

# COMMONWEALTH FINANCIAL RELATIONS WITH OTHER LEVELS OF GOVERNMENT 1995-96

CIRCULATED BY  
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FOR THE INFORMATION OF  
HONOURABLE MEMBERS ON THE OCCASION  
OF THE BUDGET 1995-96

BUDGET PAPER No. 3

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OF GOVERNMENT  
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## PREFACE

This Budget Paper presents information on the Commonwealth Government's financial relations with other levels of government.

Figures for payments to the States in 1994-95 and 1995-96 are estimates.

### **Relationship with Other Budget Papers and Terminology Employed in this Paper**

In 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 in respect of borrowings by the Commonwealth on their account. In Budget Paper No 1, this distinction is evident in the use of the term 'payment' as a gross measure and the term 'outlay' as a net measure, an approach that 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 between payments and the programs to which they nominally relate is not always clear. Largely for these reasons, this paper focuses on payments made on a gross basis, although tables showing repayments are also included.

In this paper, 'payment' is also used as a generic term to describe both grants and advances (loans) from the Commonwealth to the States and local government authorities. 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 puts the Commonwealth budget sector in the context of the overall public sector. Trends in outlays, revenue and net borrowing of the general government and public trading enterprise sectors for each level of government are examined.

### **Population Figures Used in this Paper**

The population series (see Table 1) underlying per capita estimates in this paper for 1994-95 and 1995-96 are projections of the population at 31 December 1994 and 31 December 1995 respectively. Projections of the populations of the States were prepared by the ABS according to assumptions reflecting prevailing trends agreed to by Treasury.

**Table 1: Population by State ('000) (projections)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1994-95	6086	4489	3236	1716	1472	473	302	172	17946
1995-96	6154	4522	3311	1747	1480	474	307	175	18168

## **Further Information**

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

- *Government Financial Estimates, Australia* (5501.0);
- *Government Finance Statistics, Australia* (5512.0);
- *Taxation Revenue, Australia* (5506.0);
- *Public Sector Financial Assets and Liabilities, Australia* (5513.0); and
- *Government Finance Statistics - Concepts, Sources and Methods* (5514.0).

Some of the data presented in Chapter I are drawn from ABS government financial statistics (preliminary) data and the Commonwealth Grants Commission *Report on General Revenue Grant Relativities 1995 Update*. Additional material on specific purpose payments is available from the *Catalogue of Specific Purpose Payments to the States and Territories 1993-94* (Commonwealth-State Relations Secretariat, Department of the Prime Minister and Cabinet, February 1994).

## **Style Conventions**

The following style conventions are employed in this paper:

- the Australian Capital Territory and the Northern Territory are referred to as the 'Territories'. References to the 'States' or 'each State' include the Territories;
- 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 Australian Capital Territory and the Northern Territory 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 amounts; and

- the following abbreviations are used for the names of the States, where appropriate, in tables:

NSW New South Wales

VIC Victoria

QLD Queensland

WA Western Australia

SA South Australia

TAS Tasmania

ACT Australian Capital Territory

NT Northern Territory

## CHAPTER I: OVERVIEW OF COMMONWEALTH-STATE FINANCIAL RELATIONS

This chapter provides a summary of the decisions taken by the 1995 Premiers' Conference and Loan Council Meeting on 11 April 1995. The decisions directly involving financial matters of the meeting of the Council of Australian Governments (COAG) which was also held on 11 April 1995 are also described.

A brief overview of Commonwealth payments to the State/local government sector is also included together with a description of financial developments in the States.

### THE 1995 PREMIERS' CONFERENCE

#### National Fiscal Outlook

The Premiers' Conference was assisted by the preparation and release of the *National Fiscal Outlook* (NFO) for 1995. The NFO report presents medium-term projections of Commonwealth and State general government finances based on policy settings as at January 1995. Accordingly, the NFO projections do not anticipate the fiscal policy developments in the 1995-96 Budget.

- The projections show significant improvement in the national fiscal outlook over the next few years arising from strong economic growth, combined with the maintenance of the then current fiscal policies.
- The Commonwealth's general government deficit is projected to decline significantly, while the aggregated State position is expected to move from a small deficit to a small surplus. The combined Commonwealth and State net debt to GDP ratio is projected to reach a high and subsequently fall.

#### General Purpose Payments<sup>1</sup>

The Premiers' Conference maintained the real per capita guarantee for financial assistance grants (FAGs) in 1995-96. This is consistent with the Commonwealth's undertakings made at the 1994 Premiers' Conference to increase FAGs in real per capita terms over the three years to 1996-97. The provision of the real per capita guarantee reflected the Commonwealth's desire to foster cooperative Commonwealth-State relations which would, in turn, offer a sound basis for working together to progress microeconomic reform. The Commonwealth recognised that this would best be achieved through the provision of a degree of certainty for the States as to the level of funding they could expect from the Commonwealth over the medium term.

---

<sup>1</sup> The FAGs and general revenue assistance estimates in 1994-95 and 1995-96 are the same as those outlined at the 1995 Premiers' Conference, although their distribution has been marginally changed by the more recent estimates of unquarantined hospital funding grants (HFGs) (an explanation of the interaction between HFGs and FAGs is given in Chapter II).

On the basis of current estimates, Commonwealth total general purpose payments to the States are expected to be \$15713m in 1995-96, an increase of \$639m or 4.2 per cent on the previous year, as shown in Table 2.

Other key financial decisions taken at the 1995 Premiers' Conference were as follows.

- The per capita relativities recommended by the Commonwealth Grants Commission (CGC) in its *Report on General Revenue Grant Relativities 1995 Update* were adopted to determine the 1995-96 distribution of the pool of FAGs and unquarantined hospital funding grants (HFGs).
- Medicare guarantee payments estimated at \$181.2m and \$230.9m in 1995-96 are to be made to New South Wales and Victoria respectively. As was the case in 1994-95, these payments are higher than the net benefit to those States because of the partial self-funding of these payments from within the FAGs pool. At the 1993 Premiers' Conference it was decided that the Commonwealth would fund about one half of the net benefit to New South Wales and Victoria in 1993-94 and then fund about one quarter of the net benefit for the years 1994-95 to 1997-98. This arrangement was deferred at the 1994 Premiers' Conference until 1995-96, partly to ameliorate the effect of the abolition of the Loan Council capital grants program. There are no factors in 1995-96 which necessitated a further deferral and the Commonwealth will therefore contribute \$58.9m towards the Medicare guarantee payments in 1995-96, down from \$111.6m in 1994-95. Further details are provided in Chapter II.
- In 1995-96 the Australian Capital Territory and the Northern Territory will receive special revenue assistance of \$15m and \$10m respectively, to be funded from the FAGs pool.
- The Australian Capital Territory will also receive \$51.3m for transitional allowances and special fiscal needs in 1995-96, to be funded directly by the Commonwealth. In line with the adjustment made in 1994-95, these payments will be reduced by \$2.22m because of changes in policing responsibilities between the Commonwealth and the Australian Capital Territory.
- In each of 1995-96, 1996-97 and 1997-98, one third of identified road grants will be cumulatively distributed according to the CGC's per capita relativities which underlie the distribution of FAGs. These road grants will continue to be separately identified and remain untied.
- Local government road funding will continue to be separately identified and distributed according to the current arrangements. It will also remain untied.

On the basis of the agreed levels of general purpose payments and indicative estimates of specific purpose payments, total net payments to the State/local sector are estimated to amount to \$31973m in 1995-96, an increase of 4.6 per cent on the previous year.

Further details of these funding decisions and related issues considered at the 1995 Premiers' Conference are contained in Chapter II.

Estimated payments by the Commonwealth to the States and local government authorities in 1995-96 are shown in Table 3. These payments are shown on a per capita basis in Table 4.

**Table 2: General Purpose Payments to the States (\$m) (estimated)**

	Financial	Special Revenue Assistance			Identified Road Grants			General Purpose		
	Assistance				Distribution Method			Payments (d)		
	Grants	MCG	Other	Total	FAG/HFG	Other	Total	Change		
	\$m	(a) \$m	\$m	\$m	(b) \$m	(c) \$m	\$m	\$m	\$m	%
1994-95										
NSW	4013.7	139.4	25.1	164.5	..	103.6	103.6	4281.9	242.4	6.0
VIC	2796.0	195.4	20.1	215.5	..	103.2	103.2	3114.7	89.8	3.0
QLD	2701.5	..	40.1	40.1	..	63.0	63.0	2804.7	21.9	0.8
WA	1511.7	..	15.1	15.1	..	43.4	43.4	1570.2	12.4	0.8
SA	1458.3	..	5.0	5.0	..	22.8	22.8	1486.1	6.6	0.4
TAS	612.2	..	8.0	8.0	..	8.8	8.8	629.0	13.3	2.2
ACT	217.9	..	107.3	107.3	..	1.4	1.4	326.6	-11.2	-3.3
NT	827.7	..	29.1	29.1	..	3.8	3.8	860.6	13.0	1.5
Total	14139.1	334.9	249.8	584.7	..	350.0	350.0	15073.8	388.3	2.6
1995-96										
NSW	4208.6	181.2	..	181.2	36.4	72.9	109.3	4499.1	217.3	5.1
VIC	2985.8	230.9	..	230.9	26.0	72.6	98.6	3315.3	200.6	6.4
QLD	2868.2	..	..	..	23.4	44.3	67.7	2935.9	131.2	4.7
WA	1540.3	..	..	..	12.4	30.5	43.0	1583.2	13.0	0.8
SA	1500.0	..	..	..	12.1	16.0	28.1	1528.1	42.0	2.8
TAS	649.8	..	..	..	5.0	6.2	11.1	661.0	32.0	5.1
ACT	227.5	..	64.1	64.1	1.9	1.0	2.8	294.4	-32.2	-9.9
NT	877.4	..	10.0	10.0	6.0	2.7	8.6	896.1	35.4	4.1
Total	14857.6	412.2	74.1	486.3	123.1	246.2	369.2	15713.1	639.4	4.2

(a) Medicare guarantee payments (MCG).

(b) Identified road grants in 1995-96 distributed in accordance with the relativities underlying financial assistance grants.

(c) Distributed on the basis of historical shares.

(d) Excludes general purpose capital grants associated with the Building Better Cities Program. Estimates of these payments are provided in Table 3 and Chapter II.

**Table 3: Commonwealth Payments to the States and Direct to Local Government Authorities (\$m), 1995-96 (estimated)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
General Revenue Assistance	4499.1	3315.3	2935.9	1583.2	1528.1	661.0	294.4	896.1	15713.1
General Purpose Capital Assistance (a)	56.6	19.7	33.8	4.8	17.4	2.9	3.7	1.3	140.2
Total General Purpose Payments	4555.7	3335.0	2969.7	1588.1	1545.5	663.8	298.2	897.4	15853.3
Specific Purpose Payments 'to' the States	3518.0	2334.0	1971.7	1386.0	1086.4	341.3	174.0	223.6	11034.9
Specific Purpose Payments 'through' the States (b)	2318.4	1903.8	1221.2	695.4	572.4	182.4	69.3	74.0	7036.9
Total Specific Purpose Payments	5836.4	4237.8	3192.9	2081.3	1658.8	523.7	243.3	297.6	18071.8
Total Payments to the States	10392.1	7572.8	6162.5	3669.4	3204.3	1187.6	541.5	1195.0	33925.1
Payments Direct to Local Government Authorities	89.2	112.7	26.5	23.1	6.6	10.8	..	3.0	272.0
Total Payments (Gross)	10481.3	7685.5	6189.1	3692.5	3210.9	1198.4	541.5	1198.0	34197.1
Repayments by States/Local Government Authorities	387.5	251.8	1032.4	289.2	109.3	78.9	10.9	63.9	2223.8
Total Payments to States and Local Government Authorities (Net)	10093.9	7433.7	5156.7	3403.3	3101.6	1119.5	530.6	1134.1	31973.3

(a) Comprised of Building Better Cities funding.

(b) Payments 'through' are payments which are made to the States for onpassing to local government, other bodies and individuals.

**Table 4: Commonwealth Payments to the States and Direct to Local Government Authorities (\$ per capita), 1995-96 (estimated) (a)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
General Revenue Assistance	731.1	733.2	886.8	906.4	1,032.6	1,393.8	960.1	5,129.4	864.9
General Purpose Capital Assistance (b)	9.2	4.4	10.2	2.8	11.7	6.1	12.1	7.5	7.7
Total General Purpose Payments	740.3	737.6	897.0	909.2	1,044.3	1,399.9	972.2	5,136.9	872.6
Specific Purpose Payments 'to' the States	571.6	516.2	595.6	793.5	734.1	719.7	567.5	1,280.0	607.4
Specific Purpose Payments 'through' the States (c)	376.7	421.1	368.9	398.1	386.8	384.7	225.9	423.6	387.3
Total Specific Purpose Payments	948.4	937.2	964.4	1,191.6	1,120.9	1,104.4	793.4	1,703.6	994.7
Total Payments to States and Local Government Authorities (Net)	1,640.2	1,644.1	1,557.6	1,948.4	2,095.8	2,360.8	1,730.1	6,492.1	1,759.8

(a) Population figures used in the table are projections of the population as at 31 December 1995, prepared by the ABS and agreed to by Treasury. These are provided in Table 1.

(b) Comprised of Building Better Cities funding.

(c) Payments 'through' are payments which are made to the States for onpassing to local government, other bodies and individuals.

## LOAN COUNCIL

The Loan Council considered 1995-96 Loan Council Allocations (LCAs) nominated by the Commonwealth and each State under the Loan Council arrangements adopted from 1993-94. These arrangements are described in the July 1993 report, *Future Arrangements for Loan Council Monitoring and Reporting*.

The LCAs nominated by jurisdictions for 1995-96 were agreed by Loan Council. In aggregate, they represent a substantial reduction on the LCAs agreed for 1994-95, and on the 1994-95 outcomes now in prospect.

Loan Council issues are discussed further in Chapter IV.

## COUNCIL OF AUSTRALIAN GOVERNMENTS

At the COAG meeting on 11 April 1995 the Commonwealth and the States agreed to a program for the implementation of the National Competition Policy (NCP) and related reforms, and to a related set of financial arrangements. The Commonwealth's commitment is on the basis that the financial arrangements will need to be reviewed if Australia experiences a major deterioration in its economic circumstances.

### **Real Per Capita Guarantee**

As part of the financial arrangements, the Commonwealth agreed to maintain the real per capita guarantee of the FAGs pool on a rolling three year basis. Consequently, the Commonwealth extended the current guarantee to 1997-98. Local government will also benefit from this decision as a consequence of the link between the State and local government FAGs pools.

### **Competition Payments**

The Commonwealth also agreed to make additional general purpose payments in the form of a series of Competition Payments.

- The Competition Payments will commence in July 1997 at a level of \$200m in 1994-95 prices. The payments will increase in July 1999 and July 2001, to \$400m and \$600m respectively, in 1994-95 prices.
- The payments will be paid on a quarterly basis and will be indexed annually to maintain their real value.

As the Competition Payments to the States are specifically concerned with the implementation of NCP and related reforms they will form a pool separate from the FAGs pool and be distributed to the States on a per capita basis. They will also be quarantined from assessments by the CGC.

The extension of the real per capita guarantee of the FAGs pool and making of Competition Payments by the Commonwealth are conditional on the States making

satisfactory progress with the implementation of NCP and related reforms (set out below).

- If a State has not undertaken the required action within the specified time its share of the per capita component of the FAGs pool and of the Competition Payments pool will be retained by the Commonwealth.

Prior to 1 July 1997, 1 July 1999, and 1 July 2001 the National Competition Council will assess whether the conditions for payments to the States to commence on those dates have been met.

### **Conditions for Payments to the States**

The first payments will be made in 1997-98 to each participating State as at the date of the payment and depending upon:

- that State giving effect to the Competition Policy Intergovernmental Agreements and, in particular, meeting the prescribed deadlines therein, in relation to the review of regulations and competitive neutrality;
- effective implementation of all COAG agreements on:
  - electricity arrangements through the National Grid Management Council; and
  - the national framework for free and fair trade in gas; and
- effective observance of road transport reforms.

Payments under the second tranche of the Competition Payments will commence in 1999-2000 and be made to each participating State depending upon:

- that State continuing to give effect to the Competition Policy Intergovernmental Agreements, including meeting all deadlines;
- effective implementation of all COAG agreements on:
  - the establishment of a competitive national electricity market;
  - the national framework for free and fair trade in gas;
  - the strategic framework for the efficient and sustainable reform of the Australian water industry; and
- effective observance of road transport reforms.

Payments under the third tranche will commence in 2001-02 and be made to each participating State as at the date of the payment and depending on the State.

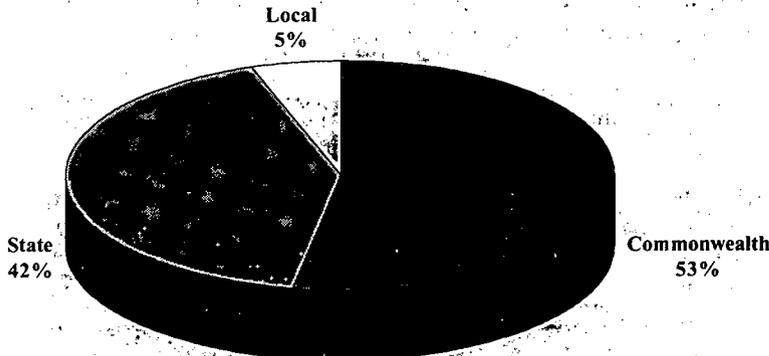
- having given full effect to, and continuing to fully observe, the Competition Policy Intergovernmental Agreements; and
- having fully implemented, and continuing to fully observe, all COAG agreements with regard to electricity, gas, water and road transport.

## FINANCIAL ASSISTANCE TO THE STATE/LOCAL GOVERNMENT SECTOR

A central feature of Australia's federal fiscal arrangements is the considerable flow of Commonwealth financial assistance to other levels of government. This reflects the relative expenditure responsibilities and revenue capacities of the Commonwealth and the States. In 1993-94 the Commonwealth collected around 68 per cent of total public sector revenues but was responsible for about 53 per cent of total outlays.

Chart 1 shows the aggregate total public sector outlays in 1993-94 and the relative contribution to outlays of the three tiers of government. It can be seen that the State/local sector accounted for almost half of public sector own-purpose outlays.

**CHART 1: COMPOSITION OF TOTAL PUBLIC SECTOR OWN-PURPOSE OUTLAYS IN 1993-94(a)**

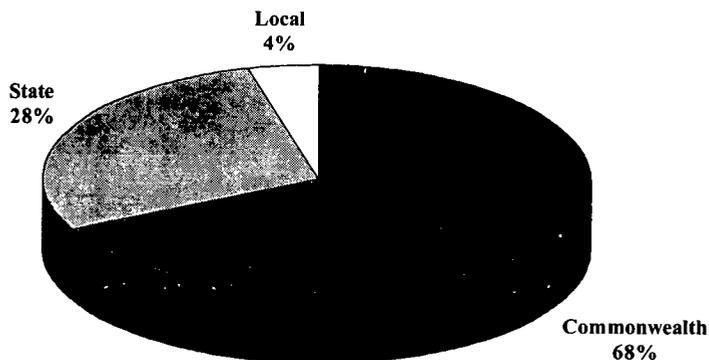


Source: Unpublished ABS data, Government Financial Estimates.

(a) Own-purpose outlays exclude transfers to other levels of government such as grants and advances, interest received on advances, and advances, grants and subsidies to public trading enterprises.

