

1997-98 BUDGET PAPER No. 3

FEDERAL FINANCIAL
RELATIONS
1997-98

CIRCULATED BY
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PREFACE

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

Figures for 1996-97 and 1997-98 are estimates.

RELATIONSHIP WITH OTHER BUDGET PAPERS AND TERMINOLOGY

In examining government finances, the most relevant aggregates for economic analysis are usually those relating to payments on a net basis — that is, after recoveries or repayments. 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 programmes which have already terminated. Moreover, the direct relationship between payments and the programmes to which they nominally relate is not always clear. Largely for these reasons, this Paper presents information on payments on a gross basis, although some tables showing repayments are also included.

Consistent with the focus in *Budget Paper No. 1* on the underlying rather than the headline budget balance, Chapter I of this Paper examines trends in the public sector underlying deficit of the States. The underlying deficit closely approximates the national accounts net lending measure and hence provides a good estimate of the savings-investment gap for the relevant sector. As explained in Statement 7 of *Budget Paper No. 1*, the definition of the underlying deficit differs from the Australian Bureau of Statistics' (ABS) definition of the adjusted deficit in the treatment of provisions.

The Appendix to this Paper provides information on the level and interstate distribution of specific purpose payments, repayments, advances and interest. Information on the level and interstate distribution of Commonwealth payments to local government authorities is also included.

PARAMETER ESTIMATES USED IN THIS PAPER

Table 1 sets out the population series and index factors used in this Budget Paper.

Table 1: Parameters

	Index Factors (per cent)			Population By State (000's)								
	CPI	Popul- ation	Real Per Capita	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1996-97	2.04	1.28	3.34	6226	4562	3389	1779	1481	473	308	181	18398
1997-98	0.77	1.21	1.99	6294	4601	3458	1810	1488	473	311	184	18621

The population series which underlie per capita estimates in this Budget Paper for 1996-97 and 1997-98 are projections at 31 December 1996 and 31 December 1997 respectively. These projections were prepared by the ABS and are on the basis of assumptions agreed to by the Treasury. The index factors for population in 1996-97 and

1997-98 are based on the estimated annual growth in the Australian population to 31 December 1996 and 31 December 1997 respectively.

The index factors for prices in 1996-97 and 1997-98 are based on estimated year-average growth in the headline consumer price index (CPI) in the year to the March quarter 1997 and in the year to the March quarter 1998, respectively.

FURTHER INFORMATION

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

- *Government Financial Estimates, Australia* (Cat. No. 5501.0);
- *Government Finance Statistics, Australia* (Cat. No. 5512.0);
- *Taxation Revenue, Australia* (Cat. No. 5506.0);
- *Public Sector Financial Assets and Liabilities, Australia* (Cat. No. 5513.0); and
- *Government Finance Statistics — Concepts, Sources and Methods* (Cat. No. 5514.0).

Some of the data presented in this Paper are drawn from ABS government finance statistics (preliminary) data and the Commonwealth Grants Commission *Report on General Revenue Grant Relativities — Update 1997*.

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’ 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

Budget Paper No. 3 is one of a series of Budget Papers, the purpose of which is to provide information supplementary to that in the Budget Speech. A full list of the series is printed on the inside cover of this paper.

CHAPTER I: RECENT DEVELOPMENTS

This chapter provides a summary of the decisions taken at the 1997 Premiers' Conference and Loan Council Meeting on 21 March 1997. The chapter also summarises the *National Fiscal Outlook* and provides a brief discussion of fiscal developments in the States.

THE 1997 PREMIERS' CONFERENCE

At the 1997 Premiers' Conference it was agreed that the level of financial assistance grants (FAGs) to the States will be maintained in real per capita terms in 1997-98. The Commonwealth also extended the real per capita guarantee for FAGs to 1999-2000, conditional on the States complying with their obligations under the Agreement to Implement the National Competition Policy and Related Reforms. On the basis of current estimates, Commonwealth general revenue assistance to the States is expected to be \$16,829.9 million in 1997-98, an increase of \$531.0 million or 3.3 per cent on the previous year, as shown in Table 2.

The States and Territories will make fiscal contribution payments of \$627 million in 1997-98. These payments will be made in accordance with the schedule agreed at the 1996 Premiers' Conference except for Tasmania and the Australian Capital Territory. In recognition of the difficult economic circumstances facing Tasmania and the Australian Capital Territory, it was agreed that they will defer the payment of half of their scheduled fiscal contributions of \$16.3 million and \$10.7 million, respectively, until 1998-99. The need for the revised fiscal contribution of \$313 million in 1998-99 will be reviewed at the 1998 Premiers' Conference in the light of developments in the Commonwealth's fiscal position.

The Commonwealth reaffirmed its commitment to make National Competition Payments (NCPs) to the States as specified in the National Competition Policy Agreement. Competition Payments of up to \$215.1 million will be made in 1997-98 and will be determined after the National Competition Council reports in June 1997. These payments, like the per capita component of the guarantee for FAGs, are conditional on the States achieving satisfactory progress in the implementation of National Competition Policy reforms.

The Commonwealth also indicated that the likely reduction in the aggregate level of specific purpose payments (SPPs) to the States, that was currently being contemplated as part of the budget process, would be a maximum of 1.3 per cent against the forward estimates in 1997-98. (The actual reduction will be around 0.5 per cent.)

Other key outcomes from the 1997 Premiers' Conference were as follows:

- The per capita relativities recommended by the Commonwealth Grants Commission (CGC) in its *Report on General Revenue Grant Relativities — Update 1997* (the 1997 Update report) were adopted to distribute the pool of FAGs and unquarantined hospital funding grants (HFGs).
- Medicare guarantee payments of \$191.8 million and \$244.4 million will be paid to New South Wales and Victoria, respectively, in 1997-98. In accordance with the

arrangements established at the 1995 Premiers' Conference, the Commonwealth will directly contribute \$62.3 million to these guarantee payments with the remainder funded by the States from the FAGs pool.

