on Commonwealth Government Loans -										
Other ACT Government Debt	-	-	-	-	-	-	-	-	43,995	43,995
Housing Nomination	23,594	22,959	8,519	14,600	26,768	7,235	8,163	111,837	-	111,837
Housing for Servicemen	11,014	3,043	6,250	700	586	79	-	21,672	-	21,672
CSHA Loans	56,523	44,221	15,571	14,907	25,342	10,121	1,695	168,380	-	168,380
Other Housing	-	-	-	-	-	-	5,357	5,357	-	5,357
Urban Water Supply and Treatment	-	-	-	81	504	-	-	585	-	585

Table 44-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$'000) - 1991 - 92

	New South Wales	Victoria	Queens-Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
Water and Sewerage Assistance	-	-	-	-	-	-	711	711	-	711
Growth Centres	269	179	-	-	-	-	-	448	-	448
Urban Rehabilitation	-	214	-	-	-	-	-	214	-	214
Captains Flat Project	38	-	-	-	-	-	-	38	-	38
Sewerage	7,536	6,617	1,964	2,730	-	-	-	18,847	-	18,847
Community Facilities - Townsville	-	-	32	-	-	-	-	32	-	32
Railway Projects	1,781	2,915	3,148	1,191	-	-	-	9,035	-	9,035
Weipa Development	-	-	58	-	-	-	-	58	-	58
Dairy Adjustment Program	32	157	178	32	-	11	-	410	-	410
Canned Fruit Industry	41	-	-	-	-	-	-	41	-	41
Bovine Brucellosis and Tuberculosis	-	-	68	4	34	-	56	162	-	162
Rural Adjustment Scheme	2,593	2,538	2,110	2,042	-	171	200	9,654	-	9,654
Rural Reconstruction	660	477	383	344	-	47	-	1,911	-	1,911
Meat Inspectors Superannuation	-	60	-	-	-	-	-	60	-	60
War Service Land Settlement	306	325	-	-	-	-	-	631	-	631
Brigalow Lands Development	-	-	379	-	-	-	-	379	-	379
Irrigation and Other Water Projects	-	-	-	226	-	-	-	226	-	226
Dartmouth Dam	526	526	-	-	-	-	-	1,052	-	1,052
Softwood Forestry	2,094	419	792	794	-	-	-	4,099	-	4,099
Gladstone Power Station	-	-	8,744	-	-	-	-	8,744	-	8,744
Exmouth Township - Electricity	-	-	-	5	-	-	-	5	-	5
Natural Disaster Relief	356	-	223	-	-	64	1	644	-	644
TOTAL	746,061	517,823	292,824	199,824	217,421	151,146	84,131	2,209,230	60,223	2,269,453

Table 44-Commonwealth Payments to States and Territories, Repayments of Advances and Interest Payments (\$'000) - 1991 - 92

	New South Wales	Victoria	Queens- Land	Western Australia	South Australia	Tasmania	Northern Territory	Six States & NT Total	ACT	Total
TOTAL PAYMENTS AND LOAN COUNCIL BORROWINGS										
For General Purposes	3,726,593	2,760,274	2,670,670	1,624,551	1,546,788	587,412	817,637	13,733,926	451,806	14,185,732
For Specific Purposes	5,064,890	4,026,190	2,526,568	1,459,848	1,271,594	501,609	249,147	15,099,847	222,002	15,321,849
Total Gross Payments	8,791,484	6,786,465	5,197,238	3,084,399	2,818,383	1,089,021	1,066,784	28,833,773	673,808	29,507,581
Payments to State	6,909,248	5,240,521	4,304,117	2,530,406	2,353,481	950,459	1,023,682	23,311,916	618,136	23,930,052
*Payments through State	1,882,235	1,545,944	893,121	553,993	464,901	138,562	43,101	5,521,857	55,672	5,577,529
Total Gross Payments	8,791,484	6,786,465	5,197,238	3,084,399	2,818,383	1,089,021	1,066,784	28,833,773	673,808	29,507,581
Repayments	-907,986	-686,646	-275,892	-251,196	-256,618	-198,007	-91,591	-2,667,936	31,914	-2,699,850
Total Net Payments	7,883,497	6,099,819	4,921,345	2,833,203	2,561,765	891,014	975,193	26,165,837	641,894	26,807,731

*Items so marked are classified as payments made through the States. For details, see under 'Classification of Specific Purpose Payments' in Chapter V.