Chart 2 shows the total amount of public sector revenue raised by the three levels of government in 1993-94 (excluding transfers from other levels of government). The States and local government accounted for around 32 per cent of total public sector revenue.

**CHART 2: COMPOSITION OF TOTAL PUBLIC SECTOR REVENUE IN 1993-94(a)**



Source: Government Finance Statistics Australia, ABS Catalogue No. 5512.0.

(a) Revenue excludes transfers from other levels of government and includes increases in provisions.

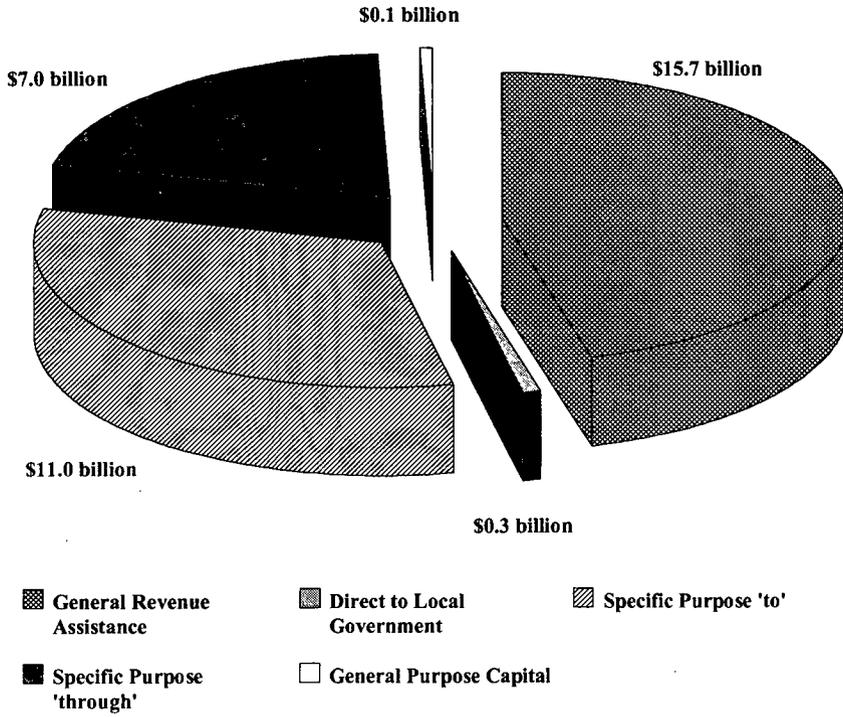
The pattern of Commonwealth and State expenditure responsibilities and revenue raising is longstanding, with the major difference being in relation to taxation. The Commonwealth introduced uniform income taxation in 1942 to maximise revenue to finance the war effort. On the other hand, the Australian Constitution provides for both the Commonwealth and the States to levy taxes (with the sole exception of customs and excises which were reserved for the Commonwealth consistent with the nature of the federation as a customs union). The resulting system is one which is able to pursue the advantages of a degree of centralised revenue raising and of decentralised expenditure decisions. The advantages of centralised revenue raising arise both from its part in macroeconomic management and from its economic and administrative efficiency.

Notwithstanding the pattern of fiscal responsibilities between the Commonwealth and State levels of government, there remains a substantial direct link between expenditure and revenue decisions at each level, consistent with the need to ensure accountability. For example, the State governments raise around 58 per cent of their total revenue from their own sources, which currently are less than fully exploited. Moreover, increased scrutiny of public sector performance at both the Commonwealth and State levels in recent years, including that by financial markets, has contributed to improved accountability.

Chart 3 illustrates the categories of Commonwealth payments to the State/local sector in 1995-96. These categories, including their distribution among the States, are described in later chapters.

**CHART 3: COMPOSITION OF PAYMENTS TO THE STATE/LOCAL SECTOR IN 1995-96 (ESTIMATED)**

Total Gross Payments \$34.2 billion



## BUDGETARY AND FINANCIAL DEVELOPMENTS IN THE STATES

The States' aggregate budgetary position has improved substantially in recent years. Owing to underlying improvements in the budgetary position and some favourable one-off factors, 1993-94 was an especially strong year. The State total public sector net financing requirement (NFR) fell from \$2.7 billion (or 0.7 per cent of GDP) in 1992-93 to a minus \$2.4 billion (or 0.6 per cent of GDP) in 1993-94. The 1993-94 outcome was the best recorded for over thirty years and contrasted with the budgetary difficulties in the early 1990s associated with the national economic recession and the need for substantial financial support for some State backed financial institutions. In 1991-92, at the height of those budgetary difficulties, the State total public sector NFR rose to \$8.1 billion (or 2.1 per cent of GDP).

Significant contributions to the improvement in the budgetary position of the States came from the impact of more favourable economic conditions (through strong growth in State tax revenue), a fall in interest rates (which eased public debt interest costs) and, in some States, large one-off capital repayments. Important contributions were also made by the fiscal consolidation strategies being implemented by the States. These strategies have involved a reduction in underlying expenditure growth through ongoing public sector reform programs (associated employment reduction programs resulted in total redundancy payments of over \$1 billion in the State sector in 1993-94) and, in some cases, a boost to State tax revenue growth from structural increases in State taxes. A number of large asset sales were also undertaken by State governments as a part of privatisation programs.

The budgetary position of the State sector is expected to consolidate in 1994-95, although a small budgetary deficit is likely to result from the unwinding of some special factors (particularly capital repayments) that occurred in 1993-94. Revenue growth has remained strong, public sector reform programs continue to constrain underlying expenditure growth and further significant asset sales have occurred (such as the Victorian TAB and the State Bank of New South Wales). The main spending pressures on State budgets have come from a continuation of high redundancy payments, State public sector wage increases and higher public debt interest costs. In addition, a number of States have used the ongoing savings generated by public sector reform to significantly boost investment spending in areas such as infrastructure.

In line with the recent developments in the budgetary position of the States, net debt to GSP and debt servicing ratios have fallen in most jurisdictions in recent years. However, Charts 4 and 5 highlight that a number of States continue to face relatively high public sector debt and debt servicing burdens. These jurisdictions will need to maintain the momentum of their announced fiscal consolidation programs in order to significantly reduce their debt levels over the medium term.

Recent fiscal developments in individual jurisdictions are summarised below.

- New South Wales has maintained a relatively sound financial position in recent years, with a level of net public sector debt and a debt servicing ratio consistently below the State average. This partly reflected reduced outlays growth and

improvements in PTE efficiency in the early 1990s. The proceeds from the recent sale of the State Bank of New South Wales will further assist in debt reduction.

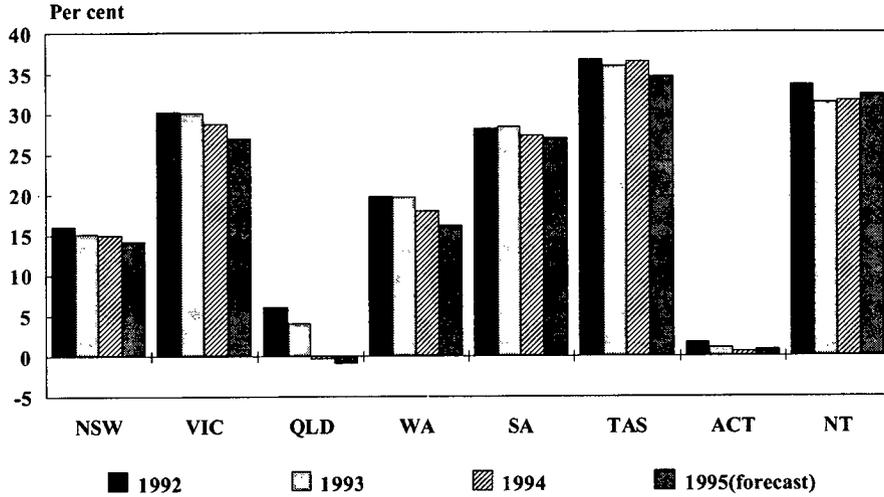
- In the past two years, Victoria's budgetary position has benefited from significant public sector reform measures and large asset sales and capital repayments. While Victoria is likely to achieve a current account budget surplus in 1994-95 (a year ahead of schedule), the State's level of debt remains high compared to the State average. Victoria has outlined a strategy of consolidating the expected current account budget surplus and further reducing its debt burden over the medium term. The Victorian Government plans to sell some very large electricity sector assets in the remainder of 1994-95 and 1995-96, the proceeds of which will be used to retire debt.
- Queensland is in the strongest financial position of the States and had financial assets that exceeded liabilities as at 30 June 1994. This result can be attributed to the State's policies of: maintaining sufficient financial assets to fully meet the government's future liabilities; borrowing only for investment that can generate an income stream sufficient to meet debt servicing costs; and funding social infrastructure from recurrent revenue. Queensland is expected to remain in a strong budgetary position and be able to accommodate the demand for infrastructure emanating from relatively strong population growth.
- Western Australia's net debt position has remained close to the average of the States in recent years. Its budgetary position has improved significantly, mainly as a result of the impact of strong economic growth on tax revenues and savings from public sector reform processes. The Western Australian Government's public sector financial reforms include the medium-term goal of financing all non-income generating assets from revenue rather than borrowings. A consolidation of Western Australia's public sector NFR surplus and a further improvement in its debt position are expected beyond 1994-95.
- Reflecting the financial support provided to its State-owned financial institutions, South Australia's level of public sector debt increased rapidly in the early 1990s to well above the State average. Since mid-1993, the South Australian Government has been pursuing a debt management strategy as one of the conditions of the \$600m (present value) special assistance package being provided to the State by the Commonwealth. The South Australian Government has also announced outlays savings (including public sector workforce reductions) designed to eliminate the budget deficit in the non-commercial sector by 1997-98. The proceeds from the expected sale of BankSA in 1995-96 will contribute to reducing South Australia's debt level.
- Tasmania's budgetary position has improved steadily since the introduction of a five year financial strategy in 1990-91 designed to address its structural budgetary problems and high debt burden. (Tasmania's net debt to GSP ratio is more than double the State average.) With the achievement of Tasmania's current financial strategy now imminent, a new medium to long-term financial strategy has been developed with a view to further reducing the State's debt burden, including through asset sales.

- The Australian Capital Territory is in a sound financial position with a very small level of public sector debt. The Australian Capital Territory's financial position is partly attributable to the fact that it inherited a well-developed infrastructure base and little debt at the time of self-government in 1989, and that since self-government the Australian Capital Territory's budget has remained fairly close to balance. In the medium term, the Australian Capital Territory will need to maintain its record of budgetary discipline in order to accommodate a decline in Commonwealth funding to State-like levels.
- The Northern Territory has a relatively high level of public sector debt, and is by far the most reliant of the States on Commonwealth funding. The Northern Territory is expected to record an NFR deficit in 1994-95, following a small NFR surplus in 1993-94. As a step toward reducing its reliance on borrowings, the 1994-95 Northern Territory budget initiated a medium-term strategy for fiscal consolidation.

Further improvement in the State total public sector NFR is possible in 1995-96.

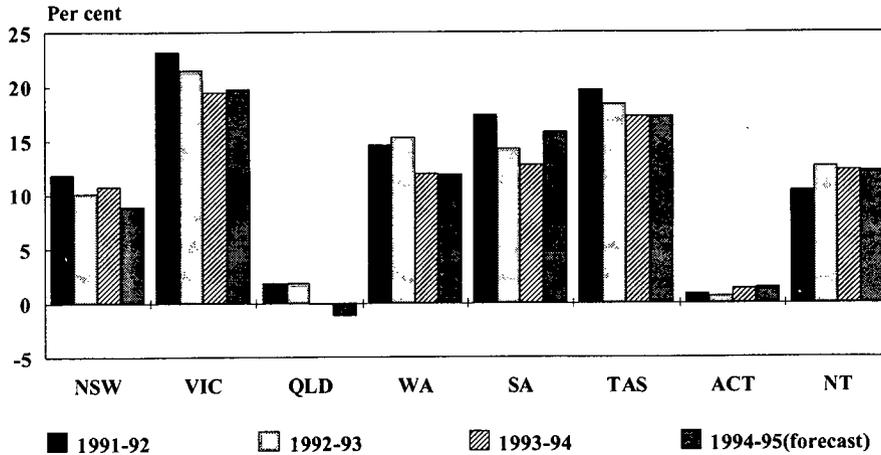
- Public sector reforms are expected to continue to generate significant ongoing budgetary savings.
- The States' budget projections indicate a rapid slow down of investment spending growth and a sharp fall in the level of redundancy payments (reflecting the completion of employment reduction programs in most States).
- Several very large asset sales are scheduled.

**CHART 4: STATE PUBLIC SECTOR NET DEBT (PER CENT OF GDP)  
AS AT 30 JUNE**



Source: 30 June 1993 and 1994 Public Sector Financial Assets and Liabilities, Australia, ABS Catalogue No 5513.0

**CHART 5: STATE PUBLIC SECTOR NET INTEREST OUTLAYS AS A  
PERCENTAGE OF TOTAL REVENUE**



Source: ABS data, Government Financial Statistics (preliminary).

## CHAPTER II: GENERAL PURPOSE PAYMENTS TO THE STATES AND LOCAL GOVERNMENT

This chapter outlines the arrangements for payment of general purpose payments to the States and local government authorities in 1994-95 and 1995-96. The FAGs and general revenue assistance estimates in 1994-95 and 1995-96 are the same as those outlined at the 1995 Premiers' Conference, although their distribution has been marginally changed by the more recent estimates of unquarantined HFGs (an explanation of the interaction between HFGs and FAGs is provided below).

General purpose payments to the States now consist almost entirely of general revenue assistance, with the other component, general purpose capital payments, comprising only 0.9 per cent of general purpose payments in 1995-96.

General revenue assistance, which is estimated to account for 46.3 per cent of total gross payments to the States in 1995-96, is not required to be spent in a specified area. In 1995-96 general revenue assistance is estimated to amount to \$15713m, an increase of 4.2 per cent on the previous year. General revenue assistance comprises FAGs, special revenue assistance (SRA) and identified road grants.

- **FAGs** account for the great bulk of general revenue assistance.
- **SRA** can be funded from within the pool of FAGs or directly by the Commonwealth. Payments funded from within the pool reduce the level of FAGs by that amount and hence are effectively funded by the States in line with their weighted population shares (see below). These payments are added back to the pool when determining the base level of FAGs for the next year.
  - For 1995-96, SRA can be broken down into the following payments which are described in greater detail later in this chapter:
    - : Medicare guarantee payments;
    - : transitional allowances and special fiscal needs for the Australian Capital Territory; and
    - : SRA paid to the Australian Capital Territory and Northern Territory.
- **Identified road grants** are a result of the untying of specific purpose payments relating to arterial roads from 1 January 1994 (and prior to that, local roads). The new arrangements which are to be introduced in 1995-96 for the indexation and distribution of identified road grants are discussed below.

Table 5 sets out the payments of general revenue assistance by type of payment and State for the period 1991-92 to 1995-96.

**Table 5: General Revenue Assistance to the States (\$m)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Financial Assistance Grants (a)									
1991-92	3606	2645	2627	1557	1474	558	358	750	13573
1992-93	3613	2639	2771	1587	1521	578	372	782	13864
1993-94 (b)	3773	2717	2735	1514	1429	584	203	772	13727
1994-95 (b) (c)	4014	2796	2702	1512	1458	612	218	828	14139
1995-96 (b) (d)	4209	2986	2868	1540	1500	650	228	877	14858
Identified Road Grants (e)									
1991-92	5	3	6	..	9	5	..	12	39
1992-93	5	3	6	..	9	..	..	8	31
1993-94	52	52	32	22	11	4	1	2	175
1994-95	104	103	63	43	23	9	1	4	350
1995-96 (f)	109	99	68	43	28	11	3	9	369
Special Revenue Assistance									
1991-92 (g)	..	..	..	..	..	..	53	40	92
1992-93 (h)	..	138	..	..	..	..	15	40	192
1993-94	134	188	..	..	..	..	101	30	454
1994-95 (i)	165	216	40	15	5	8	107	29	585
1995-96 (j)	181	231	..	..	..	..	64	10	486
Total General Revenue Assistance									
1991-92	3610	2647	2633	1557	1482	563	410	801	13704
1992-93	3618	2780	2777	1587	1530	578	387	830	14087
1993-94	3960	2957	2767	1535	1441	588	304	804	14355
1994-95 (c)	4282	3115	2805	1570	1486	629	327	861	15074
1995-96 (d)	4499	3315	2936	1583	1528	661	294	896	15713

- (a) Consists of FAGs to the six States, the NT and for 1993-94 to 1995-96, the ACT. The amounts shown for the ACT prior to 1993-94 are general revenue grants and include non State-like funding components.
- (b) The ACT estimates for 1993-94 to 1995-96 are not comparable with earlier years, owing to a change in treatment of transitional allowances and special fiscal needs. As from 1993-94 these payments are treated as special revenue assistance.
- (c) Estimates — actual outcomes will depend on final figures for unquarantined Hospital Funding Grants and the determination of the Statistician as to the population at 31 December 1994.
- (d) Estimates — final figures will depend on the actual increase in the Consumer Price Index (CPI) for the four quarters to March 1996 over the previous four quarters, the determination of the Statistician as to the population at 31 December 1995 and final figures for unquarantined Hospital Funding Grants.
- (e) Since 1991-92 the bulk of local road funding, previously paid under the *Australian Land Transport Development Act 1988*, has been paid under the *Local Government (Financial Assistance) Act 1986*. However, in 1991-92 and 1992-93 a small proportion was paid to State Governments for local roads which were their direct responsibility. This portion was absorbed into FAGs in 1993-94. The \$175m identified for 1993-94, \$350m in 1994-95 and \$369.2m in 1995-96 are funds previously provided for arterial road funding, but untied from 1 January 1994. For 1993-94 and 1994-95 these payments were distributed on the basis of the average arterial road allocations for the three years to 1991-92. In 1995-96, one-third of identified road grants will be distributed on the basis of the CGC's per capita relativities which underlie the distribution of FAGs, while the remaining two-thirds will be distributed on the basis of historical shares.
- (f) Estimates — final figures will depend on the actual increase in the Consumer Price Index (CPI) for the four quarters to March 1996 over the previous four quarters, and the determination of the Statistician as to the population at 31 December 1995.
- (g) The \$53m for the ACT consists of payments made to the ACT from the Australian Capital Territory Transitional Funding Trust Account.
- (h) The \$138m for VIC was compensation for the Commonwealth's decision not to share Petroleum Resource Rent Tax revenue.
- (i) Estimates - actual outcomes will depend on the determination of the Statistician as to the population at 31 December 1994.
- (j) Estimates — final figures (except for \$49.1m in transitional allowances and special fiscal needs for the ACT) will depend on the actual increase in the CPI for the four quarters to March 1996 over the previous four quarters and the determination of the Statistician as to the population at 31 December 1995.

## DERIVATION OF LEVEL AND DISTRIBUTION OF GENERAL REVENUE ASSISTANCE

### Level of Financial Assistance Grants

At the 1994 Premiers' Conference the Commonwealth agreed to maintain FAGs in real per capita terms for the period from 1994-95 to 1996-97. This replaced the real terms guarantee of FAGs provided by the Commonwealth at the 1990 Premiers' Conference for 1991-92 to 1993-94.

The Commonwealth has extended the real per capita guarantee of FAGs to 1997-98, consistent with the agreement at the 1995 COAG Meeting that the guarantee will be maintained on a rolling three year basis.