- The Commonwealth will provide the Australian Capital Territory with special revenue assistance (SRA) of \$20.7 million in the form of transitional allowances and \$13.8 million as special fiscal needs, in 1997-98. These amounts are in accordance with the CGC's recommendations and will be funded directly by the Commonwealth. Consistent with the CGC's assessment, the recommended additional payments of transitional assistance for the health and education sectors of \$10 million in 1997-98 and \$5 million in 1998-99 will be the final payments to place the Australian Capital Territory on an equal footing with the States in all areas other than policing.

Details of these funding decisions and related issues considered at the 1997 Premiers' Conference are contained in Chapter III.

Estimates of general revenue assistance to be provided to the States in 1996-97 and 1997-98 are shown in Table 2.

Table 2: General Revenue Assistance to the States, 1996-97 and 1997-98 (estimated)

	Financial Assistance Grants	Special Revenue Assistance			Identified Road Grants	Competition Payments	General Revenue Assistance			State Fiscal Contributions
	(a)	MCG	Other	Total	(d)	(e)	Change			(f)
		(b)	(c)				\$m	\$m	Per cent	
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	Per cent	\$m
1996-97										
NSW	4370.8	188.1	..	188.1	113.4	..	4672.3	155.3	3.4	209.5
VIC	3211.2	239.7	..	239.7	93.1	..	3543.9	215.7	6.5	153.5
QLD	3004.5	..	..	..	72.0	..	3076.5	124.8	4.2	114.0
WA	1537.4	..	..	..	40.9	..	1578.2	-10.9	-0.7	59.8
SA	1511.8	..	..	..	32.7	..	1544.6	15.5	1.0	49.8
TAS	665.3	..	..	..	13.4	..	678.7	16.7	2.5	15.9
ACT	233.0	..	42.2	42.2	4.3	..	279.5	-11.1	-3.8	10.4
NT	901.6	..	9.9	9.9	13.6	..	925.1	15.6	1.7	6.1
Total	15435.6	427.8	52.1	479.9	383.4	..	16298.9	521.6	3.3	619.0
1997-98										
NSW	4,592.1	191.8	..	191.8	..	72.7	4,856.7	184.4	3.9	216.3
VIC	3,362.1	244.4	..	244.4	..	53.2	3,659.7	115.8	3.3	158.2
QLD	3,151.6	..	..	..	..	39.9	3,191.6	115.1	3.7	118.8
WA	1,581.4	..	..	..	..	20.9	1,602.3	24.1	1.5	62.2
SA	1,574.3	..	..	..	..	17.2	1,591.4	46.9	3.0	51.1
TAS	689.7	..	..	..	..	5.5	695.2	16.5	2.4	8.1
ACT	241.5	..	34.5	34.5	..	3.6	279.6	0.1	0.0	5.4
NT	951.2	..	..	..	..	2.1	953.3	28.2	3.0	6.3
Total	16,144.0	436.3	34.5	470.8	..	215.1	16,829.9	531.0	3.3	626.5

(a) These FAGs estimates do not include offsets for State fiscal contributions — see last column.

(b) Medicare guarantee payments (MCG).

(c) For 1996-97, these consist of the additional payments agreed at the 1996 Premiers' Conference. The \$9.9 million to the NT is funded from the FAGs pool. The \$42.2 million to the ACT is for transitional allowances and special fiscal needs, which are funded by the Commonwealth. In 1997-98, the ACT will receive \$34.5 million in transitional allowances and special fiscal needs, funded by the Commonwealth.

(d) Identified road grants are to be absorbed into the FAGs pool in 1997-98.

(e) The Agreement to Implement the National Competition Policy and Related Reforms specifies that \$200 million in 1994-95 prices is to be distributed between the States on an equal per capita basis in 1997-98. The receipt of the payment is conditional on a State meeting the obligations of the Agreement.

(f) Estimated distribution based on arrangements agreed at the 1996 and 1997 Premiers' Conferences involving equal per capita contributions but with the deferral of half of Tasmania's and the ACT's 1997-98 contribution to 1998-99.

LOAN COUNCIL

At its meeting on 21 March 1997, Loan Council endorsed the Loan Council Allocations (LCAs) nominated by the Commonwealth and each State and Territory for 1997-98.

In relation to public infrastructure projects with private sector involvement, Loan Council confirmed its in-principle decision last year that government contingent liabilities arising under such projects will in future be disclosed as a footnote to, rather than a component of, LCAs.

Loan Council also agreed to the Commonwealth's proposal to exempt Telstra Corporation Ltd from its arrangements for monitoring and reporting borrowings on commerciality grounds.

In addition, Loan Council agreed to the implementation, from 1998-99, of a revised uniform presentation framework for government financial information. This framework has subsequently been published.

Loan Council issues — including the Commonwealth's 1997-98 Budget time LCA and the estimated 1996-97 LCA outcome — are discussed further in Chapter IV.

NATIONAL FISCAL OUTLOOK

The fifth *National Fiscal Outlook* (NFO) report was prepared by a working party of Commonwealth and State Treasury officials as an input to the deliberations of the 1997 Premiers' Conference.

The NFO presents medium-term projections of the finances of the Commonwealth and State general government sector (as defined by the ABS) on the basis of policy settings as at February 1997. The 1997 NFO provided updated estimates for 1996-97 and projections for the three years to 1999-2000.

The NFO projected a marked improvement in general government sector finances over the outlook period, with the total general government sector's underlying deficit projected to decline from 1.7 per cent of gross domestic product (GDP) in 1996-97 to an underlying surplus of 0.8 per cent of GDP by 1999-2000. This primarily reflects an improvement in the position of the Commonwealth general government sector which is driven by fiscal consolidation measures and the impact on Commonwealth outlays and revenue of anticipated economic growth. Net debt for the combined sector was projected to decline over the outlook period, again mainly as a result of developments in the Commonwealth general government sector.