- (a) This category general consists of payments relating to specific purposes which, however, are not subject to conditions on their use by the States and Territories and in that sense therefore are not tied to expenditure in particular functional areas.
- (b) Includes sinking fund contributions on State debt made by the Commonwealth Government, which are included in this Paper as payments for the States.
- (c) Includes interest on the States' domestic raisings.

APPENDIX III—TABLES OF PAYMENTS TO OR FOR LOCAL GOVERNMENT AUTHORITIES, 1987–88 TO 1991–92 (ESTIMATES)

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 which 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 1987–88 to 1990–91. 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 1991–92.

Table No.	State/Territory	Page
45	NSW	A-52
46	VIC	A-53
47	QLD	A-54
48	WA	A-55
49	SA	A-56
50	TAS	A-57
51	NT	A-58
52	Six States and the N T	A-59

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

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
Local Government General Purpose Assistance					
General (a)	228,800	229,435	237,124	243,138	248,927
Identified Road Funding (a)	..	..	..	..	94,246
Total	228,800	229,435	237,124	243,138	343,173
Direct Payments—Current					
Nursing Homes	27	28	-2	-2	..
Aged and Disabled Persons' Homes and Hostels	529	822	1,389	1,613	1,892
Handicapped Persons' Assistance	113	177	279	541	560
Children's Services	23,537	23,810	24,951	24,453	36,447
Subsidy for Migrant Aid	19	..	..	..	..
Aboriginal Advancement	1,683	394	..	..	..
Local Government Development Program	528	503	764	530	351
Aerodrome Local Ownership Plan	2,014	2,082	2,353	2,589	8,726
Total Current	28,448	27,815	29,732	29,723	47,976
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	156	2,069	3,099	2,266	2,877
Handicapped Persons' Assistance	..	..	46	111	113
Children's Services	2,740	1,024	375	263	219
Aerodrome Local Ownership Plan	2,085	679	182	3	157
Total Capital	4,981	3,772	3,701	2,643	3,366
Total Direct Payments	33,430	31,586	33,433	32,367	51,342
Total Direct plus General Assistance	262,230	261,022	270,557	275,504	394,516
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	176	104	74	121	na
Home and Community Care	3,547	6,336	6,066	7,211	na
Supported Accommodation Assistance	89	44	42	279	na
Children's Services	598	713	743	708	na
Family Support Services	68	119	..	..	na
Local Government and Community Housing Grants	1,649	1,154	1,253	722	na
National Estate	167	152	156	282	na
Roads Assistance	68,861	81,125	83,605	86,204	na
Flood Mitigation	2,510	3,390	3,460	4,291	na
Community Employment Program	19,665	..	..	..	na
Support for Steel Regions	883	2,312	..	..	na
Australian Bicentenary	..	775	..	..	na
Total On-passed Specific Purpose Funds	98,213	96,224	95,399	99,818	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 1991-92 not yet available.

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

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
Local Government General Purpose Assistance					
General (a)	165,763	172,726	177,280	182,408	187,116
Identified Road Funding (a)	..	..	..	..	66,970
Total	165,763	172,726	177,280	182,408	254,086
Direct Payments—Current					
Nursing Homes	141	..	-2	-8	..
Aged and Disabled Persons' Homes and Hostels	2,003	2,454	3,308	4,544	5,426
Handicapped Persons' Assistance	147	88	176	379	393
Children's Services	29,043	28,711	29,312	27,179	40,590
Aboriginal Advancement	207	2	..	..	..
Local Government Development Program	512	456	462	387	257
Aerodrome Local Ownership Plan	624	832	721	624	1,359
Total Current	32,677	32,542	33,977	33,104	48,025
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	1,093	1,961	651	4,905	6,071
Handicapped Persons' Assistance	3	..	24	53	54
Children's Services	3,573	3,047	683	122	101
Aerodrome Local Ownership Plan	204	177	147	..	333
Total Capital	4,873	5,186	1,504	5,079	6,559
Total Direct Payments	37,550	37,728	35,481	38,184	54,584
Total Direct plus General Assistance	203,313	210,453	212,762	220,591	308,670
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	466	460	426	460	na
Home and Community Care	31,227	35,179	38,693	43,292	na
Supported Accommodation Assistance	36	133	225	367	na
Children's Services	1,814	3,562	2,851	2,087	na
Family Support Services	413	..	..	..	na
Local Government and Community Housing Grants	1,666	385	1,990	3,279	na
National Estate	89	88	109	142	na
Roads Assistance	63,900	61,600	59,500	61,075	na
Flood Mitigation	708	705	379	406	na
Community Employment Program	11,618	1,287	..	..	na
National Sports Facilities	46	743	911	..	na
Australian Bicentenary	972	3,430	..	..	na
Total On—passed Specific Purpose Funds	112,955	107,573	105,084	111,108	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 1991-92 not yet available.