In 1994-95 FAGs to the States are expected to total \$14139m, with the real terms adjustment and the per capita adjustment estimated to contribute \$344.3m and \$160.4m respectively.

**Table 6: Level of Financial Assistance Grants (FAGs), 1995-96 (\$m)**

(1) 1994-95 base FAGs (a)	13634.3
(2) Plus real terms adjustment (b)	344.3
(3) Plus per capita terms adjustment (c)	160.4
(4) Equals 1994-95 FAGs	14139.1
(5) Plus 1994-95 NSW SRA (pool funded Medicare guarantee)	74.7
(6) Plus 1994-95 VIC SRA (pool funded Medicare guarantee)	148.5
(7) Plus 1994-95 Qld pool funded SRA	30.1
(8) Plus 1994-95 WA pool funded SRA	10.0
(9) Plus 1994-95 ACT pool funded SRA	20.1
(10) Plus 1994-95 NT pool funded SRA	20.1
(11) Equals base to calculate 1995-96 pool of FAGs	14442.6
(12) Plus real terms adjustment (d)	606.6
(13) Plus per capita terms adjustment (e)	186.8
(14) Equals estimate of 1995-96 pool of FAGs (f)	15235.9
(15) Less 1995-96 NSW SRA (pool funded Medicare guarantee) (f)	147.1
(16) Less 1995-96 VIC SRA (pool funded Medicare guarantee) (f)	206.2
(17) Less 1995-96 pool funded SRA for the ACT (f)	15.0
(18) Less 1995-96 pool funded SRA for the NT (f)	10.0
(19) Equals estimate of 1995-96 FAGs	14857.6

- (a) This is the amount set by the *States Grants (General Purposes) Act 1994* (the Act), as base assistance for 1994-95.
- (b) This indexes the 1994-95 base FAGs for the CPI outcome for the four quarters to the March quarter 1995 over the previous period (the outcome being an increase of 2.5 per cent).
- (c) Based on a projection (prepared by the ABS according to assumptions reflecting prevailing trends agreed to by Treasury) used at the 1995 Premiers' Conference of the population increase between 31 December 1993 and 31 December 1994.
- (d) Assumes an increase in the CPI for the four quarters to March 1996 over the previous four quarters of 4.2 per cent.
- (e) Based on a projection (prepared by the ABS according to assumptions reflecting prevailing trends agreed to by Treasury) used at the 1995 Premiers' Conference of an increase in the Australian population between 31 December 1994 and 31 December 1995 of 1.2 per cent. The final figure will depend on the determinations of the Statistician as to the population at those dates.
- (f) Estimates — final figures will depend on the actual increase in the CPI for the four quarters to March 1996 over the previous four quarters and the determination of the Statistician as to the population at 31 December 1994 and 1995.

## **Distribution of Financial Assistance Grants**

The distribution of FAGs among the States reflects the decision at the Premiers' Conference that it should be based on the States' populations as at 31 December of each year and per capita relativities assessed by the CGC.

The per capita relativities are applied to the State populations in order to arrive at a weighted population share for each State. A State's FAGs are equal to its weighted population share of the combined pool of FAGs and unquarantined HFGs, less the HFGs it receives. The distribution and level of HFGs among the States are determined by the Medicare Agreements between the Commonwealth and the States.

Tables 7 and 8 set out the estimated distribution of FAGs in 1994-95 and 1995-96 respectively.

Pursuant to terms of reference provided by the Commonwealth after consultation with the States, the CGC recommends per capita relativities for consideration at the Premiers' Conference for the distribution among the States of the pool of FAGs and HFGs. The per capita relativities are calculated in accord with the principles explained in the next section on horizontal fiscal equalisation.

The CGC undertakes a major review of the per capita relativities and the methods used to calculate them every five years, with updates in the intervening years. The most recent review was completed in March 1993. The next review, which would otherwise have been due for completion in 1998, has been scheduled for 1999 to allow the CGC to take account of the Medicare agreements which are scheduled to be renegotiated by 1998, and the results from the 1996 Census.

The per capita relativities recommended in the CGC's *Report on General Revenue Grant Relativities 1995 Update* (the 1995 Update Report) were adopted at the 1995 Premiers' Conference. The terms of reference for the 1995 Update Report required the CGC to use the same methodology which it employed to calculate the relativities adopted at the 1994 Premiers' Conference.

The total redistribution of the indicative pool between the States implied by the 1995 Update relativities is \$80.6 million. As expected, this is substantially less than the redistribution of \$204.8 million contained in the 1994 Update, and implies a redistribution of grants mainly away from Western Australia and South Australia and towards Victoria and Tasmania.

**Table 7: Financial Assistance Grants (FAGs) to the States, 1994-95**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Estimated Population as at 31 December 1994 (000's) (a)	6085.5	4489.0	3235.6	1716.0	1472.1	472.8	302.2	172.5	17945.8
(2) Per capita relativities (b)	0.8756	0.8374	1.0441	1.0839	1.2186	1.517	0.8968	4.9863	na
(3) Weighted populations (000's) - (1) times (2)	5328.5	3759.1	3378.3	1860.0	1793.9	717.4	271.0	860.1	17968.2
(4) Share of each State in weighted population (per cent) (c)	29.7	20.9	18.8	10.4	10.0	4.0	1.5	4.8	100.0
(5) Pool of FAGs and HFGs distributed according to (4) (\$m)	5275.6	3721.8	3344.8	1841.5	1776.1	710.2	268.4	851.5	17789.9
(6) Unquarantined HFGs (\$m) (d)	1261.8	925.8	643.3	329.8	317.8	98.1	50.4	23.8	3650.8
(7) Total FAGs - (5) less (6) (\$m)	4013.7	2796.0	2701.5	1511.7	1458.3	612.2	217.9	827.7	14139.1

- (a) The population as at 31 December 1994 will be that determined by the Statistician in accordance with the *States Grants (General Purposes) Act 1994* (the Act). As the Statistician has yet to make a final determination, the figures shown are projections prepared by the ABS according to assumptions reflecting prevailing trends and agreed to by Treasury. These projections are subject to revision.
- (b) The per capita relativities adopted at the 1994 Premiers' Conference.
- (c) For ease of presentation, weighted population shares rounded to one decimal place are shown. However, in calculating row (5), unrounded shares are used in accordance with the Act.
- (d) Unquarantined HFGs — that is, total HFGs less the incentives package, the bonus pools, Medicare benefit adjustments and the other health services component (estimates only).

**Table 8: Financial Assistance Grants (FAGs) to the States, 1995-96**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Estimated population as at 31 December 1995 (000's) (a)	6154.1	4521.5	3310.6	1746.7	1479.9	474.2	306.7	174.7	18168.5
(2) Per capita relativities (b)	0.8743	0.8506	1.0435	1.0521	1.2047	1.5437	0.8916	5.0332	na
(3) Weighted populations (000's) - (1) times (2)	5380.6	3846.0	3454.6	1837.7	1782.9	732.1	273.4	879.2	18186.5
(4) Share of each State in weighted population (per cent) (c)	29.6	21.1	19.0	10.1	9.8	4.0	1.5	4.8	100.0
(5) Pool of FAGs and HFGs distributed according to (4) (\$m)	5521.9	3947.1	3545.4	1886.0	1829.7	751.3	280.6	902.3	18664.4
(6) Unquarantined HFGs (\$m) (d)	1313.3	961.3	677.2	345.8	329.7	101.5	53.1	24.9	3806.8
(7) Total FAGs - (5) less (6) (\$m)	4208.6	2985.8	2868.2	1540.3	1500.0	649.8	227.5	877.4	14857.6

- (a) The projected population as at 31 December 1995 has been prepared by the ABS according to assumptions reflecting prevailing trends and agreed to by Treasury. These projections are subject to revision.
- (b) The per capita relativities adopted at the 1995 Premiers' Conference.
- (c) For ease of presentation, weighted population shares rounded to one decimal place are shown. However, in calculating row (5), unrounded shares are used.
- (d) Unquarantined HFGs — that is, total HFGs less the incentives package, the bonus pools, Medicare benefit adjustments and the other health services component (estimates only).

23

Total  
 \$1159.6m  
 Local Govt  
 \$64.6m  
 882.934

Per capita  
 FAGs & HFGs

897.27  
 872.96  
 1070.92  
 1107.75  
 1236.37  
 1584.35  
 914.90  
 5164.85  
 1027.29

The main factor responsible for the redistribution is the substitution of 1993-94 for 1988-89 in the five year review period of the CGC's assessment. The primary impact on grant shares of updating the review period was through changes in revenue raising capacity and changes in the composition of the standard budget, especially for expenditure. More detail is provided below, with the emphasis on factors relevant to those States most affected by the 1995 Update.

- The increase in Victoria's grant share reflects a lower relative revenue raising capacity in 1993-94 than in 1988-89. This was most evident for stamp duty on conveyances, payroll tax and land tax.
- The increase in Tasmania's grant share is largely attributable to a change in the composition of the standard budget between 1988-89 and 1993-94. In particular, those expenditure and revenue categories where Tasmania has a high cost of service provision and low revenue raising capacities (ie disabilities) increased.
- Factors relevant to the decline in Western Australia's grant share included:
  - an increase in Western Australia's capacity to raise revenue in 1993-94 compared to 1988-89 for payroll tax, stamp duty on conveyancing, mining revenue and land tax;
  - an increase in the assessed mining revenue base because of a data correction; and
  - a reduction in the standard expenditure for road maintenance. This reduced Western Australia's grant share as Western Australia is assessed as having large disabilities in road maintenance.
- South Australia's relative revenue raising capacity is assessed as having increased in 1993-94 vis-a-vis 1988-89, with a greater capacity to raise revenue from payroll tax, land tax revenue and stamp duty on conveyances. South Australia's reduced share of Australian secondary school aged children since 1988-89 (which reduced the disability factor on this assessment) also explains the decline in its grant share.

**Table 9: Effects of Commonwealth Grants Commission's Recommendations on the Distribution of FAGs (\$m) (a), (b)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
(1) Changes within 1994 Update Years 1988-89 to 1992-93	-26.8	14.3	6.8	-13.6	5.3	2.7	7.5	3.8
(2) Changes in the Composition of the standard budget	-3.2	-44.4	25.9	-4	-2	9.2	-2.9	21.4
(3) Changes in Revenue Disabilities	27.3	61.3	-26.6	-30.7	-15.6	1.2	-9.2	-7.5
(4) Changes in Expenditure Disabilities	-3.2	28.6	-6.8	-4.7	-7.2	-0.5	3.2	-9.5
(5) Changes to Review Period substitution of 1993-94 for 1988-89 (2) + (3) + (4)	20.9	45.6	-7.5	-39.4	-24.9	9.9	-9	4.4
<b>(6) Total Change (1) + (5)</b>	<b>-5.9</b>	<b>59.9</b>	<b>-0.7</b>	<b>-53</b>	<b>-19.6</b>	<b>12.6</b>	<b>-1.5</b>	<b>8.2</b>

(a) Derived from Table X-2 of the CGC's *Report on General Revenue Grant Relativities 1995 Update*.

(b) Based on the estimate of the 1994-95 FAGs/ HFGs pool given in the *1994-95 Budget Paper No.3*, as used by the CGC in its 1995 Update. Column (4) of Table 13 applies the CGC's 1995 Update relativities to the estimated 1995-96 FAGs/HFGs pool.

Further information is provided in the CGC's 1995 Update Report.

### Horizontal Fiscal Equalisation

The CGC's recommendations embody the principle of horizontal fiscal equalisation, which is to ensure that each State has the capacity to provide the average standard of State-type public services, if it makes the same effort to raise revenue as the States on average and it operates at an average level of efficiency.

Distributing FAGs in accordance with CGC per capita relativities calculated on the basis of horizontal fiscal equalisation means that New South Wales, Victoria and the Australian Capital Territory receive less than an equal per capita share, and the other States receive more. New South Wales, Victoria and the Australian Capital Territory also receive less than they would have if the distribution had been based on personal income tax collections, as shown in Table 10. The alternative distributions used in Table 10 are simply arbitrary benchmarks.

**Table 10: Impact of Horizontal Fiscal Equalisation on the Distribution of the Pool of Financial Assistance Grants and Hospital Funding Grants (\$m) (a)**

	Distribution of the Pool Using Relativities (b)	Distribution of the Pool on an Equal Per Capita Basis (c)	Difference in Distribution (1) - (2)	Distribution of the Pool on the Basis of Income Tax Paid (d)	Difference in Distribution (1) - (4)
	(1)	(2)	(3)	(4)	(5)
NSW	5522	6322	-800	6736	-1214
VIC	3947	4645	-698	4799	-851
QLD	3545	3401	144	2890	655
WA	1886	1794	92	1777	109
SA	1830	1520	309	1386	444
TAS	751	487	264	426	325
ACT	281	315	-34	483	-202
NT	902	179	723	168	734
Total	18664	18664	..	18664	..

(a) The pool used consists of \$14857.6m in FAGs and \$3806.8m in HFGs, as in Table 8.

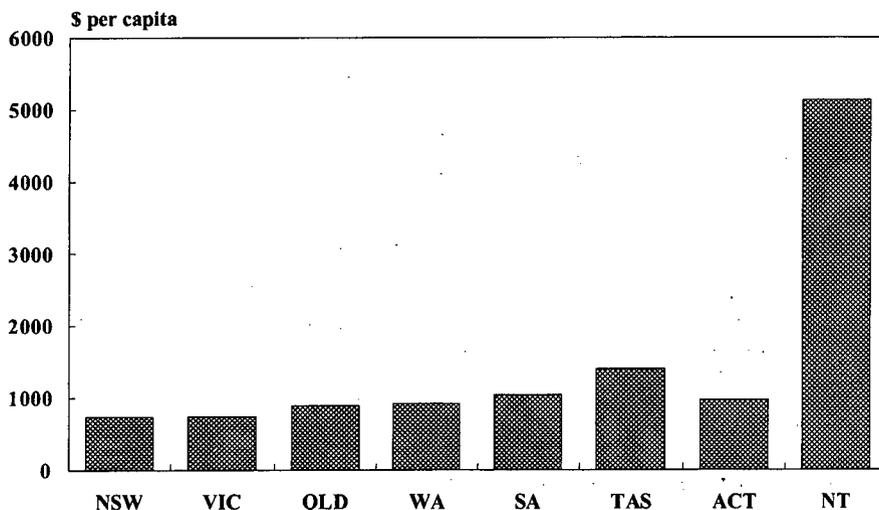
(b) The per capita relativities used are those adopted at the 1995 Premiers' Conference; see row (2) of Table 8.

(c) The population figures used are those used at the 1995 Premiers' Conference; see row (1) of Table 8.

(d) Based on each State's contribution to total net tax paid by individuals for 1992-93, as shown in Table 1.1 of Australian Taxation Office, *Taxation Statistics 1992-93*.

The estimated State distribution of general revenue assistance on a per capita basis for 1995-96 is shown in Chart 6. It can be seen that New South Wales and Victoria receive significantly less than average per capita payments while the Northern Territory and Tasmania receive significantly greater than average per capita payments.

**CHART 6: GENERAL REVENUE ASSISTANCE, 1995-96 (\$ PER CAPITA)**



Source: Table 4 of this Budget Paper.

## Special Revenue Assistance

At the 1994 Premiers' Conference the Commonwealth agreed to fund directly \$103.7m in SRA to the States and also to defer for a year the reduction in its contribution to the Medicare guarantee payments (discussed further below), to partially offset the abolition of the Loan Council capital grants program. This funding was provided on a once-off basis.

The 1994 Premiers' Conference also agreed to the provision of pool-funded SRA of \$20.1m each to the Australian Capital Territory and the Northern Territory. Queensland and Western Australia also received pool-funded SRA of \$30.1m and \$10.0m respectively in 1994-95 in recognition of their reduced shares of FAGs which resulted from the use of the per capita relativities recommended in the CGC's 1994 Update Report.

The 1995 Premiers' Conference agreed to provide pool-funded SRA of \$15.0m to the Australian Capital Territory and \$10.0m to the Northern Territory in 1995-96. As in the past, the purpose of such SRA to the Territories is to ease their transition to State-like levels of funding.

Table 11 provides a breakdown of the SRA agreed to at the 1995 Premiers' Conference for 1995-96.

**Table 11: Special Revenue Assistance, 1995-96 (\$m) (a)**

	Special Revenue Assistance		Medicare Guarantee Payments		Transitional Allowances and Special Fiscal Needs	Total
	Pool funded	Non Pool Funded	Pool funded	Non Pool Funded		
	(1)	(2)	(3)	(4)	(5)	(6)
NSW	..	..	147.1	34.1	..	181.2
VIC	..	..	206.2	24.7	..	230.9
QLD	..	..	..	..	..	..
WA	..	..	..	..	..	..
SA	..	..	..	..	..	..
TAS	..	..	..	..	..	..
ACT	15.0	..	..	..	49.1	64.1
NT	10.0	..	..	..	..	10.0
Total	25.0	..	353.3	58.9	49.1	486.3

(a) Estimates — final figures (except for the \$49.1m in transitional allowances and special fiscal needs for the ACT) will depend on the actual increase in the CPI for the four quarters to March 1996 over the previous four quarters and the determination of the Statistician as to the population at 31 December 1994 and 1995.

### *Funding Arrangements for the Australian Capital Territory*

The Australian Capital Territory receives funding not available to the other States in the form of transitional allowances and special fiscal needs, which are classified as

SRA. The level of 1995-96 payments will be as recommended by the CGC in its 1995 Update Report, but with a reduction of \$2.22m resulting from changes in policing responsibilities between the Australian Capital Territory and the Commonwealth. Similar adjustments have been made since 1992-93.

Transitional allowances are designed to assist with the Australian Capital Territory's transition from the generous levels of Commonwealth funding which existed before self-government. In 1995-96 transitional allowances will amount to \$36.0m (\$38.2m as recommended by the CGC less \$2.22m), a decrease of \$12.6m over 1994-95. Payments of transitional allowances can be expected to decline further in future years.

Special fiscal needs are payments to the Australian Capital Territory in recognition of the fact that certain functions (for example, the Family Court) are not funded by the Commonwealth, whereas in other States funding arrangements exist between the Commonwealth and the State. In 1995-96 special fiscal needs will amount to \$13.1m, a decrease of \$4.2m from 1994-95. The reduction reflects the inclusion of the Australian Capital Territory in the Commonwealth TAFE infrastructure program as well as the fact that from 1 January 1995 the Commonwealth has directly funded (through the Australian National University) the higher education functions of the Canberra Institute of the Arts.

### ***Medicare Guarantee Payments***

It is estimated that in 1994-95 New South Wales will receive Medicare guarantee payments of \$139.4m, of which \$74.7m will be funded from the pool of FAGs, and that Victoria will receive \$195.4m, of which \$148.5m will be funded from the pool.

The funding of the new five-year Medicare Agreements which commenced on 1 July 1993, and the Medicare guarantee payments, were explained in the 1993-94 Budget Paper No 3.

At the 1993 Premiers' Conference, the levels of the Medicare guarantee payments to New South Wales and Victoria were calculated by comparing the gain from distributing the pool of FAGs and HFGs using per capita relativities adjusted for the Medicare Agreements against the amount the Commonwealth had guaranteed would be the benefit from using Medicare adjusted per capita relativities. Actual payments in 1993-94 and future years were to be set by adjusting the level of the guarantee payments agreed at the 1993 Premiers' Conference in line with the growth in the pool of FAGs.