The forecast improvement in the underlying deficit for the combined Commonwealth and State general government sector will close the sector's gap between saving and investment and hence eliminate its direct contribution to the current account deficit.

The measures announced in the 1997-98 Budget will further improve the fiscal position of the combined Commonwealth and State general government sector.

- The Commonwealth's general government underlying balance is projected to move from a deficit of 1.4 per cent of GDP in 1996-97 to a surplus of 1.7 per cent in 2000-01. The aggregate State position is expected to remain in small surplus over the same period.
- The total general government sector underlying balance is now projected to move from a deficit of 1.0 per cent of GDP in 1996-97 to a surplus of 2.0 per cent of GDP in 2000-01.

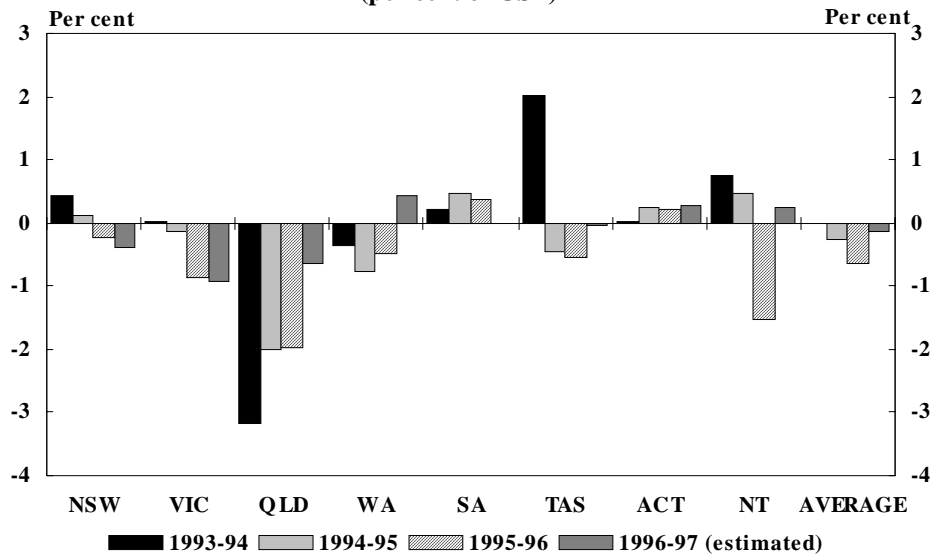
The Commonwealth's fiscal strategy is set out in *Budget Paper No. 1*.

BUDGETARY AND FINANCIAL DEVELOPMENTS IN THE STATES

The State public sector is expected to record an underlying surplus of around \$2.2 billion, or 0.4 per cent of GDP in 1996-97. This follows the underlying surplus of \$3.3 billion, or 0.7 per cent of GDP, achieved in 1995-96 and represents a break in the trend improvement in the fiscal position of the State public sector since its underlying deficit peaked at \$3.9 billion, or 1.0 per cent of GDP, in 1991-92.

The State public sector surplus is expected to fall further in 1997-98 to around \$0.1 billion. However, in subsequent years, some improvement is expected with recent State budget and NFO projections showing small but increasing underlying surpluses in the State general government sector.

**Chart 1: State Public Sector Underlying Deficit
(per cent of GSP)^(a)**



(a) The State public sector underlying deficit is the sum of the general government and public trading enterprise (PTE) underlying deficits. The general government sector underlying deficit is defined as outlays less revenue less net advances paid and the PTE sector underlying deficit is the ABS PTE underlying deficit measure. The average is the unweighted average.

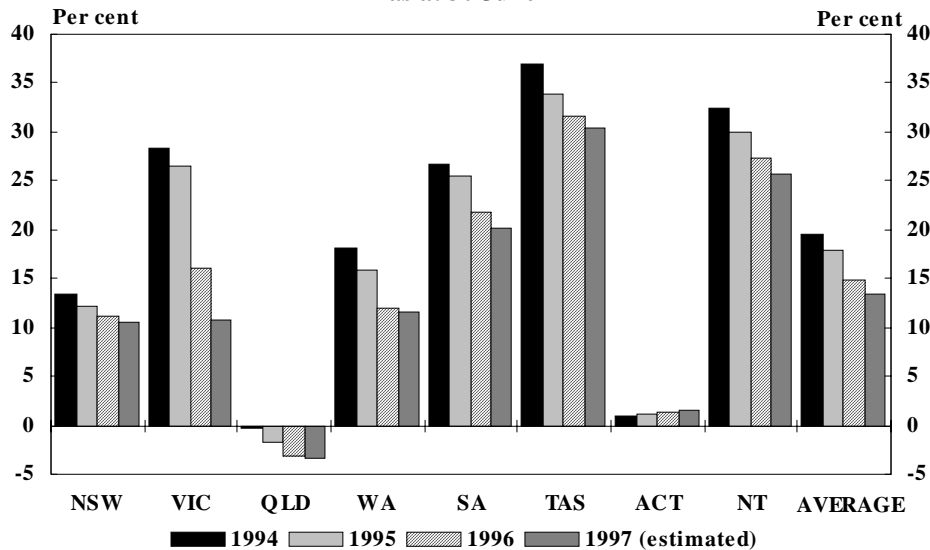
Source: Based on 1996-97 *Government Financial Estimates, Australia*, ABS Catalogue No. 5501.0, 1997-98 State budgets where available, otherwise unpublished ABS data and 1997 NFO.

The decline in the State public sector's underlying surplus in 1996-97 is attributable to growth in underlying outlays which more than offset the growth in revenue. Almost all of the change in 1996-97 reflects developments in Queensland and Western Australia. The expected fall in the underlying surplus in 1997-98 reflects New South Wales' movement into underlying deficit and an expected fall in Victoria's public sector underlying surplus.

Chart 2 shows the declining trend in the ratio of net debt to gross state product (GSP) since the early 1990s. This trend is expected to continue in 1997 due to the effect of economic growth and the continuation of headline surpluses in most States. These surpluses will result, in part, from asset sales.