Table 47—Commonwealth Government Payments to or for Local Government Authorities in Queensland (\$ thousand)

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
Local Government General Purpose Assistance					
General (a)	106,834	108,322	114,989	120,398	124,778
Identified Road Funding (a)	..	..	..	..	60,863
Total	106,834	108,322	114,989	120,398	185,641
Direct Payments—Current					
Aged and Disabled Persons' Homes and Hostels	154	270	435	805	938
Handicapped Persons' Assistance	..	..	164	393	405
Children's Services	4,516	5,945	6,429	6,980	10,491
Aboriginal Advancement	4,531	-4,121	3,430	..	450
Local Government Development Program	369	399	290	305	203
Aerodrome Local Ownership Plan	1,799	1,479	1,523	2,706	2,850
Total Current	11,369	3,972	12,271	11,189	15,337
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	910	815	2,780	873	1,104
Handicapped Persons' Assistance	..	..	106	73	75
Children's Services	743	1,068	177	99	80
Aboriginal Advancement	791	..	686	..	..
Aerodrome Local Ownership Plan	2,001	18,596	832	2,089	3,547
Total Capital	4,445	20,479	4,580	3,134	4,806
Total Direct Payments	15,813	24,451	16,851	14,323	20,143
Total Direct plus General Assistance	122,648	132,772	131,840	134,722	205,784
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	137	245	157	427	na
Home and Community Care	816	471	590	1,030	na
National Better Health	..	..	..	35	..
Supported Accommodation Assistance	97	54	52	80	na
Children's Services	131	36	34	77	na
Family Support Services	162	169	..	..	na
Local Government and Community Housing Grants	1,774	2,015	4,400	5,084	na
National Estate	31	65	121	171	na
Roads Assistance	50,898	48,090	60,146	59,089	na
Flood Mitigation	23	2,732	3,102	1,690	na
Community Employment Program	6,649	686	..	..	na
Australian Bicentenary	1,557	..	..	..	na
Natural Disaster Relief	..	..	7,035	25,098	na
Total On-passed Specific Purpose Funds	62,273	54,561	75,637	92,781	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 1991-92 not yet available.

Table 48—Commonwealth Government Payments to or for Local Government Authorities in Western Australia (\$ thousand)

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
Local Government General Purpose Assistance					
General (a)	59,285	59,892	64,821	67,718	70,061
Identified Road Funding (a)	..	..	..	..	49,668
Total	59,285	59,892	64,821	67,718	119,729
Direct Payments—Current					
Nursing Homes	50	-16	8	-3	..
Aged and Disabled Persons' Homes and Hostels	260	335	638	1,896	1,817
Handicapped Persons' Assistance	..	..	-1	12	13
Children's Services	6,945	7,476	7,078	8,027	12,083
Aboriginal Advancement	398	2	..	..	300
Local Government Development Program	137	246	214	272	181
Aerodrome Local Ownership Plan	842	832	3,212	2,545	689
Total Current	8,631	8,874	11,148	12,750	15,083
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	77	619	2,374	998	1,267
Children's Services	123	96	53	64	53
Aerodrome Local Ownership Plan	267	4,262	20	124	879
Total Capital	467	4,978	2,447	1,187	2,199
Total Direct Payments	9,098	13,852	13,595	13,936	17,282
Total Direct plus General Assistance	68,383	73,744	78,416	81,655	137,012
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	31	7	54	18	na
Home and Community Care	2,708	2,765	3,825	5,490	na
Supported Accommodation Assistance	339	313	654	459	na
Children's Services	132	171	217	209	na
Family Support Services	172	..	..	..	na
Local Government and Community Housing Grants	423	396	656	681	na
National Estate	127	96	127	108	na
America's Cup Defence	234	..	..	..	na
Roads Assistance	38,396	46,361	42,196	46,629	na
Flood Mitigation	..	..	200	..	na
Community Employment Program	5,546	326	..	..	na
Australian Bicentenary	..	264	..	..	na
Total On-passed Specific Purpose Funds	48,109	50,697	47,928	53,594	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 1991-92 not yet available.