At the 1993 Premiers' Conference it was also decided that the Commonwealth's contribution to funding the payments (an estimated \$107.7m in 1993-94) would be halved in 1994-95, with a concomitant increase in the payments funded from the pool, so as to satisfy the guarantees to New South Wales and to Victoria. At the 1994 Premiers' Conference it was decided to defer this change in the funding arrangements to 1995-96, at a cost to the Commonwealth of \$55.8m.

It was decided at the 1995 Premiers' Conference that New South Wales and Victoria will receive an estimated \$181.2m and \$230.9m respectively in Medicare guarantee payments in 1995-96. The Commonwealth will contribute \$58.9m to funding the

guarantees, with the balance to be met from the FAGs pool. The cost to the other States of funding the guarantee payments will be \$174.1m in 1995-96. The net benefit to New South Wales and Victoria of the guarantee payments will be \$76.7m and \$156.2m respectively (the net benefit to New South Wales and Victoria is less than their guarantee payments because they contribute to the pool-funded component of the guarantees in line with their shares of the FAGs/ HFGs pool).

### Identified Road Grants

In 1992, following consultations with the States, the Commonwealth decided to limit its post-1993 road funding program to a national network of roads. As a consequence, in June 1992 the Prime Minister indicated that the Commonwealth would untie \$350m of arterial roads funding from 1 January 1994 by transferring \$350m of arterial road funding grants from specific purpose payments to general revenue assistance ('identified road grants'). As a result, payments of identified road grants amounted to \$175m in 1993-94 (reflecting the fact that the new arrangements only came into effect in the second half of the financial year), and \$350m in 1994-95.

The Prime Minister also indicated that the aggregate level of these funds (that is, starting from a base of \$350m) would be indexed to the movements in FAGs. Accordingly, it is estimated that identified road grants will amount to \$369.2m in 1995-96.

In each of 1995-96, 1996-97 and 1997-98, one third of identified road grants will be cumulatively distributed on the basis of the CGC's relativities which underlie the distribution of FAGs. Thus in 1997-98, identified road grants will be fully distributed on the basis of the relativities underlying FAGs. Until then, that part of identified road grants not distributed on the basis of the CGC's relativities will continue to be distributed on the basis of the historical allocation of these road grants. Table 12 shows the 1995-96 distribution of identified road grants.

**Table 12: Distribution of Identified Road Grants, 1995-96 (a)**

	One Third Distributed on the Basis of CGC Relativities \$m	Two Thirds Distributed on the Basis of Historical Shares \$m	Total Identified Road Grants \$m
NSW	36.4	72.9	109.3
VIC	26.0	72.6	98.6
QLD	23.4	44.3	67.7
WA	12.4	30.5	43.0
SA	12.1	16.0	28.1
TAS	5.0	6.2	11.1
ACT	1.9	1.0	2.8
NT	6.0	2.7	8.6
Total	123.1	246.2	369.2

(a) Estimates — final figures will depend on the actual increase in the CPI for the four quarters to March 1996 over the previous four quarters and the determination of the Statistician as to the population at 31 December 1995.

## **Changes in the Distribution of General Revenue Assistance**

Table 13 sets out the impact on the distribution of general revenue assistance of using revised population figures for 1995-96, the new per capita relativities, special revenue assistance, and changes in the distribution of base HFGs and identified road grants.

**Table 13: Distribution of the Pool of Financial Assistance Grants and Special Revenue Assistance, and Identified Road Grants (IRGs), 1995-96 (\$m)**

	Distribution of 1995-96 Pool Using 1994-95 Relativities and Population (a)	Distribution of 1995-96 IRGs Using 1994-95 Shares	Effect of New Population Estimates	Effect of New Relativities (b)	Effect of Change in Distribution of Base Hospital Funding Grants	Net Impact of Medicare Guarantee Payments (c)	Net Impact of Other Pool Funded Special Revenue Assistance (d)	Impact of Other Special Revenue Assistance (e)	Effect of Change in Distribution of IRGs	1995-96 General Revenue Assistance: sum of (1) to (9) (f)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)	(9)	(10)
NSW	4331.4	109.3	-7.1	-6.1	2.4	76.7	-7.4	..	0.0	4499.1
VIC	3018.5	108.9	-20.9	64.1	4.1	156.2	-5.3	..	-10.3	3315.3
QLD	2909.6	66.5	37.5	-0.6	-6.5	-67.1	-4.7	..	1.2	2935.9
WA	1627.3	45.8	10.4	-57.4	-1.9	-35.7	-2.5	..	-2.8	1583.2
SA	1569.8	24.1	-13.6	-20.8	1.7	-34.6	-2.5	..	4.0	1528.1
TAS	658.0	9.3	-7.2	13.4	0.8	-14.2	-1.0	..	1.9	661.0
ACT	234.7	1.5	0.6	-1.6	-0.5	-5.3	14.6	49.1	1.4	294.4
NT	886.7	4.0	0.2	8.9	-0.1	-17.1	8.8	..	4.6	896.1
Total	15235.9	369.2	0.0	..	..	58.9	0.0	49.1	..	15713.1

(a) Column (1) was calculated using the 1995-96 level of base HFGs, \$3806.8m, but distributed among the States using 1994-95 base HFG shares.

(b) The effect of using the CGC's 1995 Update relativities as adopted at the 1995 Premiers' Conference as against those used for 1994-95. This column differs from the final row of Table 9 as it applies the 1995 Update relativities to the current estimate of the 1995-96 FAGs/ HFGs pool, whereas Table 9 uses the same FAGs/ HFGs pool as used by the CGC in its 1995 Update.

(c) Shows the net impact of Medicare guarantee payments of \$181.2m to NSW and \$230.9m to VIC, of which \$34.1m and \$24.7m respectively are funded directly by the Commonwealth (see columns (3) and (4) of Table 11) — and account for the total net benefit of \$58.9m. The net benefit to NSW and VIC is less than the Medicare guarantee payments as funding part of the payments from the pool of FAGs reduces FAGs to NSW and VIC.

(d) The net benefit to the ACT and the NT differs from the amount of special revenue assistance provided to them of \$15m and \$10m respectively as funding the payments from the pool reduces their FAGs.

(e) Comprises transitional allowances and special fiscal needs.

(f) Equal to the sum of row (7) of Table 8, column (6) of Table 11 and column (3) of Table 12.

## GENERAL PURPOSE CAPITAL ASSISTANCE

Prior to 1987-88, capital payments to the States were paid in the form of both loans and grants under the States' Loan Council program. General purpose capital payments have been provided entirely by way of grants since 1989-90. Payments under the Loan Council capital grants program — and the analogous payments to the Territories — remained almost unchanged in nominal terms over the period 1989-90 to 1993-94. The 1994 Premiers' Conference decided to abolish the Loan Council capital grants program from 1 July 1994. This decision reflected the fact that the program had become an anachronism given that the Loan Council arrangements no longer involved the Commonwealth borrowing on behalf of the States and that the distribution of funds under the program was rooted in history rather than the capital expenditure needs of the States. This was illustrated by the fact that in 1993-94 Queensland, which has the fastest growing population and the attendant infrastructure needs, received a payment under the program of around \$5 per capita, whereas Tasmania received \$58 per capita, the Australian Capital Territory \$112 per capita, and the Northern Territory \$257 per capita.

Table 14 shows the history of these payments since 1991-92. (Chapter IV of 1991-92 Budget Paper No 4 provides greater detail of developments in general purpose capital assistance in recent years.)

**Table 14: General Purpose Capital Payments to the States (\$m)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Loan Council Capital Grants Program									
1991-92	79.8	68.3	16.1	22.4	39.0	27.5	33.4	43.8	330.2
1992-93	79.8	68.3	16.1	22.4	39.0	27.5	33.5	43.8	330.3
1993-94	79.8	68.3	16.1	22.4	39.0	27.5	33.5	43.8	330.3
1994-95	..	..	..	..	..	..	..	..	..
1995-96	..	..	..	..	..	..	..	..	..
Building Better Cities									
1991-92	..	17.0	15.0	7.5	..	2.0	..	..	41.5
1992-93	46.7	36.6	36.8	22.5	18.7	2.9	3.0	0.5	167.7
1993-94	60.0	68.7	45.5	20.3	8.3	8.0	1.3	0.5	212.6
1994-95 (a)	108.0	40.0	26.3	24.2	20.0	4.0	1.0	1.0	224.5
1995-96 (a)	56.6	19.7	33.8	4.8	17.4	2.9	3.7	1.3	140.2
Total									
1991-92	79.8	85.3	31.1	29.9	39.0	29.5	33.4	43.8	371.7
1992-93	126.4	104.9	52.9	45.0	57.7	30.3	36.5	44.3	498.0
1993-94	139.8	137.0	61.6	42.7	47.2	35.5	34.9	44.3	542.9
1994-95 (a)	108.0	40.0	26.3	24.2	20.0	4.0	1.0	1.0	224.5
1995-96 (a)	56.6	19.7	33.8	4.8	17.4	2.9	3.7	1.3	140.2

(a) The level and allocation of grants between States have yet to be finalised. Expenditure levels may vary from these estimates.

In 1995-96 there will be a Mark I and Mark II element to the 'Building Better Cities' program. The initial program commenced in 1991-92 and will continue into 1996-97, while the new Mark II program will operate for four years commencing in 1995-96. The Commonwealth will provide \$140.2m under the two Building Better Cities programs in 1995-96. This is a decrease of \$84.3m on 1994-95 and reflects the winding down of the larger Mark I program. The distribution of Building Better Cities grants is

dependent on the prior achievement of agreed milestones within the area strategies which the States are responsible for.

## GENERAL PURPOSE ASSISTANCE FOR LOCAL GOVERNMENT

General purpose assistance has been paid by the Commonwealth to local government authorities since 1974-75. Since 1986-87 the arrangements for the payment of this assistance to the States and the Northern Territory have been embodied in the *Local Government (Financial Assistance) Act 1986*. Since 1988-89, the Australian Capital Territory Government, which has responsibility for both State-like and municipal functions, has received payments in respect of general purpose assistance for local government functions analogous to those paid to local governments through the States.

In June 1991, changes were made to the *Local Government (Financial Assistance) Act 1986* in response to the October 1990 Special Premiers' Conference agreement to untie local roads funding. These changes would have required local government road funds to be absorbed into local government FAGs from 1995-96 and be distributed on a per capita basis. However, the 1995 Premiers' Conference decided to continue to distribute local road funding, which will total around \$358m in 1995-96, on the basis of historical shares. The alternative would have been at a cost to Western Australia, Tasmania, the Australian Capital Territory, the Northern Territory and Queensland.

Local government FAGs and local government road funds (and the analogous payment to the Australian Capital Territory) are increased each year on the basis of an escalation factor which is determined by the Treasurer in the light of the underlying movement in general purpose payments provided to the States.

Payments in 1994-95 have been based upon the estimated escalation factor of 2.12 per cent determined by the Treasurer in July 1994. The final entitlement will be dependent upon the Treasurer's determination of the escalation factor, which is expected to be made in June 1995 on the basis of the actual payments made to the States in 1994-95. Current estimates, included in Appendix Table 22, assume there will be an underpayment in 1994-95, mainly due to a higher than estimated CPI outcome. In line with the provisions of the *Local Government (Financial Assistance) Act 1986* this underpayment will be rectified in 1995-96. Details of the final estimates for 1994-95 will be published later in the year.

In June 1993, the Commonwealth and State Local Government Ministers agreed to a review of local government funding arrangements to ensure an efficient and effective use of resources under the legislation, given the current level and distribution of funds among the States. Following national consultations, the Commonwealth proposes to amend the *Local Government (Financial Assistance) Act 1986* with effect from 1995-96. These amendments will *inter alia*:

- include the payments to the Australian Capital Territory under the Act, rather than as separate payments;

- include the Australian Capital Territory in the reference pool used to determine the escalation factor;
- continue to maintain the separate identity of the untied local roads funding and the existing basis for the distribution of this funding; and
- bring forward the announcement of each State's estimated local government funding entitlement for the coming financial year to the time of the Budget, and defer until the following year any revisions to that entitlement.

The local government entitlement for 1995-96 is estimated at \$1159.6m. This estimate has been determined on the basis of a provisional escalation factor of 4.3 per cent and an estimated final 1994-95 entitlement of \$1111.4m (including the Australian Capital Territory).

As in the past, the interstate distribution of local government FAGs for 1995-96 will be on an equal per capita basis, using the populations at 31 December 1994. Changes in the distribution of these grants between 1994-95 and 1995-96 will therefore reflect different population growth rates among the States over the year to 31 December 1994. Untied local roads funding is to be distributed between the States on the basis of the criteria established under the *Australian Land Transport Development Act 1988*. In both cases, the intrastate distribution of these payments to local governments is determined by State Grants Commissions on the basis of fiscal equalisation.

## CHAPTER III: SPECIFIC PURPOSE PAYMENTS

This chapter discusses broad trends in specific purpose payments (SPPs) and a number of related policy issues. Detailed information concerning payments to the States for the period 1991-92 to 1995-96 is provided in the Appendix.<sup>2</sup>

### NATURE AND PURPOSE OF SPECIFIC PURPOSE PAYMENTS

SPPs are made under Section 96 of the Constitution, whereby the Parliament may grant financial assistance to any State on such terms and conditions as it sees fit. There are three types of SPPs:

- payments 'to' State governments — these are made direct to State governments for funding State expenditures;
- payments 'through' State governments — payments to State governments for passing on to other bodies or individuals (the main payments in this category relate to higher education, non-government schools and local government general purpose payments); and
- a small number of SPPs made direct to local government.

Most SPPs are paid to the States on the basis that policy objectives set by the Commonwealth, or national policy objectives agreed between the Commonwealth and the States, are met. It is because of the conditions attached to SPPs that they are sometimes called 'tied grants'. SPPs not subject to such conditions are estimated to be around \$500m in 1995-96.

The conditions imposed on individual SPPs vary considerably in both degree and form. They may involve:

- a requirement that the payment be expended for a specified activity, with varying degrees of budgetary discretion available to the States according to conditions placed on payments; or
- general policy requirements on States (for example, that the States provide free public hospital treatment to Medicare patients as a condition of receiving hospital funding grants).

Tied grants offer a means of satisfying broader community demands for minimum national standards in program areas such as health and education and, where the Commonwealth has a role in determining strategic goals, of fostering the optimal provision of public services by States from the available resources. At the same time,

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<sup>2</sup> Individual SPPs are described more fully in Statement 3 of Budget Paper No 1, and in the *Catalogue of Specific Purpose Payments to the States and Territories 1993-94* produced by the Commonwealth-State Relations Secretariat in the Department of the Prime Minister and Cabinet.

the benefits from conditions attached to SPPs have to be weighed against concerns that they limit State budgetary flexibility.

Where to set the balance between these sometimes competing considerations is not easily resolved. For example, the extent to which an SPP may restrict State budget flexibility depends on the degree to which States would have undertaken this expenditure anyway had they received the same level of funding through general purpose payments. For some large State expenditure items funded through SPPs (eg hospital funding grants and government schools), a high percentage of these funds would be expected to be directed to the same purpose regardless of the form of funding.

SPPs that are paid through the States account for around 39 per cent of total SPPs. These SPPs have a minimal impact on State budgets as they are essentially Commonwealth own-purpose outlays (COPOs), with the States acting as the Commonwealth's agent.

Some SPPs include conditions on State own-purpose outlays through the use of 'matching' funding requirements. These conditions are commonly expressed in terms of expenditures rather than outcomes. These arrangements have been questioned on the grounds that they may reduce the incentive for the States to pursue efficiency measures. This is because the States cannot direct productivity gains to other expenditure priorities or use them for deficit reduction. In some areas of shared responsibility, the use of outcome measures would allow the Commonwealth's broader policy interests to be satisfied while providing States with greater medium-term flexibility in and improved incentives for management of their budgets. Nevertheless, expenditure is often used as a proxy for a performance indicator because of the difficulty inherent in defining and agreeing an output or outcome indicator for a program.

The Commonwealth is examining, through the COAG forum, the conditions attached to SPPs with the intention of improving their quality in a number of areas and on a case-by-case basis. The COAG meeting on 11 April 1995 agreed to arrangements that will improve the effectiveness of public housing and health and community services so that they better meet the needs of clients. In respect of public housing, COAG endorsed reforms that will establish a performance-based approach focused on client outcomes and clearly delineated roles and responsibilities between levels of government. COAG also agreed to an action plan for fundamental reform in the delivery of health and community services, based on three streams of care — general, acute and co-ordinated — and a new outcome-based approach to planning and funding services. These reforms will affect programs accounting for about half of total SPPs.

### **Audit Report on Administration of Specific Purpose Payments**

In February 1995, the Australian National Audit Office (ANAO), in conjunction with the Joint Committee of Public Accounts, completed a project audit of the administration of SPPs.<sup>3</sup> The survey followed previous audit work by the ANAO which indicated the administration of SPPs had potential for considerable improvement, particularly in the

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<sup>3</sup> The Auditor-General, *Specific Purpose Payments to and through the States and Territories*, Audit Report No. 21, 1994-95.

areas of accountability to Parliament, the content of SPP agreements and the management of SPPs.

ANAO concluded that pockets of good performance exist across SPP programs, but found that some SPP agreements are not sufficiently comprehensive to be useful as a management tool. The survey also found failings in relation to accountability mechanisms and that financial arrangements need closer scrutiny. The survey results should allow individual Commonwealth departments to assess the areas in which their performance requires improvement.

ANAO made a number of recommendations to improve program administration and to highlight better practice across SPPs, including the following:

- Where appropriate, SPP agreements address the identification, measurement and sharing of savings that may occur as a result of programs being conducted more efficiently.
  - This recommendation should provide a strong incentive for States to improve the efficiency of SPP programs.
- In programs where there is a matching requirement, a detailed specification of this requirement be included in the SPP agreement and a proposal for meeting matching requirements be provided to the Commonwealth for agreement prior to the commencement of payments.
  - Through providing the States with an opportunity to promote **outcome** performance measures, this recommendation has the potential to satisfy program objectives more efficiently.

### **Review of Indexation Arrangements for Specific Purpose Payments and Commonwealth Own-purpose Outlays**

The Department of Finance recently conducted a review of the indexation of SPPs and COPOs. The revised indexation arrangements have been designed to accord with the following principles:

- all programs with substantial wage costs should be indexed consistently;
- indexes used should include only those wage increases that are not offset by productivity improvement;
- indexation arrangements should be timely, robust, credible and simple; and
- indexation arrangements should maximise incentives for programs to be delivered efficiently.

The revised arrangements will result in a simpler, fairer and more rational policy of indexation.

The indexation arrangements for SPPs and COPOs with substantial wage costs are to be modified from 1 July 1995 so as to standardise them around four 'cocktail' indexes involving:

- as a measure of the change in wage costs, the safety net adjustment as determined from time to time by the Australian Industrial Relations Commission, expressed as a proportion of the latest available full-time ordinary-time average weekly earnings; and
- as a measure of changes in non-wage costs, the latest available annual percentage change in the Treasury measure of the underlying consumer price index.

The four indexes are formed by weighting wage and non-wage costs in proportions of 40 per cent/60 per cent, 60 per cent/40 per cent, 75 per cent/25 per cent and 90 per cent/10 per cent and applied to individual SPPs and COPOs as appropriate.