In 1995-96, there were large asset sales including the sale of electricity assets in Victoria (worth around \$10.7 billion), BankWest (\$900 million) and BankSA (\$730 million). There have been further asset sales in 1996-97, the largest being Victoria's sale of the Loy Yang A (\$4.9 billion) and Hazelwood (\$2.4 billion) power stations.

Chart 2: State Public Sector Net Debt (per cent of GSP) as at 30 June^(a)



(a) Net debt is defined as gross debt less financial assets. For 1997, 1997-98 State budget estimates of net debt have been used where available. For other States, net debt is calculated by adding to the ABS net debt figure the sum of general government and PTE headline deficits (less net advances paid to PTEs). The average is the unweighted average. Source: Unpublished ABS data, 1997-98 State budgets where available, otherwise Commonwealth Treasury estimates for 1997.

A number of States continue to carry relatively high public sector debt servicing burdens. These States will require further fiscal consolidation measures to reduce their debt to more sustainable levels.

Fiscal developments in individual jurisdictions are summarised below.

New South Wales is expected to record a significant deterioration in 1997-98 in the underlying position of its public sector which is projected to move into deficit. The growth in underlying outlays in 1997-98 is expected to be around twice that of revenue notwithstanding the introduction of new taxation measures.

Current outlays are expected to increase significantly in education and health in 1997-98 as they have in 1996-97. There will also be strong growth in underlying capital outlays in 1997-98 reflecting the capital projects associated with the 2000 Olympics and investment in transport infrastructure.

Substantial taxation measures were announced in the 1997-98 Budget. The major measures include an electricity distributors' levy on businesses which have benefited from competition-induced price reductions, an increase in the rate of land tax and a change in the definition of the residential property exemption threshold. A 10 per cent duty is also to be introduced on the cost of accommodation in and around the Sydney central business district.

New South Wales has a short term fiscal target of achieving a sustainable surplus in the general government sector by 1998-99.

Victoria's financial position has strengthened considerably in recent years. This has resulted from significant asset sales and public sector reforms, including expenditure restraint in service delivery, and increases in own-source revenue. The improvement in Victoria's financial position has been reflected in a substantial reduction in the State's net debt.

In underlying terms, the Victorian public sector is expected to record surpluses in 1996-97 and 1997-98. The reduction in the surplus in 1997-98 is expected to reflect strong growth in underlying capital outlays. The 1997-98 Budget announced reductions in a number of taxes, primarily payroll tax and petroleum franchise fees, to bring Victoria's tax rates into closer alignment with the State average.

Victoria is committed to medium-term fiscal targets, which include the achievement of a sustainable current account surplus and further reductions in debt.

Queensland remains in the strongest financial position of all the States and is the only jurisdiction in a net asset position (that is, with financial assets exceeding financial liabilities). Queensland's superior fiscal position reflects, in part, its policy of borrowing only for economic infrastructure which is able to service the debt, and funding social infrastructure from recurrent revenue.

However, a significantly lower public sector underlying surplus is expected in 1996-97 resulting from large increases in both current and capital outlays.

Western Australia remains in a relatively strong financial position as a consequence of strong economic growth flowing through to own-source revenue, and earlier public sector reforms.

Western Australia's public sector is expected to record a decline in its underlying deficit in 1997-98 and to achieve moderate surpluses in the medium term as the historically high level of spending on capital works in the PTE sector is reduced.

Western Australia's fiscal objectives include reducing public sector net debt as a share of GSP and reducing its interest burden. In its 1997-98 Budget, Western Australia announced its intention to implement fiscal responsibility legislation which will set out key fiscal principles, the process for setting and monitoring medium term fiscal targets, and financial reporting requirements.

South Australia has made steady progress in reducing its net debt to GSP ratio from the peak reached in 1991-92, although the ratio remains high in comparison to most other States. The high net debt ratio was associated with the need to provide financial assistance for its State Bank and State Government Insurance Commission in the early 1990s.

The public sector is expected to be broadly in balance in 1996-97. This improvement is due largely to an expected pick-up in revenue combined with relatively low growth in underlying outlays.

The South Australian Government's fiscal objectives are to eliminate its underlying deficit in the non-commercial sector by 1997-98 and further reduce public sector net debt.

Tasmania's net debt to GSP ratio remains the highest of any jurisdiction. Its large debt burden is attributable to its reliance on public sector borrowings through the 1980s, partly associated with investment in the State's hydro-electric scheme. In recognition of the difficulties facing Tasmania as a result of a deterioration in its fiscal position, it was agreed at the 1997 Premiers' Conference that Tasmania will defer half of its 1997-98 fiscal contribution to the Commonwealth until 1998-99.

The public sector is expected to be broadly in balance in 1996-97, following small surpluses in the previous two years. The deterioration is due to higher underlying outlays growth and lower revenue growth.

Tasmania's medium-term fiscal strategy has focused on the continued reduction of net debt, debt servicing costs and State taxes, complemented by public sector reforms. However, significant budgetary pressures remain, including the ongoing expenditure requirements associated with an ageing population.

Although the **Australian Capital Territory** continues to have a relatively low level of net debt, its budgetary position is expected to deteriorate with the weakness evident in the Territory's economy.

The Australian Capital Territory is expected to record a significant public sector underlying deficit in 1997-98 as a result of a decline in revenue to the general government sector and continued growth in outlays. In recognition of the difficulties facing the Territory, it was agreed at the 1997 Premiers' Conference that it will defer half of its 1997-98 fiscal contribution to the Commonwealth until 1998-99.

The **Northern Territory** is expected to record a small public sector underlying deficit in 1996-97 following a surplus the previous year. The significant deterioration in the Northern Territory's fiscal position is expected to result from strong growth in outlays. The public sector underlying deficit is expected to increase slightly in 1997-98. The ratio

of public sector net debt to GSP is expected to decline slightly in 1997 but remain well above the State average.