Table 49—Commonwealth Government Payments to or for Local Government Authorities in South Australia (\$ thousand)

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
Local Government General Purpose Assistance					
General (a)	55,519	57,348	58,496	60,044	61,481
Identified Road Funding (a)	..	..	..	..	17,852
Total	55,519	57,348	58,496	60,044	79,333
Direct Payments—Current					
Nursing Homes	559	..	131	..	..
Aged and Disabled Persons' Homes and Hostels	722	1,614	1,970	1,432	1,711
Handicapped Persons' Assistance	8	5	61	206	213
Children's Services	964	968	1,032	988	1,464
Aboriginal Advancement	211	1	..	..	..
Local Government Development Program	319	255	185	242	160
Aerodrome Local Ownership Plan	268	281	168	1,744	..
Total Current	3,052	3,123	3,549	4,613	3,548
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	22	440	46	537	681
Handicapped Persons' Assistance	..	..	41	..	..
Children's Services	23	111	14	8	7
Aerodrome Local Ownership Plan	62	338	301	208	..
Total Capital	107	890	401	753	688
Total Direct Payments	3,159	4,012	3,949	5,365	4,236
Total Direct plus General Assistance	58,679	61,361	62,446	65,409	83,569
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	30	62	60	59	na
Home and Community Care	1,495	745	913	1,175	na
Children's Services	34	15	..	..	na
Family Support Services	128	189	204	..	na
Local Government and Community Housing Grants	178	179	912	2,067	na
National Estate	51	51	54	93	na
Roads Assistance	12,945	13,913	15,209	16,234	na
Community Employment Program	3,437	278	..	..	na
Support for Steel Regions	1,806	..	..	..	na
Total On-passed Specific Purpose Funds	20,104	15,432	17,353	19,628	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 1991-92 not yet available.

Table 50—Commonwealth Government Payments to or for Local Government Authorities in Tasmania (\$ thousand)

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
Local Government General Purpose Assistance					
General (a)	19,285	18,530	18,565	19,022	19,473
Identified Road Funding	..	..	..	..	12,021
Total	19,285	18,530	18,565	19,022	31,494
Direct Payments—Current					
Handicapped Persons' Assistance	..	..	..	1	1
Children's Services	3,739	3,616	4,781	4,128	6,238
Aboriginal Advancement	..	44	..	..	110
Local Government Development Program	98	106	140	75	50
Aerodrome Local Ownership Plan	..	..	44	11	755
Total Current	3,837	3,766	4,965	4,214	7,154
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	..	..	112	..	..
Children's Services	439	113	64	17	14
Aerodrome Local Ownership Plan	19	..	..	..	..
Total Capital	458	113	176	17	14
Total Direct Payments	4,294	3,879	5,141	4,231	7,168
Total Direct plus General Assistance	23,580	22,409	23,706	23,253	38,662
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	10	..	21	50	na
Home and Community Care	..	120	131	598	na
Supported Accommodation Assistance	..	..	..	177	na
Crisis Accommodation	..	..	..	31	na
Children's Services	22	66	30	24	na
Family Support Services	..	..	..	92	na
Local Government and Community Housing Grants	..	266	6	60	na
National Estate	28	..	..	16	na
Roads Assistance	13,170	13,548	14,179	14,843	na
Flood Mitigation	381	1,562	1,328	526	na
Community Employment Program	1,305	81	..	..	na
Assistance for South-West Tasmania	112	70	6	47	na
Total On-passed Specific Purpose Funds	15,029	15,712	15,701	16,463	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 1991-92 not yet available.