An exemption from these arrangements is to apply to the indexation of recurrent funding for government and non-government schools, where the Average Government Schools Recurrent Costs index will be modified to remove the effects of redundancies and Commonwealth outlays. Delayed implementation will also apply in respect of some programs whose indexation arrangements are detailed in an agreement, contract or legislation which must be renegotiated or amended to effect the change. In such cases, the change should occur no later than 1 July 1997.

## TRENDS IN SPECIFIC PURPOSE PAYMENTS

Table 15 summarises total SPPs to the States on the basis of the functional classifications used in Budget Paper No 1.

**Table 15: Gross Specific Purpose Payments to the States by Function (\$m)**

	1991-92	1992-93	1993-94	1994-95 (est)	1995-96 (est)
General Public Services	225	252	276	293	330
Defence	..	..	..	..	..
Public Order and Safety	121	124	130	131	148
Education	5,800	6,395	6,583	6,695	6,949
Health	4,203	4,413	4,840	5,089	5,383
Social Security and Welfare	424	561	894	942	1,024
Housing and Community Amenities	1,017	1,000	1,044	1,028	1,041
Recreation and Culture	44	28	23	27	19
Fuel and Energy	80	10	3	2	6
Agriculture, Forestry and Fishing	231	252	140	227	289
Mining, Manufacturing and Construction	21	15	18	22	33
Transport and Communications	1,400	1,885	1,059	848	856
Other Economic Affairs	82	100	46	39	56
Other Purposes	1,679	2,128	1,626	1,697	1,938
<b>Total</b>	<b>15,328</b>	<b>17,165</b>	<b>16,681</b>	<b>17,041</b>	<b>18,072</b>

## Recent Trends in Level and Composition of Specific Purpose Payments to the States

In 1995-96, SPPs are estimated to total around \$18.1 billion, which represents an increase of 6.1 per cent on 1994-95. Table 15 shows that, in line with recent trends, the major contributors to SPP growth in 1995-96 are expected to be the categories of Health and Education.

SPPs are expected to account for 53.3 per cent of total gross payments to the States in 1995-96. SPPs 'to' the States are expected to total \$11.0 billion in 1995-96, while SPPs 'through' the States are expected to be \$7.0 billion. Chart 7 shows trends in SPPs as a proportion of total gross payments to the States since 1976-77, including trends in payments 'to' and 'through' the States. The chart abstracts from a number of classification changes which would complicate the analysis.<sup>4</sup>

**CHART 7: SPECIFIC PURPOSE PAYMENTS AS A PERCENTAGE OF TOTAL GROSS PAYMENTS TO THE STATES  
1976-77 TO 1995-96**

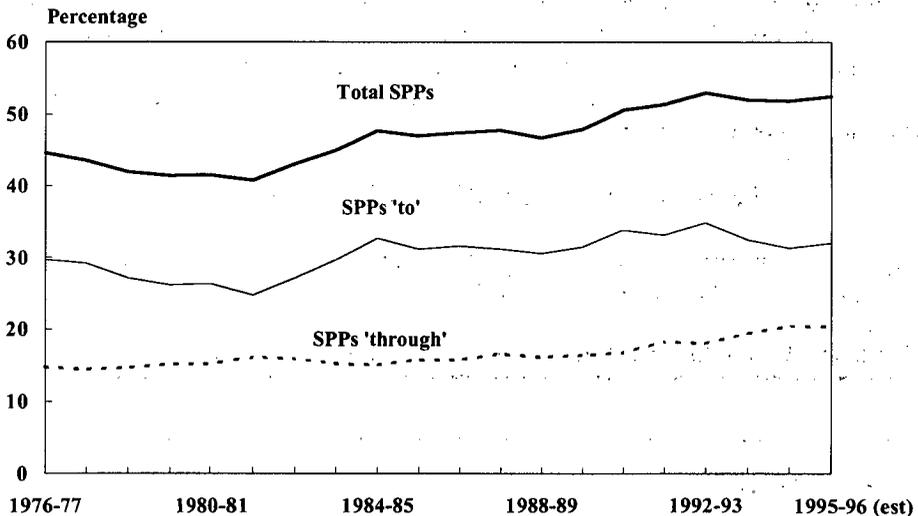


Chart 7 shows that SPPs have increased as a percentage of total Commonwealth payments to the States by around 8 percentage points over the last twenty years. Some relevant factors have been:

<sup>4</sup> Chart 7 abstracts from the reclassification of existing programs, such as the transfer in 1989-90 of nominated housing advances, provided under States' Loan Council programs, into Commonwealth-State Housing Agreement grants; and significant changes in the structure of Commonwealth hospital funding (in particular the absorption of Hospital Cost Sharing grants within general revenue assistance in 1981-82 in the form of identified health grants, and the subsequent 1988 decision to combine States' Medicare compensation grants (introduced in 1984) and identified health grants into a single new SPP — hospital funding grants). Chart 7 also abstracts from changes to the level of general purpose payments reflecting Commonwealth policy decisions, such as the transfer of taxing powers to the States.

- the relatively generous escalation arrangements which have applied to SPPs compared to general purpose payments. Although the escalation arrangements for SPPs are diverse, a number have had agreed escalation formulae based, for example, on population growth and price movements; and
- changes in Commonwealth policy in relation to major programs. For example, the termination of the Community Employment Program (consisting primarily of housing and labour market programs) in 1987-88, together with subsequent restraint in housing, road and local government grants, contributed to a decline in the level of SPPs in real terms from 1984-85 to 1989-90, notwithstanding their increasing share of total Commonwealth payments.

**CHART 8: COMPOSITION OF SPECIFIC PURPOSE PAYMENTS 'TO' AND 'THROUGH' THE STATES, 1995-96 (ESTIMATES)**

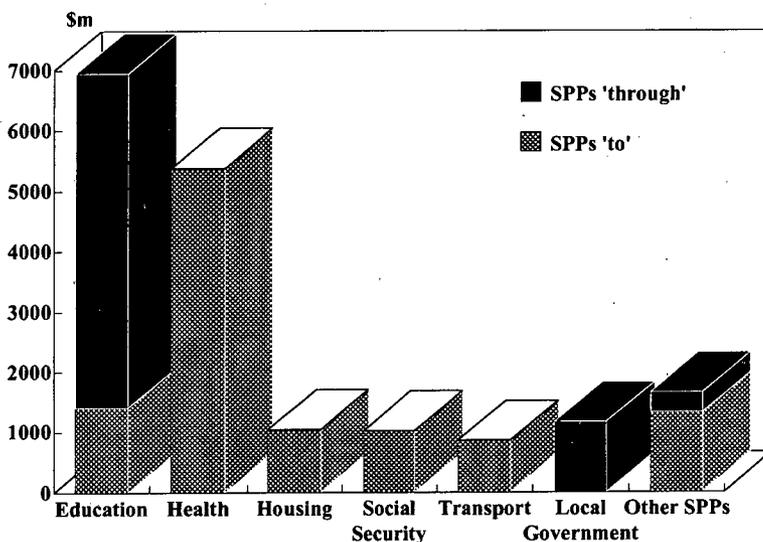


Chart 8 illustrates the composition of major specific purpose programs ('to' and 'through' the States) in 1995-96.

## FISCAL EQUALISATION AND SPECIFIC PURPOSE PAYMENTS

In determining per capita relativities for the distribution of general revenue assistance, the CGC takes account of the interstate distribution of most current SPPs. Within the CGC's methodology there are four approaches to dealing with SPPs.

- **Inclusion** is used for SPPs which are considered to meet in part the CGC's assessment of State expenditure needs (for example, SPPs for funding government schools). In essence, this assumes that the provision of funding through SPPs is no different in effect from the provision of general revenue assistance.
- **Absorption** is a variant of the inclusion approach with the main difference being that SPPs treated by this method are added to the pool of FAGs and the CGC's

recommended per capita relativities are determined with regard to the combined pool in that year. Unquarantined HFGs are treated in this manner.

- **Deduction** is used where the SPP is considered to finance expenditure in addition to that which the States would otherwise have undertaken or where the SPP is distributed in accordance with the CGC's assessment of State needs. Under this approach, only the State-funded portion of expenditure is included in the CGC's assessments. A number of health SPPs — including the incentives package, the bonus pools, Medicare benefit adjustments and the other health services component — are treated by deduction. The deduction approach seeks to quarantine the distribution of FAGs from the interstate distribution of SPPs.
- **Exclusion** is used for SPPs which are directed to areas in which the Commonwealth has largely accepted financial responsibility (for example, most SPPs 'through' the States) or which are outside the scope of the CGC's assessment. Under this method all expenditure in the particular area is excluded from the assessments.

The distribution of SPPs treated by inclusion or absorption (about three-quarters of current SPPs 'to' the States) affects the distribution of FAGs. In general, while the effect of the inclusion method on the overall distribution of funding depends on a number of factors, a State receiving a higher (lower) share of an 'included' SPP than the CGC considers appropriate to satisfy its relative 'needs' in the area will be assessed as requiring a commensurately lower (higher) share of the FAGs/HFGs pool. Concerns have been expressed that this may in some instances result in the Commonwealth's policy objectives with respect to SPPs being overridden.

The Commonwealth attempts to balance the objectives of SPPs with the objectives of fiscal equalisation. Accordingly, the Commonwealth has sometimes instructed the CGC to treat certain SPPs in a different way from how the CGC may otherwise have treated them. For example, the financial assistance provided under the South Australian Assistance Package is excluded from the CGC's assessments to ensure that the benefit of the assistance is not redistributed to the other States by a change in the distribution of FAGs.

In any event, it is not necessarily the case that the Commonwealth's policy objectives will be overridden because an SPP may be overridden over time in a financial sense. The objective of an SPP may be achieved by the fulfilment of the related conditions which the Commonwealth has agreed with the State receiving the payment.

## RECENT DEVELOPMENTS IN SELECTED COMMONWEALTH PROGRAMS

The remainder of this chapter provides details of Commonwealth-State funding arrangements for key program areas which have been the subject of recent initiatives. Further details of SPPs are presented in Statement 3 of Budget Paper No 1.

## **Hospital funding**

HFGs are the main form of Commonwealth assistance to the States for health purposes. HFGs are payable to the States under the terms of the Medicare Agreements. The first five-year Medicare Agreements came into effect in 1988-89 when HFGs replaced identified health grants (which had been a component of general revenue assistance) and Medicare compensation grants. Under the 1988 Agreements HFGs were indexed each year for changes in award wages, growth in the CPI and age/sex weighted population growth. Application of this index resulted in steady real growth in HFGs which averaged 3 per cent per annum in real terms over the five years to 1992-93.

New five-year Medicare Agreements were signed in 1993 to come into effect in 1993-94. In addition to maintaining all the funding available through the 1988 Agreements (and the indexation arrangements), the 1993 Agreements made available an extra \$1.5 billion over the five years of the Agreements. Total HFGs to the States are estimated at \$4626m in 1995-96.

The 1993 Agreements are aimed at promoting further reform of the public hospital system and ensuring that levels of public patient access are maintained and improved. To facilitate this a mechanism of bonus pools will distribute \$688m to the States in 1995-96 to encourage greater access of public patients to the public hospital system. The amount of the bonus available for each State in any year is based on its relative level of public provision above a base threshold. Penalty provisions operate to reduce payments to those States where levels of public patient access are less than the base threshold.

The major components of HFGs in 1995-96 include:

- base grants which will total \$3807m;
- bonus pool payments of \$688m; and
- 'incentive' grants of \$67.7m to promote reforms of the public hospital system and mental health arrangements.

HFGs include other health services which include a specific contribution for the treatment of AIDS patients in public hospitals (\$63.5m in 1995-96). The AIDS component is indexed to the actual growth in AIDS cases treated in the public hospital system.

As discussed in Chapter II, the distribution of unquarantined HFGs is taken into account in calculating the distribution of FAGs among the States. The CGC has quarantined the incentives package, the bonus pools, Medicare benefit adjustments and the other health services component from its assessments of the per capita relativities which are used in the distribution of the FAGs/HFGs pool. (A discussion of fiscal equalisation and SPPs is provided in an earlier section of this chapter.)

## Community Service Programs

The major forms of Commonwealth assistance to the States for the provision of community services are the Home and Community Care Program (HACC), the Supported Accommodation Assistance Program (SAAP), Aged Care 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, 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 persons at risk of institutionalisation to remain at home. In 1995-96, \$423.8m is to be provided to the States for this purpose.

SAAP provides accommodation and support services for homeless people and people in crisis. The previous agreements with the States expired in June 1994. The Commonwealth and the States are currently involved in negotiations towards further agreements. In 1995-96, it is anticipated that \$124.2m will be provided to the States under SAAP.

## Housing

In 1995-96 the Commonwealth will provide a total of \$1065.9m to the States for housing under the Commonwealth State Housing Agreement (CSHA), as detailed in Table 16.

**Table 16: Details of Payments to be Made Under the Commonwealth-State Housing Agreement, 1995-96 (\$m) (estimated)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
CSHA Block Assistance (a)	257.7	193.5	135.8	70.3	50.7	28.4	18.2	13.5	768.1
Pensioner Housing (a)	18.5	11.2	9.8	4.2	3.8	1.8	0.5	0.5	50.4
Aboriginal Housing (a)	17.8	3.6	32.4	16.2	8.5	1.0	..	19.7	99.3
Community Housing (a)	23.4	17.4	16.8	6.6	5.7	3.0	1.2	1.2	75.3
Mortgage and Rent Relief (b)	10.5	7.8	6.0	2.9	2.6	0.8	0.5	0.3	31.5
Crisis Accommodation (b)	13.5	10.0	7.1	4.4	3.3	1.6	1.1	0.4	41.3
<b>Total</b>	<b>341.4</b>	<b>243.5</b>	<b>207.9</b>	<b>104.6</b>	<b>74.6</b>	<b>36.7</b>	<b>21.5</b>	<b>35.6</b>	<b>1065.9</b>

(a) Payments under these programs are classified to the 'Housing and Community Amenities' function.

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

The States are required to match assistance provided under the Mortgage and Rent Relief Program and CSHA Block Assistance on a dollar for dollar basis, although up to half of the matching requirement may be met by the value of home loans provided through agreed home purchase assistance arrangements.

## Roads

Since 1 January 1994 the Commonwealth's road funding responsibilities have been confined to the construction and maintenance of the National Highway System (NHS). This comprises 18,500 km of roads connecting mainland capital cities (including direct Sydney-Adelaide and Melbourne-Brisbane routes), Brisbane to Cairns and Hobart to

Burnie, the Barton and Federal Highways and urban roads linking the former points of termination of the NHS in Sydney, Melbourne, Brisbane, Perth and Adelaide. Funding for this network has been pegged at \$820m a year (in 1994-95 dollars) from 1994-95 to 1997-98.

Since 1992-93, Commonwealth SPPs on roads have declined due to the transfer of \$350m a year from specific purpose funding for arterial roads to identified general revenue assistance to the States (see discussion of identified road grants in Chapter II) and the cessation of the Black Spots, Provincial Cities and Rural Highways, Urban Public Transport and *One Nation* programs.

### **Sport and Recreation**

The Commonwealth agreed to provide \$150m in three instalments of \$50m for capital works and facilities at Homebush Bay in Sydney for the 2000 Olympics. The second instalment was paid in 1994-95, with the last due to be provided in 1995-96.

### **Drought Assistance**

The Commonwealth, through the exceptional circumstances provisions of the Rural Adjustment Scheme, has made substantial payments to the States for the current drought being experienced through much of Australia's rural communities. In 1994-95, this is expected to amount to \$72.4m.

In 1995-96 an estimated \$111.1m is expected to be provided to the States for drought assistance. These payments allow for continuation of drought related exceptional circumstances declarations in most existing areas until 31 December 1995. They do not make allowance for any further extension of declarations to other areas.

### **Native Title Act**

Following passage of the *Native Title Act 1993*, the Commonwealth is to provide financial assistance to the States in respect of compensation for the validation of past acts and costs of establishment and operation of recognised State bodies for handling native title claims and for related administrative processes. This financial assistance is estimated at \$9m in 1995-96, increasing to \$12m in 1998-99.

## CHAPTER IV: LOAN COUNCIL OVERSIGHT OF COMMONWEALTH AND STATE BORROWINGS

This chapter sets out the Loan Council Allocations (LCAs) for 1995-96 endorsed by Loan Council at its meeting on 11 April 1995. It also outlines developments relating to Loan Council reporting arrangements and the new Financial Agreement.

### LOAN COUNCIL ALLOCATIONS FOR 1995-96

Loan Council considered the 1995-96 LCAs nominated by the Commonwealth and each State under the Loan Council arrangements adopted from 1993-94. These arrangements were described in detail in Budget Paper No 3 in 1993-94 and in the July 1993 report, *Future Arrangements for Loan Council Monitoring and Reporting*. In summary, each jurisdiction nominates an LCA comprising its estimated general government deficit/surplus (based on its *National Fiscal Outlook* projections), public trading enterprise (PTE) sector net financing requirement and certain memorandum items. These nominations are considered by Loan Council having regard to each jurisdiction's fiscal position and reasonable infrastructure requirements, as well as to the macroeconomic implications of the aggregate figure.

The LCAs nominated by the Commonwealth and States for 1995-96 and endorsed by Loan Council at its meeting on 11 April are shown in Table 17. In aggregate, they represent a substantial reduction on the LCAs agreed for 1994-95, and on the 1994-95 outcomes now in prospect. The actual outcomes for 1994-95 will be published, by individual jurisdictions and in a press release by the Loan Council Secretariat, in the new financial year.

In considering the aggregate of nominated LCAs, Loan Council noted that the Commonwealth Government's commitment to tighten fiscal policy would result in a significant reduction in the Commonwealth's LCA from the nominated figure. Against that background, Loan Council considered that the aggregate of LCA nominations was consistent with current macroeconomic policy objectives.

LCA nominations for 1995-96 are based on best estimates, immediately prior to the Loan Council meeting, of 1995-96 deficits/surpluses on a no policy change basis. The nominations thus provide a well defined indication of the public sector's likely call on financial markets. The actual call on financial markets may vary from this estimate because of, for example, changes in economic conditions and policy measures that jurisdictions implement. Updated information will be provided to financial markets through publication by each jurisdiction of a revised estimate of its LCA at the time of its budget, and in quarterly reports through the year of progress against this budget time LCA.

A discussion of the Commonwealth's 1995-96 budget time LCA is included in Statement 6 of Budget Paper No 1.

Tolerance limits apply between the LCA approved by Loan Council and the budget time LCA, and again between the budget time LCA and the LCA outcome. They recognise

that LCAs are nominated at an early stage of budget processes and that estimates are likely to change as a result of policy and parameter changes before and after budgets are brought down. If a jurisdiction expects to exceed the upper or lower bound of the tolerance limit around its LCA estimate, it is obliged to provide an explanation to Loan Council and to make this explanation public. While Loan Council would not be required formally to approve the change, it would have the opportunity to pursue with the particular jurisdiction any concerns raised by the new LCA estimate.

To allow for forecasting difficulties associated with the move to earlier budgets, Loan Council decided that the tolerance limit of 3 per cent of total public sector revenue that applied to 1994-95 LCAs would be retained for 1995-96. It also decided to reduce the limit to 2 per cent from 1996-97. These arrangements will ensure that significant variations from LCA estimates are explained publicly.

### PROSPECTIVE COMMONWEALTH LCA OUTCOME FOR 1994-95

Chapter IV of 1994-95 Budget Paper No 3 provided a budget time estimate of \$12.4 billion for the Commonwealth's 1994-95 LCA, compared with the LCA nomination of \$13.8 billion endorsed by Loan Council in March 1994.