The Northern Territory economy has grown faster than the average for all jurisdictions in recent years, with this growth reflected in own-source revenue. Moreover, under the horizontal fiscal equalisation principles, the Northern Territory continues to receive a relatively large share of the pool of Commonwealth general revenue assistance, reflecting the fiscal disabilities associated with its small and widely dispersed population.

The Northern Territory's medium term fiscal strategy is to address its structural budget imbalance and its high level of public sector debt through the restraint of outlays growth and reduced reliance on borrowings. One of the Northern Territory's fiscal objectives is to restrict any increase in gross debt to five per cent or less of total expenditures.

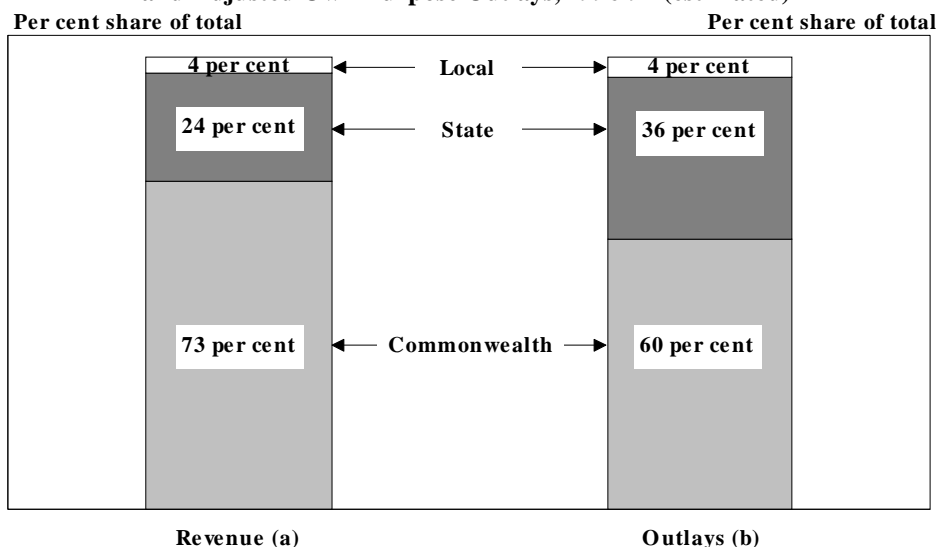
CHAPTER II: OVERVIEW OF FEDERAL FINANCIAL RELATIONS

This chapter begins by providing an overview of Commonwealth payments to the State/local general government sector. The second part of the chapter describes the process of horizontal fiscal equalisation which underlies the interstate distribution of the bulk of Commonwealth general revenue assistance.

COMPOSITION OF PUBLIC SECTOR REVENUE AND OUTLAYS

Federal fiscal arrangements in Australia are characterised by a significant difference between the relative revenue and expenditure responsibilities of the Commonwealth and the States, often referred to as vertical fiscal imbalance (VFI). The amount of own-source revenue raised by the Commonwealth is considerably larger than its own-purpose outlays. In contrast, the States' own-purpose outlays outweigh the amount which they fund from their own-source revenue, with Commonwealth grants to the States forming a considerable part of State revenues. Chart 3 shows the estimated composition of general government own-source revenue and own-purpose outlays in Australia in 1996-97. Own-purpose outlays have been adjusted to include Commonwealth grants 'through' the States other than for local government purposes and to exclude net advances.

Chart 3: Composition of General Government Own-Source Revenue and Adjusted Own-Purpose Outlays, 1996-97 (estimated)



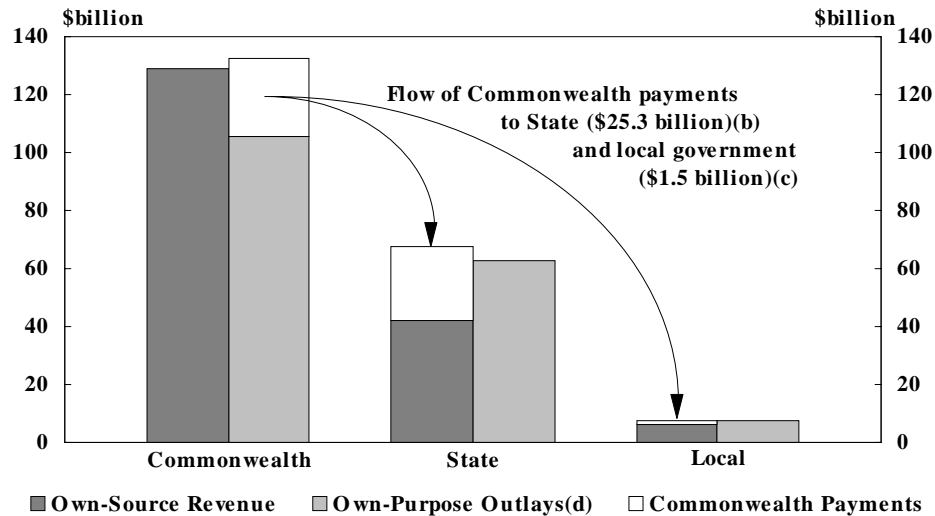
- (a) Own-source revenue excludes the receipt of payments from other levels of government.
 (b) The ABS measure of general government own-purpose outlays excludes payments to other levels of government and public trading enterprises (PTEs), such as general revenue assistance, SPPs and advances and subsidies, and interest payments on borrowings for other governments and PTEs. The adjusted measure adds back in to Commonwealth outlays SPPs 'through' the States (other than those for local government purposes). A corresponding adjustment is made to the State/local series. The adjusted measures for both Commonwealth and State levels of government abstract from all net advances, which is consistent with measures of the underlying deficit.

Source: ABS, *Government Finance Statistics*, unpublished data.