Table 51—Commonwealth Government Payments to or for Local Government Authorities in Northern Territory (\$ thousand)

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
Local Government General Purpose Assistance					
General (a)	6,045	6,248	6,464	6,564	6,725
Identified Road Funding (a)	..	..	..	..	3,583
Total	6,045	6,248	6,464	6,564	10,308
Direct Payments—Current					
Aged and Disabled Persons' Homes and Hostels	124	..	..	..	..
Handicapped Persons' Assistance	..	..	13	..	..
Children's Services	1,081	976	1,376	1,147	1,726
Aboriginal Advancement	288	28	..	..	200
Local Government Development Program	37	37	85	35	23
Aerodrome Local Ownership Plan	113	..	..	..	236
Total Current	1,642	1,041	1,474	1,182	2,185
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	..	..	19	..	..
Handicapped Persons' Assistance	..	..	24	..	..
Children's Services	354	50	9	44	36
Total Capital	354	50	52	44	36
Total Direct Payments	1,997	1,091	1,526	1,227	2,221
Total Direct plus General Assistance	8,042	7,338	7,990	7,791	12,530
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
Home and Community Care	339	1	262	277	na
Supported Accommodation Services	..	..	58	4	na
Children's Services	51	294	85	81	na
Family Support Services	196	135	..	..	na
Local Government and Community Housing Grants	..	..	24	107	na
National Estate	..	..	16	..	na
Roads Assistance	2,321	2,764	3,023	3,268	na
Community Employment Program	133	..	..	..	na
Total On-passed Specific Purpose Funds	3,041	3,195	3,468	3,736	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 1991-92 not yet available.

Table 52—Commonwealth Government Payments to or for Local Government Authorities in the Six States and the Northern Territory (\$ thousand)

	1987-88	1988-89	1989-90	1990-91	1991-92 (estimate)
Local Government General Purpose Assistance					
General (a)	641,532	652,500	677,740	699,292	718,561
Identified Road Funding (a)	..	..	..	..	305,205
Total	641,532	652,500	677,740	699,292	1,023,766
Direct Payments—Current					
Nursing Homes	777	12	135	-13	..
Aged and Disabled Persons' Homes and Hostels	3,792	5,495	7,740	10,290	11,784
Handicapped Persons' Assistance	267	269	691	1,532	1,585
Children's Services	69,824	71,501	74,959	72,902	109,039
Subsidy for Migrant Aid	19	..	..	..	..
Aboriginal Advancement	7,317	-3,650	3,430	..	1,060
Local Government Development Program	1,999	1,999	2,140	1,847	1,225
Aerodrome Local Ownership Plan	5,660	5,505	8,021	10,217	14,615
Total Current	.89,656	81,132	97,116	96,776	139,308
Direct Payments—Capital					
Aged and Disabled Persons' Homes and Hostels	2,257	5,904	9,080	9,579	12,000
Handicapped Persons' Assistance	3	..	240	237	242
Children's Services	7,995	5,511	1,374	617	510
Aboriginal Advancement	791	..	686	..	..
Aerodrome Local Ownership Plan	4,639	24,052	1,482	2,425	4,916
Total Capital	15,686	35,467	12,861	12,857	17,668
Total Direct Payments	105,342	116,599	109,977	109,633	156,976
Total Direct plus General Assistance	746,874	769,099	787,716	808,925	1,180,742
Specific Purpose Payments to the States passed on to Local Government Authorities (b)					
State Emergency Services	850	878	792	1,134	na
Home and Community Care	40,132	45,616	50,480	59,073	na
National Better Health	..	..	..	35	na
Supported Accommodation Assistance	560	544	1,030	1,365	na
Crisis Accommodation	..	..	..	31	na
Children's Services	2,782	4,857	3,960	3,186	na
Family Support Services	1,140	612	204	92	na
Local Government and Community Housing Grants	5,690	4,395	9,241	12,001	na
National Estate	494	452	584	812	na
America's Cup Defence	234	..	..	..	na
Roads Assistance	250,491	267,400	277,857	287,342	na
Flood Mitigation	3,621	8,389	8,469	6,912	na
Community Employment Program	48,353	2,657	..	..	na
Support for Steel Regions	2,689	2,312	..	..	na
Assistance for South-West Tasmania	112	70	6	47	na
National Sports Facilities	46	743	911	..	na
Australian Bicentenary	2,529	4,469	..	..	na
Natural Disaster Relief	..	..	7,035	25,098	na
Total On-passed Specific Purpose Funds	359,724	343,395	360,570	397,128	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 1991-92 not yet available.