The 1994-95 LCA outcome for the Commonwealth is now estimated at \$12.7 billion. Such an outcome would be well within the 3 per cent of revenue tolerance limit that applies between the Commonwealth's 1994-95 budget time LCA and LCA outcome.

The current estimate of the LCA outcome incorporates the budget deficit estimate of \$12.2 billion shown in Budget Statement 1, compared with \$11.7 billion estimated at budget time last year. It also reflects higher estimates for non-budget general government authorities and memorandum items, more than offset by a smaller estimated net financing requirement for the PTE sector.

### LOAN COUNCIL REPORTING ARRANGEMENTS

A central part of the Loan Council monitoring and reporting arrangements is that there should be regular reporting by jurisdictions of progress against their agreed LCAs with a view to enhancing the accountability and transparency of Loan Council processes.

In 1993-94, jurisdictions' quarterly reporting was against 'global limit equivalents', a transitional arrangement to facilitate within year monitoring and reporting while jurisdictions developed the capacity to report quarterly against LCAs. All jurisdictions except the Australian Capital Territory moved to quarterly reporting against LCAs from 1994-95. The Australian Capital Territory will do so from the September quarter 1995.

The agreed reporting arrangements require jurisdictions to provide the Loan Council Secretariat with quarterly LCA reports and an annual statement of financial assets and liabilities, and to make these reports public. In accordance with the agreed arrangements, the Secretariat has published consolidations of jurisdictions' LCA outcomes for the September and December quarters 1994, showing progress against 1994-95 budget time LCAs, and of their annual statements of financial assets and

liabilities at 30 June 1994. The December quarter and annual consolidated reports are reproduced in Tables 18 and 19.

## NEW FINANCIAL AGREEMENT

At its June 1992 meeting, Loan Council agreed to proceed with amendments to the Financial Agreement to:

- remove the requirement for future Commonwealth and State borrowings to be approved under the Agreement;
- remove the Commonwealth's explicit power to borrow on the States' behalf;
- abolish the restriction on States' borrowing by the issue of securities in their own names;
- remove references to the National Debt Sinking Fund — a new fund, the Debt Retirement Reserve Trust Account, is to be established to provide a more efficient mechanism for the redemption of Commonwealth Government securities on issue on behalf of the States; and
- include the Australian Capital Territory and Northern Territory as members of Loan Council and as parties to the Financial Agreement (in place of their present observer status).

Following Loan Council endorsement, the proposed new Financial Agreement was signed by all Heads of Government on 25 February 1994. For the new Agreement to become effective, complementary legislation must be passed in the Commonwealth and all State Parliaments. Passage has now been secured in all jurisdictions and those that have not yet proclaimed their legislation are taking steps to do so with the aim of bringing the new Agreement into effect on 1 July 1995.

**Table 17: Loan Council Allocations — 1995-96 Nominations (\$m) (a)**

	NSW <sup>1</sup>	VIC <sup>2</sup>	QLD	WA <sup>3</sup>	SA <sup>4</sup>	TAS	ACT	NT <sup>5</sup>	C/Wealth	Aggregate
1994-95 general government deficit (est.)	277	19	-462	-95	541	63	17	54	13557	13971
1995-96 general government deficit (nominated)	543	440	-660	-245	304	54	54	38	7005	7533
PTE sector net financing requirement	-151	-172	80	-166	-57	-50	-19	39	454	-42
Public sector deficit	392	268	-580	-411	247	4	35	77	7459	7491
Memorandum items (b)	-392	-46	423	196	-101	14	-6	1	360	449
<i>University Borrowings (c)</i>	<i>30</i>	<i>72</i>	<i>37</i>	<i>10</i>	<i>21</i>	<i>0</i>	<i>n/a</i>	<i>3</i>	<i>6</i>	<i>179</i>
<b>Loan Council Allocation</b>	<b>0</b>	<b>222</b>	<b>-157</b>	<b>-215</b>	<b>146</b>	<b>18</b>	<b>29</b>	<b>78</b>	<b>7819</b>	<b>7940</b>
1994-95 LCA latest estimate	602	-37	13	-320	451	36	22	98	13263	14128
1993-94 LCA outcome	-129	-1453	-2053	-141	-21	39	-1	-43	13249	9447
1994-95 LCA budget time estimate	-686	92	-21	-309	353	33	27	70	12400	13331
1994-95 LCA nomination	867	626	142	169	155	9	30	155	13800	15953
1995-96 tolerance limit (3 per cent of non-financial public sector revenue) (est.)	700	523	402	232	188	67	36	48	3820	

- (a) Estimates for 1995-96 and latest estimates of 1994-95 outcomes shown in this table are as published following the Loan Council meeting on 11 April. LCA nominations for 1995-96 reflect best estimates of 1995-96 public sector deficits/surpluses on a no policy change basis. They are based on estimates provided by jurisdictions for purposes of the 1995 National Fiscal Outlook Report. Updated estimates will be provided through publication by each jurisdiction of its budget time LCA as part of its budget documentation. The 3 per cent (of total public sector revenue) tolerance limits around each jurisdiction's 1995-96 LCA are designed, inter alia, to accommodate changes to the LCA resulting from policy change. This table does not include the Premiers' Conference outcome in respect of the level and distribution of general purpose funding.
- (b) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions - such as operating leases or governments' risk weighted contingent exposure to infrastructure projects with private sector involvement - that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs - for example, the funding of more than employers' emerging costs under public sector superannuation schemes, the GFS deficit/surplus of States' central borrowing authorities, or borrowings by entities such as statutory marketing authorities.
- (c) University borrowings are included in the general government deficit/surplus and are not additive. The inclusion of university borrowings in State LCAs from 1996-97 is subject to review in 1995-96.
- 1 NSW's 1994-95 general government deficit (est.) and latest estimate of the 1994-95 LCA outcome have been reduced by the sale of the State Bank. NSW's memorandum items for 1995-96 include a risk weighted assessment of \$151m for the Government's exposure to infrastructure projects with private sector involvement.
  - 2 Victoria's 1995-96 nomination and latest estimate of the 1994-95 outcome do not include impacts from the planned privatisation of several State-owned electricity companies. The 1995-96 nomination includes \$30m in memorandum items for infrastructure projects with private sector involvement.
  - 3 WA's 1995-96 nomination does not include proceeds from the planned sale of BankWest.
  - 4 SA's 1995-96 nomination and latest estimate of the 1994-95 outcome do not include expected proceeds of major asset sales, including the sale of BankSA. The 1995-96 nomination includes \$20m in memorandum items for infrastructure projects with private sector involvement.
  - 5 The NT's nomination was dependent upon the level of special revenue assistance to be paid in 1995-96.

**Table 18: Consolidation of Loan Council Allocation Reports of the Commonwealth and States, December quarter 1994 (\$m) (a)**

	Outcome for December quarter (b)	Year to date	Budget time LCA
General government sector deficit/surplus	5545	9210	13223
PTE sector net financing requirement	452	-453	-92
Public sector deficit/surplus (c)	5996	8756	13135
Memorandum items	-520	-72	196
<b>LCA</b>	<b>5476</b>	<b>8684</b>	<b>13331</b>

- (a) The consolidation does not include the ACT which will move to quarterly reporting against its LCA in the quarter ending 30 September 1995.
- (b) Figures for SA are for the two months to 31 December 1994.
- (c) In the Budget time LCA column, the general government sector deficit plus the PTE sector net financing requirement do not equal the public sector deficit because of differences for WA in the timing of recording transactions between the (cash based) general government and (accrual based) PTE sectors. Otherwise, any discrepancies between sums of components and totals are due to rounding.

**Table 19: Consolidated Statement of Financial Assets and Liabilities of the Commonwealth and States at 30 June 1993 and 30 June 1994 (\$m) (a)**

	General Government		Public Trading Enterprises		Total Non financial Public Sector	
	1993	1994	1993	1994	1993	1994
<b>Gross debt</b>						
Deposits Held	5433	5084	505	408	2833	3089
Advances Received	17251	15343	11095	10396	18443	16442
Other Borrowings (b)	137381	160127	53881	49385	191037	208780
<b>Total Gross Debt</b>	<b>160064</b>	<b>180554</b>	<b>65481</b>	<b>60188</b>	<b>212314</b>	<b>228310</b>
<b>Financial Assets -</b>						
<b>Cash, Deposits and Lending</b>						
Cash and Deposits	4557	7314	4513	4252	7956	10275
Advances Paid	33889	31083	1689	1526	25678	23313
Other Lending (c)	29254	34236	6439	6119	33478	38511
<b>Total Cash, Deposits and Lending</b>	<b>67699</b>	<b>72633</b>	<b>12641</b>	<b>11897</b>	<b>67112</b>	<b>72099</b>
<b>Net Debt (d)</b>	<b>92365</b>	<b>107921</b>	<b>52840</b>	<b>48292</b>	<b>145202</b>	<b>156212</b>
Unfunded Employee Entitlements	111899	110173	7355	6975	119254	117148

- (a) Holdings of assets and liabilities between sectors may cancel out so that figures in a row may not be additive.
- (b) Includes finance leases, loans and debt securities, and derivatives in a net liability position. Excludes accounts payable and prepayments.
- (c) Includes loans and debt securities, and derivatives in a net asset position. Excludes accounts receivable, prepayments and equities.
- (d) Total Gross Debt less Total Cash, Deposits and Lending.

The above table is a consolidation of figures provided by the Commonwealth and all States. The consolidated table is in an abbreviated format, reflecting the fact that some jurisdictions are not yet in a position to provide the full financial assets and liabilities presentation. (It has been agreed that all jurisdictions will do so by 1996-97.) The figures have been rounded to the nearest million.

The consolidated data were published in the abbreviated format by the Australian Bureau of Statistics on 31 October 1994 (*Public Sector Financial Assets and Liabilities, Australia*, Catalogue No. 5513). Differences between those data and equivalent data in the present table reflect the provision of updated information by some jurisdictions and the effects of rounding.

This table is based on the agreed concepts, definitions and format used by jurisdictions in fulfilling their existing obligations to report financial assets and liabilities on a uniform basis. As such, the table includes data on central borrowing authorities, statutory marketing authorities and PTEs exempt under the Loan Council commerciality criteria. Flow items for these entities are not included in jurisdictions' LCAs.

## **APPENDIX: COMMONWEALTH PAYMENTS TO OTHER LEVELS OF GOVERNMENT**

This appendix provides details of Commonwealth payments to the States and local government together with details of repayments and interest on borrowings made on behalf of the States.

### **TABLE 20: TOTAL COMMONWEALTH PAYMENTS TO THE STATES, REPAYMENT OF ADVANCES AND INTEREST REPAYMENTS 1991-92 TO 1995-96 (ESTIMATES)**

This table provides details of Commonwealth gross payments and total net payments, together with details of repayments and interest on borrowings made on behalf of the States under the State Governments' Loan Council program and on Commonwealth advances to the States.

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 Debt Sinking Funds;
- 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 'Other Purposes' heading in Budget Paper No 1. Specific purpose payments are further divided into those paid 'to' the States (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 at the end of the table.

**Table 20: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1991-92 to 1995-96 - (\$ 000)**

	1991-92	1992-93	1993-94	1994-95 (estimate)	1995-96 (estimate)
<b>GENERAL REVENUE FUNDS</b>					
Financial Assistance Grants	13,215,022	13,491,793	13,726,638	14,139,089	14,857,648
Identified Road Grants	39,131	30,602	175,000	350,000	369,226
Special Revenue Assistance	39,511	192,483	453,522	584,677	486,260
General Revenue Grants	357,639	372,203	..	..	..
Transitional Funding Payment	52,661	..	..	..	..
<b>TOTAL</b>	<b>13,703,964</b>	<b>14,087,081</b>	<b>14,355,160</b>	<b>15,073,766</b>	<b>15,713,134</b>
<b>GENERAL PURPOSE CAPITAL FUNDS</b>					
Capital Grants	330,207	330,307	330,307	..	..
Building Better Cities	41,500	167,661	212,617	224,454	140,178
<b>TOTAL</b>	<b>371,707</b>	<b>497,968</b>	<b>542,924</b>	<b>224,454</b>	<b>140,178</b>
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<i>General Public Services -</i>					
* Research at Universities	225,322	252,368	276,131	292,576	330,329
Cape York Land Use Strategy	..	107	92	701	..
<i>Public Order and Safety -</i>					
Legal Aid	119,969	124,097	129,782	131,301	147,863
Sharing of Criminal Asset Recovery	50	..	205	..	..
Aboriginal Deaths in Custody	1,385	200	..	..	..
<i>Education -</i>					
* Higher Education	2,557,444	2,710,148	3,172,436	3,521,588	3,641,372
<i>State Contribution to Higher Education</i>					
Superannuation	-48,372	-39,481	-41,477	-44,696	-47,413
Technical and Further Education (a)	213,940	320,793	172,551	..	..
Advanced English for Migrants	..	..	11,779	5,007	5,087
Government Schools	950,120	1,004,914	867,501	913,225	958,477
* Non-Government Schools	1,302,473	1,371,105	1,439,608	1,567,782	1,648,333
Targeted Programs Govt Schools (b)	56,842	60,437	293,385	215,826	232,295
*Targeted Programs Non-Govt Schools (b)	..	..	..	93,185	95,839
Aboriginal Education	33,059	50,045	51,224	53,915	50,811
<i>Health -</i>					
Health Program Grants	29,704	29,096	32,198	35,667	37,462
Transfer Pathology Laboratory	26,298	27,350	26,634	29,014	30,432
Dental Program	..	..	16,780	61,326	105,808
Hospital Funding/Base Medicare	3,784,036	3,932,722	3,535,851	3,650,636	3,806,757
Other Medicare	..	50,797	796,849	865,080	818,940
Medicare Related Payments	..	..	42,442	45,119	73,883
National Mental Health	..	..	1,242	3,485	24,677
Magnetic Resonance Imaging	5,701	10,379	22,412	20,657	19,678
Medical Specialty Centres	2,341	2,742	2,657	2,696	2,761
Veterans' Psychiatric Care	..	..	3,787	1,086	1,082
Nurse Education	38,707	44,044	23,516	..	..
Repatriation General Hospitals	..	12,679	..	27,998	33,136
High Cost Drugs	36,100	34,544	59,033	53,041	98,908
Aged Care Assessment	24,969	15,999	11,671	10,729	12,317
Home and Community Care	97,525	91,688	95,778	107,866	114,690
National Better Health	2,370	2,400	..	..	..
Cervical Cancer Screening	..	..	5,956	4,692	6,666
National Childhood Immunisation	..	..	11,616	14,023	15,140
Youth Health Services	1,912	2,754	1,894	2,294	2,594
Breast Cancer	15,226	14,061	21,175	33,197	44,098
Other Health	10,313	12,973	8,808	10,547	11,356
Funds to Combat AIDS	22,957	25,039	26,224	28,752	28,470
Drug Education Campaigns	21,135	19,200	19,527	20,068	22,129
Artificial Limbs Scheme	..	..	551	3,014	8,522
Blood Transfusion Services	30,527	30,098	38,982	39,546	49,315

Table 20: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1991-92 to 1995-96 - (\$000) - continued

	1991-92	1992-93	1993-94	1994-95 (estimate)	1995-96 (estimate)
Asbestos Removal Assistance	20,829	18,386	1,651	..	..
<i>Social Security and Welfare -</i>					
Aged Care Assessment	3,654	15,520	22,566	25,423	28,393
Home and Community Care	211,868	244,589	269,266	284,117	302,094
Disabilities Services	5,000	114,488	250,316	270,524	296,000
Children's Services	24,702	27,808	30,920	34,772	38,245
Mortgage and Rent Relief	30,914	28,555	28,997	32,616	31,464
Supported Accommodation Assistance	95,748	99,852	106,296	105,989	124,195
Rural Domestic Violence - Referral	..	..	100	700	1,108
Translating and Interpreting Services	92	140	..	..	..
Unattached Refugee Children	336	201	191	323	381
Extension of Fringe Benefits	..	17,500	145,265	130,362	131,245
Native Title	..	..	..	..	9,000
Locational Disadvantage Research	..	144	86	..	..
<i>Housing and Community Amenities -</i>					
Home Deposit Assistance	22,600	..	..	..	..
Assistance for Housing	5,500	5,500	5,500	5,500	5,500
National Landcare - Urban Water	1,658	1,995	3,067	1,965	2,949
Assistance for Water and Sewerage	7,172	7,380	7,322	7,497	7,573
Environmental Restoration	2,993	669	507	226	146
Remote Sensing of Landcover	..	..	..	..	1,560
Rainforest Conservation	2,521	..	..	..	..
<i>Recreation and Culture -</i>					
1998 Commonwealth Games Bid	200	..	..	..	..
World Heritage Areas	11,000	13,000	10,500	13,761	7,613
South West TAS - Heritage Area	6,460	6,668	5,300	..	..
<i>Fuel and Energy -</i>					
Electricity Grid Infrastructure	..	..	71	2,044	5,683
Coal Industry Superannuation	..	..	2,617	..	..
Compensation Gas - RRT	60,000	..	..	..	..
PAWA (NT) Assistance	20,000	10,000	..	..	..
<i>Agriculture, Forestry and Fishing -</i>					
TAS Wheat Freight Subsidy	3,150	2,925	2,700	2,700	2,700
Bovine Brucellosis and Tuberculosis	26,628	21,311	15,156	13,527	9,679
Exotic Disease Eradication	227	834	245	462	251
Rural Adjustment Scheme	157,327	168,977	58,299	143,625	196,216
National Landcare Program	23,949	27,096	36,969	39,139	34,927
Forestry Development	7,900	12,717	6,020	4,974	10,596
<i>Mining, Manufacturing and Construction -</i>					
WA Steel Project Study	..	750	250	..	..
National Industry Extension Service	11,788	13,134	16,470	17,800	27,640
Other Assistance for Manufacturing	2,743	1,500	1,650	4,300	5,000
<i>Transport and Communication -</i>					
Aerodrome Local Ownership Plan	1,466	819	..	..	..
Interstate Road Transport	15,904	16,983	20,259	20,400	15,300
Roads on Aboriginal Land	..	..	..	..	5,200
Bass Strait Passenger Service	..	..	..	550	300
<i>Other Economic Affairs -</i>					
Entry Level Training	44,058	64,128	35,526	33,000	50,208
Forest Industry Package	1,209	1,651	1,546	168	..
Employment Training - Aboriginal	10,087	8,222	8,539	5,880	5,880
* Coal Mining Industry - Long Service Leave	26,592	26,339	60	..	..
<i>Other Purposes (c) -</i>					
Debt Redemption Assistance	211,818	122,512	82,143	116,000	68,800
* Financial Assistance - Local Government					
-General Assistance	726,062	748,295	751,145	758,744	807,196
-Identified Road Funding	313,569	332,037	333,329	336,753	358,149
Compensation - Companies Regulation	116,099	118,203	124,308	122,498	126,418
Natural Disaster Relief	1,624	331	4,345	23,000	13,000
Assistance for South-West TAS	30,032	29,302	..	..	..