As noted above, there is a substantial flow of funds from the Commonwealth to supplement the own-source revenues of State/local government. The significance of this flow for Commonwealth general government outlays and State/local general government

revenue is shown in Chart 4. Payments to other levels of government (excluding SPPs 'through' the States except for local government general purpose assistance grants) accounted for around 20 per cent of the total outlays of the Commonwealth general government sector in 1996-97. These payments also accounted for around 37 per cent of the total revenue of the State general government sector and for around 19 per cent of the total revenue of the local general government sector.

Chart 4: Impact of Commonwealth General Government Payments to Other Levels of Government, 1996-97 (estimated)^(a)



(a) Commonwealth payments comprise general purpose payments and SPPs.
 (b) Excludes grants 'through' the States.
 (c) Comprises grants made 'through' the States to local government and direct payments to local government.
 (d) Commonwealth grants 'through' the States, except grants for local government purposes, have been treated as Commonwealth government own-purpose outlays.
 Source: ABS, *Government Finance Statistics*, unpublished data.

The pattern of Commonwealth and State revenue raising and expenditure responsibilities is longstanding. The most significant difference is in relation to taxation and results primarily from the introduction of uniform Commonwealth income taxation in 1942 to maximise revenue to finance the war effort. Both the Commonwealth and the States have the legal capacity to levy taxes, the only exception being customs and excises which the Australian Constitution reserved for the Commonwealth. The States derive own-source revenue from a range of sources, the most important of which are payroll taxes and taxes on property, including stamp duty.

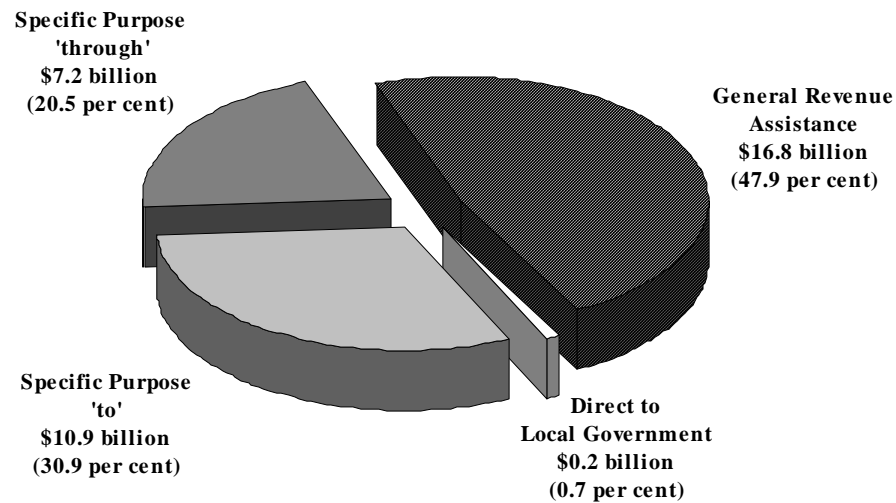
A degree of imbalance between the revenue raising and expenditure responsibilities of different tiers of government is characteristic of the fiscal arrangements of most federal systems of government. There are considerable advantages to Australia as a whole, from both an economic and an administrative perspective, from the maintenance of a national taxation system. In Australia, a certain level of VFI is also necessary if the Commonwealth is to distribute payments to the States in accordance with the principle of horizontal fiscal equalisation. The provision of grants to the States in the form of SPPs is a means for the Commonwealth to pursue its policy objectives in areas where the States are the primary service providers.

The extent of VFI has often been criticised on the grounds that it reduces government accountability and the amount and certainty of State revenue. Accountability is considered to be best served when the level of government responsible for expenditure is also responsible for funding that expenditure through taxes. In practice, however, State governments are accountable for their budgetary decisions at the margin. The States raise around 55 per cent of their total revenue, and increases in State expenditures have to be financed largely through increased State taxation. Financial market scrutiny also has a bearing on a government's accountability for its spending decisions.

Composition of Commonwealth Payments to State/Local Sector

Chart 5 shows the composition of Commonwealth payments to the State/local sector in 1997-98. Chapter III discusses these payments in detail.

Chart 5: Payments to the State/Local Sector in 1997-98 (estimated)
Total Gross Payments \$35.2 billion



HORIZONTAL FISCAL EQUALISATION

The general revenue assistance provided to the States by the Commonwealth is largely distributed on the basis of the horizontal fiscal equalisation (HFE) principles which are embodied in the per capita relativities recommended by the Commonwealth Grants Commission (CGC) — see Box 1. The objective of HFE is to improve equity for all Australian residents.

In its assessments, the CGC uses a complex methodology that takes account of differences in the per capita capacities of the States to raise revenues and differences in the per capita amounts required to be spent by the States in providing an average standard of government services. A State's actual per capita expenditure or revenue generally differs from the average of all States for two reasons:

- influences that are beyond a State's control (referred to as 'disabilities') affect the cost at which it can provide services and its capacity for raising revenue; and
- a State's policies, practices and operating efficiency differ from those of other States.¹

HFE requires that only those factors beyond a State's control be taken into account in determining a State's relative needs and hence the distribution of Commonwealth general revenue grants. The CGC's recommendations seek 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 operates at an average level of efficiency.

Since 1990-91, the CGC's assessments have been based on data for the five financial years preceding the year in which the assessment is made. Accordingly, the review period for the per capita relativities to be applied in 1997-98 spans the years 1991-92 to 1995-96. The five year review period replaced a three year review period and aims to provide greater year-to-year stability in the distribution of FAGs among the States and hence provide a greater degree of certainty for the States in their forward planning. This was balanced against the greater contemporaneity of assessments with current circumstances that would be provided by a shorter review period.

By international standards, the extent of HFE in Australia is pronounced and the methodology is complex. The complexity of the CGC's processes has arisen in response to the requirements of the States and the Commonwealth over time for a comprehensive and rigorous approach to HFE. For its part, the CGC has sought to maximise the transparency of its methodology and to provide the opportunity for input and comment by the States and the Commonwealth.

Further information on HFE is provided in the CGC's 1997 Update report.