*Table 20: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1991-92 to 1995-96 - (\$000) - continued*

	1991-92	1992-93	1993-94	1994-95 (estimate)	1995-96 (estimate)
Royalties	151,497	30,660	43,771	76,053	171,250
Public Sector Restructuring	..	17,000	..	..	..
ACT Public Service Establishment	..	460	..	..	..
SA Assistance Package	..	156,000	36,000	15,000	8,000
ACT National Capital Influences	17,839	18,354	18,211	18,649	18,836
Assistance Recycled Paper Producers	..	5,004	8,592	6,263	..
<b>TOTAL</b>	<b>11,996,865</b>	<b>12,771,239</b>	<b>13,674,872</b>	<b>14,496,247</b>	<b>15,360,509</b>
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>					
<i>Education -</i>					
* Higher Education	219,324	313,385	142,838	45,263	36,639
Technical and Further Education (a)	206,623	239,438	110,572	..	..
Government Schools	218,265	244,560	235,644	203,327	206,496
* Non-Government Schools	86,447	116,688	125,560	118,985	119,086
Aboriginal Education	3,735	2,905	1,000	1,875	1,875
<i>Health -</i>					
Hospitals Enhancement	23,000	21,050	..	..	..
Magnetic Resonance Imaging	5,699	5,700	..	..	..
Veterans' Psychiatric Care	..	..	15	2,300	..
Home and Community Care	1,156	2,131	1,900	2,538	2,698
National Mental Health	..	..	..	5,000	5,260
Blood Transfusion Services	2,502	7,141	8,049	8,361	5,954
<i>Social Security and Welfare -</i>					
Home and Community Care	4,873	3,433	3,641	4,083	4,342
Children's Services	7,514	3,145	2,338	4,561	16,082
Crisis Accommodation Assistance	39,655	5,352	33,519	47,818	41,284
<i>Housing and Community Amenities -</i>					
Pensioner Housing Grants	49,273	48,229	48,584	49,178	50,401
Housing Assistance for Aborigines	91,000	74,437	93,597	96,677	99,289
<i>Local Government and</i>					
Community Housing	24,403	8,474	50,478	65,841	75,253
CSHA Block Assistance	792,931	829,527	802,802	771,256	768,139
Social Housing	..	..	..	750	6,000
Sewerage	500	8,020	8,270	2,275	435
Urban Infrastructure	..	..	1,500	6,500	..
National Landcare - Urban Water	16,154	15,653	22,496	20,210	23,629
<i>Recreation and Culture -</i>					
Support for 1991 Swimming	..	..	..	..	..
National Estate	4,115	4,246	4,342	4,436	5,006
Heritage Restoration	20,000	..	..	1,072	..
World Heritage Assistance	2,497	4,500	3,080	7,853	6,853
<i>Agriculture, Forestry and Fishing -</i>					
TAS Wheat Freight Subsidy	..	..	..	..	1,500
Bovine Brucellosis and Tuberculosis	82	33	..	..	..
Sugar	..	..	3,095	4,255	8,595
National Landcare Program	12,116	18,211	17,357	18,676	24,950
<i>Mining, Manufacturing and Construction -</i>					
TAS Industrial Development	6,000	..	..	..	..
<i>Transport and Communication -</i>					
Badgerys Creek Road System	9,000	..	..	..	..
Road Programs	1,333,018	1,788,029	1,014,813	820,000	834,760
Railway Projects	5,700	59,663	23,944	7,456	..
Transport Improvement Grant	35,000	..	..	..	..
Port Development	..	20,000	..	..	..
<i>Other Purposes (c) -</i>					
Sydney 2000 Olympic Games	..	..	50,000	50,000	50,000
Sinking Fund on State Debt	45,011	37,957	31,013	28,047	22,802
Natural Disaster Relief	49,531	2,295	28,320	2,000	22,000
Assistance for South-West TAS	91	..	337	..	..
SA Assistance Package	..	107,000	114,000	144,000	72,000

*Table 20: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1991-92 to 1995-96 - (\$000) - continued*

	1991-92	1992-93	1993-94	1994-95 (estimate)	1995-96 (estimate)
Tax Compensation - Sale of Assets	14,000	402,256	..	..	200,000
Infrastructure Restoration	2,000	..	..	..	..
<b>TOTAL</b>	<b>3,331,214</b>	<b>4,393,460</b>	<b>2,983,103</b>	<b>2,544,593</b>	<b>2,711,328</b>
<b>REPAYMENTS</b>					
Payments to Debt Sinking Funds (d)	182,736	153,659	125,581	113,999	92,018
Supplementary Contributions	2,337,047	2,370,409	933,878	1,760,750	1,003,904
State Debt Repayment	..	..	..	..	994,060
<i>Repayments of Commonwealth Government Loans -</i>					
ACT in Lieu of Semi-Govt Borrowings	25,000	..	..	..	..
ACT Debt Repayments	70,460	11,721	4,647	13,376	6,547
Loan Council - Housing Nominations	11,379	13,844	25,706	15,886	15,617
<i>Defence -</i>					
Housing For Servicemen	769	957	1,004	1,062	1,125
<i>Housing and Community Amenities -</i>					
CSHA Block Assistance	56,621	58,918	95,727	63,962	64,122
Other Housing	4,897	5,120	5,353	5,881	6,148
Urban Water Supply and Treatment	95	133	168	203	228
Water and Sewerage Assistance	136	136	136	136	136
Growth Centres	6,641	177	194	204	224
Urban Rehabilitation	205	206	205	205	205
Sewerage	2,173	2,383	2,592	2,849	3,132
Community Facilities -Townsville	14	15	17	18	20
Captains Flat Project	25	27	30	34	37
<i>Fuel and Energy -</i>					
Gladstone Power Station	4,505	4,779	62,561	..	..
Exmouth Township-Electricity Services	14	14	14	14	14
<i>Agriculture, Forestry and Fishing -</i>					
Dairy Adjustment Program	838	888	940	927	867
Bovine Brucellosis and Tuberculosis	574	572	497	513	287
Canned Fruit Industry	423	423	..	..	..
Rural Adjustment Scheme	7,976	9,359	32,590	9,626	9,106
Rural Reconstruction	10,788	8,851	6,255	3,649	2,248
Meat Inspectors' Superannuation	108	117	117	117	117
War Service Land Settlement	590	612	635	959	2,000
Brigalow Lands Development Scheme	693	519	693	554	415
Irrigation and Other Water Projects	850	756	633	493	376
Dartmouth Dam	1,173	1,173	1,173	1,173	1,173
Softwood Forestry	1,822	1,822	1,822	3,278	2,940
<i>Transport and Communication -</i>					
Railway Projects	5,653	6,131	6,722	7,436	8,280
Weipa Development	167	176	186	196	207
<i>Other Purposes (c) -</i>					
Natural Disaster Relief	23,127	16,259	10,502	9,737	8,249
<b>TOTAL</b>	<b>2,757,500</b>	<b>2,670,156</b>	<b>1,320,581</b>	<b>2,017,237</b>	<b>2,223,802</b>
<b>ADVANCES</b>					
<i>Housing and Community Amenities -</i>					
Urban Water Supply and Treatment	2,450	1,260	1,260	..	..
<i>Agriculture, Forestry, Fishing and Hunting -</i>					
Bovine Brucellosis and Tuberculosis	82	33	..	..	..
<i>Other Purposes (c) -</i>					
Natural Disaster Relief	2,149	40	5,187	2,000	2,000
<b>TOTAL</b>	<b>4,681</b>	<b>1,333</b>	<b>6,447</b>	<b>2,000</b>	<b>2,000</b>
<b>INTEREST</b>					
Interest on Loan Council and NT Govt Borrowings	1,841,676	1,562,125	1,237,831	1,114,000	751,200

Table 20: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1991-92 to 1995-96 - (\$000) - continued

	1991-92	1992-93	1993-94	1994-95 (estimate)	1995-96 (estimate)
<i>Interest on Commonwealth Government Loans -</i>					
Lieu of Semi-Government Borrowings	1,638	..	..	..	..
ACT Government Debt	36,869	16,657	15,203	14,669	13,115
Housing Nomination	86,812	98,728	91,841	102,702	95,830
<i>Defence -</i>					
Housing for Servicemen	5,782	6,138	5,663	5,620	5,575
<i>Housing and Community Amenities -</i>					
CSHA Loans	165,301	163,003	153,200	162,706	152,451
Other Housing	18,311	18,088	17,854	17,327	17,061
Urban Water Supply and Treatment	995	1,235	1,314	1,403	1,380
Water and Sewerage Assistance	712	705	698	691	684
Growth Centres	448	431	413	369	349
Urban Rehabilitation	214	197	179	161	144
Sewerage	18,848	18,631	18,422	18,112	17,823
Community Facilities - Townsville	32	30	29	28	26
Captains Flat Project	36	34	31	27	24
<i>Fuel and Energy</i>					
Gladstone Power Station	8,744	8,470	9,790	..	..
Exmouth Township - Electricity Services	5	4	3	2	1
<i>Agriculture, Forestry and Fishing -</i>					
Dairy Adjustment Program	410	359	305	228	173
Bovine Brucellosis and Tuberculosis	146	20	100	100	36
Rural Adjustment Scheme	11,335	8,973	8,237	5,846	5,161
Rural Reconstruction	1,911	1,293	800	364	166
Meat Inspectors' Superannuation Loan	56	48	35	21	8
War Service Land Settlement	631	609	586	562	561
Brigalow Lands Development Scheme	379	507	287	240	204
Irrigation and Other Water Projects	226	170	122	80	47
Dartmouth Dam	1,051	938	826	840	601
Softwood Forestry	4,099	3,953	3,807	5,871	5,002
<i>Transport and Communication -</i>					
Railway Projects	9,034	8,215	7,318	6,322	5,212
Weipa Development	58	49	40	30	20
<i>Other Purposes (c) -</i>					
Asset Sales - Stamp Duty	..	2,038	..	..	..
Natural Disaster Relief	647	181	591	970	792
<b>TOTAL</b>	<b>2,216,405</b>	<b>1,921,830</b>	<b>1,575,525</b>	<b>1,459,291</b>	<b>1,073,646</b>

SUMMARY OF TOTAL GROSS AND NET PAYMENTS

For General Purposes	14,075,671	14,585,049	14,898,084	15,298,220	15,853,312
For Specific Purposes	15,328,079	17,164,699	16,657,976	17,040,840	18,071,837
<b>Total Gross Payments</b>	<b>29,403,749</b>	<b>31,749,748</b>	<b>31,556,060</b>	<b>32,339,060</b>	<b>33,925,149</b>
Payments to States	23,946,516	25,879,383	25,314,953	25,604,184	26,888,206
*Payments through States	5,457,233	5,870,366	6,241,107	6,734,876	7,036,943
<b>Total Gross Payments</b>	<b>29,403,749</b>	<b>31,749,748</b>	<b>31,556,060</b>	<b>32,339,060</b>	<b>33,925,149</b>
Repayments	-2,757,500	-2,670,156	-1,320,581	-2,017,237	-2,223,802
<b>Total Net Payments</b>	<b>26,646,249</b>	<b>29,079,592</b>	<b>30,235,479</b>	<b>30,321,823</b>	<b>31,701,347</b>

\* Items so marked are classified as payments made through the States. This is discussed further in Chapter III.

- Since the establishment of the Australian National Training Authority from 1 January 1994, Commonwealth expenditure on Technical and Further Education previously made direct to the States has been classified as payments to a non-budget agency and are no longer reflected in these tables.
- Previously categorised as Joint Schools Programs, which was subdivided into Targeted Programs for Government and Non-Government Schools from 1994-95.
- This category generally consists of payments relating to specific purposes which are not tied to expenditure on particular functional areas.
- Includes sinking fund contributions on State debt made by the Commonwealth Government, which are included as payments for the States.

**TABLE 21: COMMONWEALTH PAYMENTS TO THE STATES,  
REPAYMENTS, ADVANCES AND INTEREST PAYMENTS 1995-96  
(ESTIMATES)**

This table provides estimates of each State's share of the items included in Table 20 as estimated for 1995-96. General purpose assistance and specific purpose payments are discussed in Chapters II and III, respectively.

As in other years, the distribution of assistance for 1995-96 under some programs is dependent upon the recipient government undertaking to participate in programs or approve particular projects. For a few programs, final decisions on the distribution of payments among the States have still to be taken by the Commonwealth; for others, the final distribution for 1995-96 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 has agreed to participate in the program.

Specific purpose payments 'through' the States are indicated in the table by (\*).

A summary of total payments 'to' and 'through' the States is provided at the end of the table.

**Table 21: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1995-96 (estimated)**

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
<b>GENERAL REVENUE FUNDS</b>									
Financial Assistance Grants	4,208,603	2,985,778	2,868,179	1,540,254	1,500,033	649,837	227,535	877,430	14,857,648
Identified Roads Grants	109,273	98,607	67,686	42,959	28,100	11,143	2,835	8,623	369,226
Special Revenue Assistance	181,248	230,932	..	..	..	..	64,080	10,000	486,260
<b>TOTAL</b>	<b>4,499,124</b>	<b>3,315,317</b>	<b>2,935,865</b>	<b>1,583,213</b>	<b>1,528,133</b>	<b>660,980</b>	<b>294,450</b>	<b>896,052</b>	<b>15,713,134</b>
<b>GENERAL PURPOSE CAPITAL FUNDS</b>									
Building Better Cities	56,589	19,687	33,795	4,842	17,365	2,870	3,720	1,310	140,178
<b>TOTAL</b>	<b>56,589</b>	<b>19,687</b>	<b>33,795</b>	<b>4,842</b>	<b>17,365</b>	<b>2,870</b>	<b>3,720</b>	<b>1,310</b>	<b>140,178</b>
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>									
<i>General Public Services -</i>									
* Research at Universities	112,316	78,678	57,639	32,410	37,133	11,191	..	962	330,329
<i>Public Order and Safety -</i>									
Legal Aid	48,253	38,989	21,549	14,481	12,370	5,789	3,717	2,715	147,863
<i>Education -</i>									
* Higher Education	1,201,275	1,017,970	625,674	349,878	320,633	88,005	..	37,938	3,641,372
State Contribution to Higher Education Superannuation	-19,267	-17,004	..	-4,153	-6,779	-210	..	..	-47,413
Advanced English for Migrants	1,979	1,592	529	416	360	62	87	62	5,087
Government Schools	324,776	223,967	178,082	98,672	76,526	27,816	17,410	11,228	958,477
* Non-Government Schools	554,197	452,031	281,129	154,402	114,534	38,975	40,400	12,665	1,648,333
Targeted Programs Govt Schools	83,066	57,791	32,227	22,490	21,024	6,881	3,505	5,311	232,295
* Targeted Programs Non-Government Schools	33,109	33,440	11,339	7,882	6,097	1,307	1,392	1,273	95,839
Aboriginal Education	9,267	4,017	9,920	8,420	5,968	1,092	497	11,630	50,811
<i>Health -</i>									
Health Program Grants	..	2,897	..	9,291	21,429	..	3,010	835	37,462
Transfer Pathology Laboratory	8,908	3,817	15,796	..	..	1,911	..	..	30,432
Dental Program	36,398	25,041	19,652	9,392	10,065	3,373	1,009	878	105,808
Base Medicare	1,313,342	961,285	677,233	345,761	329,677	101,452	53,088	24,920	3,806,757
Other Medicare	172,925	87,317	177,560	141,821	137,714	34,545	11,940	55,118	818,940

Table 21: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1995-96 - (estimated) continued

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Medicare Related Payments	17,641	15,836	19,658	7,799	8,829	1,811	766	1,543	73,883
National Mental Health	6,588	5,403	5,180	1,410	5,102	566	350	77	24,677
Magnetic Resonance Imaging	6,682	4,319	2,699	1,981	2,074	1,080	843	..	19,678
Medical Specialty Centres	953	697	491	251	239	74	39	18	2,761
Veterans' Psychiatric Care	..	1,082	..	..	..	..	..	..	1,082
Repatriation General Hospitals	5,530	12,700	..	..	14,100	806	..	..	33,136
High Cost Drugs	31,726	29,256	20,602	5,613	8,296	1,531	1,227	658	98,908
Aged Care Assessment	3,493	3,331	1,799	1,386	1,183	708	73	344	12,317
Home and Community Care	24,556	33,828	18,672	17,817	14,604	4,427	656	131	114,690
Cervical Cancer Screening	2,811	1,172	670	633	548	283	242	307	6,666
National Childhood Immunisation	5,163	3,724	2,710	1,469	1,181	394	288	212	15,140
Youth Health Services	795	597	412	415	189	59	53	74	2,594
Breast Cancer	13,902	9,851	9,146	4,636	3,438	1,555	945	625	44,098
Other Health	3,414	2,630	1,726	1,741	943	403	260	238	11,356
Funds to Combat AIDS	12,024	5,375	4,226	2,500	1,944	777	553	1,071	28,470
Drugs Education Campaigns	8,064	5,134	3,758	1,915	1,853	753	346	306	22,129
Artificial Limbs Scheme	2,497	2,289	1,857	332	968	166	285	127	8,522
Blood Transfusion Services	16,151	12,459	7,457	5,446	4,912	1,357	1,000	534	49,315
<i>Social Security and Welfare -</i>									
Aged Care Assessment	10,005	7,018	4,194	3,012	2,926	902	196	141	28,393
Home and Community Care	118,783	80,483	45,475	23,232	21,348	7,104	3,360	2,309	302,094
Disabilities Services	98,615	70,332	51,804	19,385	37,999	11,278	3,737	2,850	296,000
Children's Services	2,119	7,798	835	859	25,843	405	149	237	38,245
Mortgage and Rent Relief	10,495	7,784	6,048	2,940	2,556	822	522	297	31,464
Supported Accommodated Assistance	40,635	27,758	18,410	15,188	10,228	4,115	4,839	3,022	124,195
Rural Domestic Violence - Referral	44	194	109	224	218	114	..	205	1,108
Unattached Refugee Children	195	57	44	22	64	..	..	..	381
Extension of Fringe Benefits	45,644	32,631	22,785	11,473	12,981	4,169	926	636	131,245
Native Title	2,770	520	3,150	..	1,940	..	..	620	9,000
<i>Housing and Community Amenities -</i>									
Assistance for Housing	1,848	1,347	424	627	941	313	..	..	5,500
National Landcare - Urban Water	676	240	948	365	296	200	..	224	2,949
Assistance for Water and Sewerage	..	..	..	..	..	..	7,573	..	7,573
Environment Restoration	..	..	..	..	..	..	..	146	146

Table 21: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1995-96 - (estimated) continued

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Remote Sensing of Landcover	300	300	400	300	100	60	..	100	1,560
<i>Recreation and Culture -</i>									
World Heritage Areas	..	..	4,008	..	..	3,606	..	..	7,613
<i>Fuel and Energy -</i>									
Electricity Grid Infrastructure	2,585	1,109	1,523	..	309	80	77	..	5,683
<i>Agriculture, Forestry and Fishing -</i>									
TAS Wheat Freight Subsidy	..	..	..	..	..	2,700	..	..	2,700
Bovine Brucellosis and Tuberculosis	143	199	1,965	2,961	137	10	..	4,264	9,679
Exotic Disease Eradication	125	..	98	..	..	..	..	28	251
Rural Adjustment Scheme	91,374	13,072	72,206	..	12,407	6,577	..	580	196,216
National Landcare Program	7,650	6,800	5,250	6,500	4,970	1,577	178	2,002	34,927
Forestry Development	5,540	133	1,245	50	44	3,570	9	5	10,596
<i>Mining, Manufacturing and Construction -</i>									
National Industry Extension Service	7,967	6,657	4,616	2,617	2,550	1,237	1,045	951	27,640
Other Assistance for Manufacturing	508	461	283	200	3,203	128	110	106	5,000
<i>Transport and Communication -</i>									
Interstate Road Transport	6,917	4,025	1,425	596	2,114	75	75	75	15,300
Roads on Aboriginal Land	..	..	..	..	..	..	..	5,200	5,200
Bass Strait Passenger Service	..	..	..	..	..	300	..	..	300
<i>Other Economic Affairs -</i>									
Entry Level Training	16,907	12,570	9,089	4,841	4,081	1,301	917	503	50,208
Employment Training- Aboriginal	900	50	3,000	650	850	330	..	100	5,880
<i>Other Purposes (a)</i>									
Debt Redemption Assistance	21,600	15,700	7,000	6,000	7,100	5,800	..	5,600	68,800
* Financial Assistance - Local Government									
- General Assistance	273,749	201,938	145,541	77,189	66,223	21,269	13,528	7,759	807,196
- Identified Road Funding	103,927	73,849	67,115	54,770	19,686	18,982	11,428	8,391	358,149
Compensation - Companies Regulation	42,009	36,724	20,682	12,730	9,469	2,933	..	1,871	126,418
Natural Disaster Relief	5,000	3,500	2,000	1,000	500	500	..	500	13,000
Royalties	..	..	..	170,000	..	..	..	1,250	171,250
SA Assistance Package	..	..	..	..	8,000	..	..	..	8,000
ACT National Capital Influences	..	..	..	..	..	..	18,836	..	18,836
<b>TOTAL</b>	<b>4,961,562</b>	<b>3,734,759</b>	<b>2,711,067</b>	<b>1,664,237</b>	<b>1,416,235</b>	<b>439,395</b>	<b>211,483</b>	<b>221,772</b>	<b>15,360,509</b>

Table 21: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1995-96 - (estimated) continued

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>									
<i>Education -</i>									
* Higher Education	3,163	10,428	14,271	6,173	..	..	..	2,604	36,639
Government Schools	70,478	51,078	33,365	21,559	15,180	6,620	5,792	2,424	206,496
* Non-Government Schools	36,683	35,460	18,518	12,647	8,122	2,707	2,545	2,404	119,086
Aboriginal Education	..	240	..	235	..	..	..	1,400	1,875
<i>Health -</i>									
Home and Community Care	..	1,128	..	211	1,359	..	..	..	2,698
National Mental Health	1,404	1,152	1,104	300	1,087	121	75	16	5,260
Blood Transfusion Services	2,685	600	919	883	465	100	164	138	5,954
<i>Social Security and Welfare -</i>									
Home and Community Care	..	1,307	..	2,253	767	3	..	13	4,342
Children's Services	..	5,355	3,847	2,630	3,009	428	470	343	16,082
Crisis Accommodation Assistance	13,462	9,987	7,052	4,408	3,278	1,615	1,069	413	41,284
<i>Housing and Community Amenities -</i>									
Pensioner Housing Grants	18,520	11,244	9,829	4,153	3,849	1,760	523	523	50,401
Housing Assistance for Aborigines	17,777	3,638	32,411	16,208	8,542	1,044	..	19,669	99,289
Local Government and Community Housing	23,439	17,377	16,769	6,561	5,702	3,038	1,164	1,203	75,253
CSHA Block Assistance	257,706	193,455	135,834	70,301	50,703	28,404	18,218	13,518	768,139
Social Housing	2,034	1,512	1,068	570	498	162	102	54	6,000
Sewerage	..	..	..	435	..	..	..	..	435
Nation Landcare - Urban Water	14,050	2,945	3,409	623	1,834	432	..	336	23,629
<i>Recreation and Culture -</i>									
National Estate	843	679	844	679	679	843	113	327	5,006
World Heritage Assistance	291	..	4,622	194	146	1,600	..	..	6,853
<i>Agriculture, Forestry and Fishing -</i>									
TAS Wheat Freight Subsidy	..	..	..	..	..	1,500	..	..	1,500
Sugar Industry	1,000	..	7,595	..	..	..	..	..	8,595
National Landcare Program	7,006	6,424	5,390	1,520	4,368	242	..	..	24,950
<i>Transport and Communication -</i>									
Road Programs (b)	339,693	139,428	176,818	60,750	57,276	30,753	1,606	28,437	834,760
<i>Other Purposes (a) -</i>									
Sydney 2000 Olympic Games	50,000	..	..	..	..	..	..	..	50,000

Table 21: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1995-96 - (estimated) continued

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Sinking Fund on State Debt	7,110	5,322	3,900	2,026	1,956	1,727	..	761	22,802
Natural Disaster Relief	7,500	4,250	4,250	1,750	1,750	1,250	..	1,250	22,000
SA Assistance Package	..	..	..	..	72,000	..	..	..	72,000
Tax Compensation - Sale of Assets	..	..	..	200,000	..	..	..	..	200,000
<b>TOTAL</b>	<b>874,845</b>	<b>503,008</b>	<b>481,815</b>	<b>417,069</b>	<b>242,570</b>	<b>84,349</b>	<b>31,840</b>	<b>75,833</b>	<b>2,711,328</b>
<b>REPAYMENTS</b>									
Payment to Debt Sinking Funds (c)	28,698	21,480	15,737	8,173	7,889	6,970	..	3,071	92,018
Supplementary Contributions	320,587	198,000	..	270,000	91,300	67,100	..	56,917	1,003,904
State Debt Repayment	..	..	994,060	..	..	..	..	..	994,060
<i>Repayment of Commonwealth Government Loans -</i>									
ACT Debt Repayments	..	..	..	..	..	..	6,547	..	6,547
Loan Council Nominations for Housing	3,717	3,700	1,400	2,300	2,200	1,000	..	1,300	15,617
<i>Defence -</i>									
Housing for Servicemen	443	301	277	96	8	..	..	..	1,125
<i>Housing and Community Amenities -</i>									
CSHA Block Assistance	22,739	18,022	7,005	6,006	7,007	3,000	..	343	64,122
Other Housing	..	..	..	..	..	..	4368	1780	6,148
Urban Water Supply and Treatment	..	..	..	60	168	..	..	..	228
Water and Sewerage Assistance	..	..	..	..	..	..	..	136	136
Growth Centres	148	76	..	..	..	..	..	..	224
Urban Rehabilitation	..	205	..	..	..	..	..	..	205
Sewerage	1,241	1,119	322	450	..	..	..	..	3,132
Community Facilities - Townsville	..	..	20	..	..	..	..	..	20
Captains Flat Project	37	..	..	..	..	..	..	..	37
<i>Fuel and Energy -</i>									
Exmouth Township - Electricity Services	..	..	..	14	..	..	..	..	14
<i>Agriculture, Forestry and Fishing -</i>									
Dairy Adjustment Program	95	303	446	..	..	23	..	..	867
Bovine Brucellosis and Tuberculosis	..	..	100	5	18	..	..	164	287
Rural Adjustment Scheme	3,039	3,246	2,438	..	..	196	..	187	9,106
Rural Reconstruction	897	681	623	..	..	47	..	..	2,248
Meat Inspectors' Superannuation	..	117	..	..	..	..	..	..	117

Table 21: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1995-96 - (estimated) continued

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
War Service Land Settlement	320	340	..	420	720	200	..	..	2,000
Brigalow Lands Development	..	..	415	..	..	..	..	..	415
Irrigation and Other Water Projects	..	..	..	376	..	..	..	..	376
Dartmouth Dam	586	587	..	..	..	..	..	..	1,173
Softwood Forestry	993	511	1,084	352	..	..	..	..	2,940
<i>Transport and Communication -</i>									
Railway Projects	1,616	2,788	2,947	929	..	..	..	..	8,280
Weipa Development	..	..	207	..	..	..	..	..	207
<i>Other Purposes (a) -</i>									
Natural Disaster Relief	2,300	319	5,288	..	..	334	..	8	8,249
<b>TOTAL</b>	<b>387,456</b>	<b>251,795</b>	<b>1,032,369</b>	<b>289,181</b>	<b>109,310</b>	<b>78,870</b>	<b>10,915</b>	<b>63,906</b>	<b>2,223,802</b>
<b>ADVANCES</b>									
<i>Other Purposes (a) -</i>									
Natural Disaster Relief	500	250	250	250	250	250	..	250	2,000
<b>TOTAL</b>	<b>500</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>250</b>	<b>..</b>	<b>250</b>	<b>2,000</b>
<b>INTEREST</b>									
Interest on Loan Council and NT Govt Borrowings	281,600	206,450	17,900	79,100	66,300	69,050	..	30,800	751,200
<i>Interest on Commonwealth Government Loans -</i>									
ACT Government Debt	..	..	..	..	..	..	13,115	..	13,115
Housing Nominations	23,000	22,000	8,000	14,000	14,000	6,000	8,830	..	95,830
<i>Defence -</i>									
Housing for Servicemen	2,650	968	1,517	333	107	..	..	..	5,575
<i>Housing and Community Amenities -</i>									
CSHA loans	54,313	38,049	15,011	14,413	22,016	7,009	..	1,640	152,451
Other Housing	..	..	..	..	..	..	12,248	4,813	17,061
Urban Water Supply and Treatment	..	..	..	57	1,323	..	..	..	1,380
Water and Sewerage Assistance	..	..	..	..	..	..	..	684	684
Growth Centres	224	125	..	..	..	..	..	..	349
Urban Rehabilitation	..	144	..	..	..	..	..	..	144
Sewerage	7,166	6,266	1,863	2,528	..	..	..	..	17,823

Table 21: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1995-96 - (estimated) continued

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Community Facilities - Townsville	..	..	26	..	..	..	..	..	26
Capitans Flat Project	24	..	..	..	..	..	..	..	24
<i>Fuel and Energy -</i>									
Exmouth Township - Electricity Services	..	..	..	1	..	..	..	..	1
<i>Agriculture, Forestry and Fishing -</i>									
Dairy Adjustment Program	13	93	61	..	..	6	..	..	173
Bovine Brucellosis and Tuberculosis	..	..	15	2	1	..	..	19	36
Rural Adjustment Scheme	1,775	1,666	1,452	..	..	118	..	150	5,161
Rural Reconstruction	73	47	43	..	..	3	..	..	166
Meat Inspectors' Superannuation Loan	..	8	..	..	..	..	..	..	8
War Service Land Settlement	270	291	..	..	..	..	..	..	561
Brigalow Land Development Scheme	..	..	204	..	..	..	..	..	204
Irrigation and Other Water Projects	..	..	..	47	..	..	..	..	47
Dartmouth Dam	300	301	..	..	..	..	..	..	601
Softwood Forestry	1,834	774	1,683	711	..	..	..	..	5,002
<i>Transport and Communication -</i>									
Railway Projects	833	1,709	1,830	841	..	..	..	..	5,212
Weipa Development	..	..	20	..	..	..	..	..	20
<i>Other Purposes (a) -</i>									
Natural Disaster Relief	504	..	242	..	..	45	..	1	792
<b>TOTAL</b>	<b>374,579</b>	<b>278,891</b>	<b>49,867</b>	<b>112,032</b>	<b>103,747</b>	<b>82,231</b>	<b>34,193</b>	<b>38,107</b>	<b>1,073,646</b>
<b>SUMMARY OF TOTAL GROSS AND NET PAYMENTS</b>									
For General Purposes	4,555,713	3,335,004	2,969,660	1,588,055	1,545,498	663,850	298,170	897,362	15,853,312
For Specific Purposes	5,836,406	4,237,767	3,192,881	2,081,306	1,658,805	523,743	243,324	297,605	18,071,837
Total Gross Payments	10,392,119	7,572,771	6,162,541	3,669,361	3,204,303	1,187,593	541,494	1,194,967	33,925,149
Payments to State	8,073,701	5,668,977	4,941,315	2,974,010	2,631,875	1,005,157	472,201	1,120,971	26,888,206
*Payments through State	2,318,419	1,903,794	1,221,226	695,351	572,428	182,436	69,293	73,996	7,036,943
Total Gross Payments	10,392,119	7,572,771	6,162,541	3,669,361	3,204,303	1,187,593	541,494	1,194,967	33,925,149
Repayments	-387,456	-251,795	-1,032,369	-289,181	-109,310	-78,870	-10,915	-63,906	-2,223,802
Total Net Payments	10,004,663	7,320,976	5,130,172	3,380,180	3,094,993	1,108,723	530,579	1,131,061	31,701,347

\* Items so marked are classified as payments made through the States. This is discussed further in Chapter III.

- (a) This category generally consists of payments relating to specific purposes which are not tied to expenditure on particular functional areas.
- (b) The allocation of road grants to each State will be determined by the Minister for Transport independent of the Budget process. The figures shown above are a notional breakdown based on 1994-95 allocations.
- (c) Includes sinking fund contributions on State debt made by the Commonwealth Government, which are included as payments for the States.

**TABLE 22, 23 AND 24: PAYMENTS TO AND FOR LOCAL GOVERNMENT  
1991-92 TO 1995-96 (ESTIMATES)**

These tables provide detailed estimates of Commonwealth payments to and for local government.

Table 22 provides estimates of local government general purpose payments to the States in 1995-96. The estimates include both financial assistance grants and identified road grants to be provided to each State in 1995-96, and an adjustment for an estimated underpayment in 1994-95.

- Data are included for the Australian Capital Territory Government since it has responsibility for municipal functions and receives analogous payments for those functions.
- General purpose assistance is initially paid to the States who are required to pass on the entire amount as untied assistance to local government authorities, except in the Australian Capital Territory.

Table 23 provides details of total payments direct to local government authorities for the years 1991-92 to 1995-96 (estimates). There are no direct local government payments to the Australian Capital Territory.

Table 24 provides an indicative distribution of the payments direct to local government authorities among the States and the Northern Territory for 1995-96. The actual distribution of some payments may change in the light of factors such as revisions to estimates and national priorities.

**Table 22: Details of General Purposes Assistance for Local Government (\$ 000) - 1995-96 (estimate)**

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
<b>GENERAL PURPOSE ASSISTANCE</b>									
<b>Financial Assistance Grants</b>									
Estimated 1995-96 entitlement	272,375	200,918	144,821	76,804	65,888	21,161	13,528	7,720	803,215
<i>plus estimated 1994-95 underpayment</i>	<i>1,375</i>	<i>1,020</i>	<i>720</i>	<i>385</i>	<i>335</i>	<i>108</i>	<i>0</i>	<i>39</i>	<i>3,981</i>
Estimated 1995-96 cash payment	273,749	201,938	145,541	77,189	66,223	21,269	13,528	7,759	807,196
<b>Identified Road Funding</b>									
Estimated 1995-96 entitlement	103,406	73,479	66,778	54,496	19,587	18,887	11,428	8,349	356,410
<i>plus estimated 1994-95 underpayment</i>	<i>521</i>	<i>370</i>	<i>337</i>	<i>275</i>	<i>99</i>	<i>95</i>	<i>0</i>	<i>42</i>	<i>1,739</i>
Estimated 1995-96 cash payment	103,927	73,849	67,115	54,770	19,686	18,982	11,428	8,391	358,149
<b>Total</b>									
Estimated 1995-96 entitlement	375,781	274,397	211,599	131,299	85,476	40,048	24,956	16,069	1,159,625
<i>plus estimated 1994-95 underpayment</i>	<i>1,896</i>	<i>1,390</i>	<i>1,057</i>	<i>660</i>	<i>433</i>	<i>203</i>	<i>0</i>	<i>81</i>	<i>5,720</i>
<b>TOTAL GENERAL ASSISTANCE</b>	<b>377,677</b>	<b>275,788</b>	<b>212,656</b>	<b>131,959</b>	<b>85,909</b>	<b>40,251</b>	<b>24,956</b>	<b>16,150</b>	<b>1,165,345</b>

**Table 23: Commonwealth Payments Direct to Local Government Authorities in the States and the Northern Territory (\$ 000) (a)**

	1991-92	1992-93	1993-94	1994-95 (estimate)	1995-96 (estimate)
<b>Current</b>					
Home and Community Care	81	278	914	1,858	3,614
Aged and Disabled Persons' Homes and Hostels	13,161	13,856	15,882	16,658	17,473
Handicapped Persons' Assistance	3,176	4,545	3,722	3,028	1,575
Children's Services	120,953	147,888	162,038	190,045	228,307
Employment Training - Aboriginal	..	823	829	955	1,755
Local Government Development Program	..	..	..	680	8,183
Sydney's Olympic Games Bid	..	5,000	..	..	..
Local Coastal Management	..	..	..	..	388
Aerodrome Local Ownership Plan	17,243	17,643	1,720	..	..
Exmouth Shire - Defence Changes	60	..	..	..	..
<b>Total Current</b>	<b>154,674</b>	<b>190,034</b>	<b>185,105</b>	<b>213,224</b>	<b>261,295</b>
<b>Capital</b>					
Aged and Disabled Persons' Homes and Hostels	14,109	15,358	8,467	11,234	7,184
Handicapped Persons' Assistance	599	713	204	242	242
Children's Services	824	795	713	957	1,130
Local Capital Works	..	297,191	50,355	129	..
Drainage Repair - Fairfield and Bankstown	..	..	..	..	2,125
Newcastle Redevelopment	..	750	1,450	..	..
Sydney Customs House	..	..	1,600	22,400	..
Perth Airport Land Aquisition	..	156	..	..	..
Aerodrome Local Ownership Plan	6,968	5,298	286	..	..
<b>Total Capital</b>	<b>22,500</b>	<b>320,261</b>	<b>63,075</b>	<b>34,962</b>	<b>10,681</b>
<b>Total Direct Payments</b>	<b>177,174</b>	<b>510,294</b>	<b>248,181</b>	<b>248,186</b>	<b>271,976</b>

(a) There are no direct local government payments to the ACT.

**Table 24: Commonwealth Payments Direct to Local Government in the States and Northern Territory (\$ 000) - 1995-96 (estimate) (a) (b)**

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	Northern Territory	Total
<b>DIRECT PAYMENTS - CURRENT</b>								
Home and Community Care	..	2,056	804	564	190	..	..	3,614
Aged and Disabled Persons' Homes and Hostels	3,582	7,519	1,892	1,606	2,564	286	24	17,473
Handicapped Persons' Assistance	391	629	512	..	43	..	..	1,575
Children's Services	77,121	97,258	19,954	19,045	2,272	9,884	2,773	228,307
Aboriginal Advancement	68	316	1,159	103	62	48	..	1,755
Local Government Development Program	2,822	2,082	1,501	796	683	219	80	8,183
Local Coastal Management	78	78	78	78	78	..	..	388
<b>TOTAL CURRENT</b>	<b>84,062</b>	<b>109,937</b>	<b>25,899</b>	<b>22,192</b>	<b>5,891</b>	<b>10,437</b>	<b>2,876</b>	<b>261,295</b>
<b>DIRECT PAYMENTS - CAPITAL</b>								
Aged and Disabled Persons' Homes and Hostels	2,681	2,488	442	746	578	249	..	7,184
Handicapped Persons' Assistance	43	55	116	..	28	..	..	242
Children's Services	277	267	54	182	78	107	166	1,130
Drainage Repair - Fairfield and Bankstown	2,125	..	..	..	..	..	..	2,125
<b>TOTAL CAPITAL</b>	<b>5,126</b>	<b>2,810</b>	<b>612</b>	<b>928</b>	<b>684</b>	<b>356</b>	<b>166</b>	<b>10,681</b>
<b>TOTAL DIRECT</b>	<b>89,188</b>	<b>112,747</b>	<b>26,511</b>	<b>23,120</b>	<b>6,575</b>	<b>10,793</b>	<b>3,042</b>	<b>271,976</b>

(a) There are no direct local government payments to the ACT.

(b) The actual distribution of some payments may change in light of factors such as revisions to estimates and national priorities.