¹ Commonwealth Grants Commission *Report on General Revenue Grant Relativities — Update 1997*, February, 1997.

BOX 1: COMMONWEALTH GRANTS COMMISSION

- The Commonwealth Grants Commission (CGC) is an independent statutory authority established by the *Commonwealth Grants Commission Act 1973*.
- The CGC makes recommendations concerning the distribution of general revenue assistance to the States in response to terms of reference provided to it each year by the Commonwealth Government.
- The Commonwealth's practice is to consult with the States concerning the CGC's terms of reference with a view to reinforcing the Commission's position as an independent arbiter in relation to horizontal fiscal equalisation.
- The terms of reference define the general approach to be followed by the CGC as well as any specific conditions or limitations on the extent to which fiscal equalisation is to apply.
- The CGC produces both annual updates and five-yearly reviews. Updates essentially revise the data upon which the CGC's assessments are based. The longer term reviews encompass changes to the Commission's methodology. The next review is scheduled for implementation in 1999.

Effects of Horizontal Fiscal Equalisation

The CGC first reported on relativities for the six States simultaneously in 1981. Prior to that time, the CGC's major task was to assess applications by 'claimant States' for special financial assistance from the Commonwealth under section 96 of the Constitution. The reviews of relativities were widened to include the Northern Territory in 1985 and the Australian Capital Territory in 1993.

The distribution of the pool of FAGs and HFGs in accordance with the CGC's per capita relativities means that New South Wales, Victoria, Western Australia and the Australian Capital Territory receive less than an equal per capita share, and the other States (particularly the Northern Territory and Tasmania) receive more. This reflects the CGC's assessment that the 'donor' States have greater relative revenue capacities and/or less significant expenditure disabilities than the other States.

Table 3 shows the amount of FAGs and HFGs received by each State under HFE relative to the amount that they would receive on the basis of an equal per capita distribution or a distribution based on personal income tax collections. The table shows that, in 1997-98, around \$1,500 million (or 7.4 per cent) of the FAGs/HFGs pool is to be redistributed among the States as a result of the application of the CGC's relativities, compared with an equal per capita distribution.

Table 3: Impact of Horizontal Fiscal Equalisation on the Distribution of the Pool of Financial Assistance Grants and Hospital Funding Grants in 1997-98 (\$million)^(a)

	Distributio n Using C G C Relativities (b)		Distributio n o n an Equal P er Capita Basis (c)		Difference in Distributio n (1) - (2)	Distributio n o n the Basis of P ersonal Inco me Tax P aid (d)		Difference in Distributio n (1) - (4)
	(1)	(2)	(2)	(3)	(3)	(4)	(5)	
	\$ m	P ercent	\$ m	P ercent	\$ m	\$ m	P ercent	\$ m
NSW	6003	29.7	6844	33.8	-840	7383	36.5	-1380
VIC	4390	21.7	5003	24.7	-614	5049	24.9	-659
QLD	3896	19.2	3760	18.6	136	3237	16.0	659
WA	1958	9.7	1969	9.7	-10	2000	9.9	-42
SA	1925	9.5	1618	8.0	307	1445	7.1	480
TAS	797	3.9	515	2.5	282	438	2.2	359
ACT	299	1.5	339	1.7	-39	512	2.5	-213
NT	979	4.8	200	1.0	779	183	0.9	796
T o t a l	20247	100.0	20247	100.0		20247	100.0	

(a) The pool consists of \$16144.0 million in FAGs and \$4102.9 million in HFGs — see Table 11 in Chapter III.

(b) 1997 relativities as recommended by the CGC — see Table 4 below.

(c) Based on ABS population projections — see Table 1.

(d) Based on each State's contribution to total net tax paid by individuals for 1994-95, as shown in Table P15 of *Australian Taxation Office, Taxation Statistics 1994-95*.

Table 4 shows the per capita relativities used to distribute the combined pool of FAGs and HFGs since 1993.

- Western Australia and Queensland have experienced the largest declines in per capita relativities, reflecting relatively strong economic growth in those States which has contributed to an increase in their assessed fiscal capacities.
 - In its 1997 Update report, the CGC for the first time assessed Western Australia as having above average fiscal capacity, reflected in a per capita relativity of less than one.
- The per capita relativities of the remaining States (except for South Australia) have increased, particularly those of Victoria and Tasmania.

Table 4: Commonwealth Grants Commission Relativities, 1993 to 1997

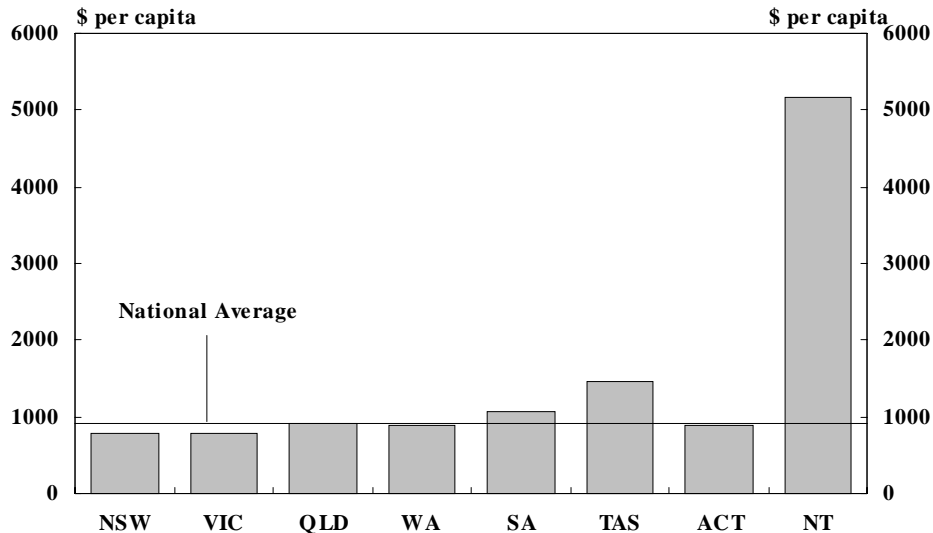
	1993 Review (a)	1994 Update	1995 Update	1996 Update (b)	1997 Update	Per cent Change 1993 to 1997
NSW	0.854	0.8756	0.8743	0.87472	0.87819	2.8
VIC	0.835	0.8374	0.8506	0.87577	0.87835	5.2
QLD	1.093	1.0441	1.0435	1.04176	1.03737	-5.1
WA	1.117	1.0839	1.0521	1.01409	0.99589	-10.8
SA	1.221	1.2186	1.2047	1.18772	1.19100	-2.5
TAS	1.480	1.5173	1.5437	1.54644	1.54974	4.7
ACT	0.865	0.8968	0.8916	0.88883	0.88435	2.2
NT	4.784	4.9863	5.0332	4.87829	4.89353	2.3

(a) Supplementary relativities calculated by the CGC to take into account the Medicare Agreements and Commonwealth policy in respect of State stamp duty exemptions for corporate reconstructions.

(b) The 1996 Update relativities as amended by the CGC's subsequent alternative calculation of 29 May 1996 relating to the treatment of Section 130 payments to Western Australia by deduction.

The estimated State distribution of general revenue assistance on a per capita basis for 1997-98 is shown in Chart 6. It indicates that New South Wales, Victoria and Western Australia receive less than average per capita payments while the Northern Territory receives five times the national average and Tasmania and South Australia also benefit from above average per capita payments.

Chart 6: General Revenue Assistance, 1997-98



Source: Table 6 of this Budget Paper.

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 go towards meeting 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 an SPP is considered to finance expenditure in addition to that which the States would otherwise have undertaken or where an 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 and bonus pool payments in the Medicare Agreements — 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 forgone where an SPP’s distribution 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.

CHAPTER III: COMMONWEALTH PAYMENTS TO THE STATES AND TERRITORIES

This chapter discusses trends in Commonwealth payments to the States and outlines the arrangements for payments to the States and local government in 1996-97 and 1997-98.

Table 5 shows estimated Commonwealth total payments to the States through the forward estimates period after allowing for the fiscal contributions which the States have agreed to make to the Commonwealth and some large one-off payments in 1996-97 and 1997-98.

- Total payments to the States are estimated to be \$34.1 billion in 1997-98. General purpose payments are expected to account for around 47 per cent of payments to the States and SPPs for around 53 per cent.
- Total payments are forecast to increase in both nominal and real terms by around 11 per cent and 2 per cent, respectively, over the forward estimates period to 2000-01.

Table 5: Commonwealth Payments to the States, 1996-97 to 2000-01 (\$million, estimated)

	General Purpose Payments (1)	Specific Purpose Payments (a) (2)	State Fiscal Contributions (b) (3)	Total Payments (1)+(2)-(3)	Change		
					Nominal		Real (c)
					\$m	Per cent	Per cent
1996-97	16351	18143	619	33876	180	0.5	-0.9
1997-98	16830	17908	627	34112	236	0.7	-0.4
1998-99	17380	17984	313	35051	939	2.8	0.2
1999-00	18238	18222	na	36460	1409	4.0	1.5
2000-01	18898	18653	na	37551	1091	3.0	0.5

(a) Data exclude SPPs direct to local government authorities, deductions for State fiscal contributions (\$142 million in 1996-97) and very large SPPs for the Guns Buyback Scheme (\$329 million in 1996-97 and \$167 million in 1997-98) and the Petroleum Resource Rent Tax agreement with Victoria (\$556 million in 1996-97).

(b) States' fiscal contributions agreed at the 1997 Premiers' Conference.

(c) 1989-90 prices, based on forecast CPI growth.

Table 6 shows estimated total net Commonwealth payments to the States in 1997-98. The data are also shown for each State and in per capita terms and include SPPs made directly to local government authorities. After allowing for the States' fiscal contributions, total net payments to the States and local government authorities are expected to be around \$33.5 billion in 1997-98, an increase of \$392 million or 1.2 per cent on 1996-97.

Repayments to the Commonwealth by the States will amount to around \$887 million in 1997-98. Around 86 per cent of total repayments are expected to be accounted for by the States' contributions to the Debt Retirement Reserve Trust Account to allow the redemption of amounts borrowed on their behalf by the Commonwealth in previous years. Other significant debt repayments in 1997-98 are related to the Commonwealth-State Housing Agreement.

Table 6: Total Net Commonwealth Payments to the States and Local Government Authorities, 1997-98 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
\$ million									
(1) General Revenue Assistance	4856.7	3659.7	3191.6	1602.3	1591.4	695.2	279.6	953.3	16829.9
(2) Total Specific Purpose Payments	5818.2	4183.4	3191.5	1970.7	1663.3	514.6	256.3	310.5	17908.5
Specific Purpose Payments 'to' the States (a)	3447.2	2239.7	1945.2	1255.3	1069.2	331.0	179.0	239.4	10706.2
Specific Purpose Payments 'through' the States (b)	2371.0	1943.7	1246.3	715.4	594.0	183.6	77.3	71.1	7202.3
(3) Gross Payments to the States (1) + (2)	10674.9	7843.2	6383.1	3573.0	3254.7	1209.7	535.9	1263.8	34738.4
(4) Payments Direct to Local Government Authorities	79.3	101.5	27.5	19.9	6.9	9.6	0.2	2.6	247.4
(5) Gross Total Payments to the States (3) + (4)	10754.2	7944.7	6410.6	3592.9	3261.6	1219.3	536.1	1266.4	34985.8
(6) State Fiscal Contributions	216.3	158.2	118.8	62.2	51.1	8.1	5.4	6.3	626.5
(7) Repayments by States	429.3	27.3	66.8	118.9	96.1	94.3	11.8	42.1	886.6
(8) Net Total Payments to States and Local Government (5) - (6) - (7)	10108.6	7759.2	6225.0	3411.8	3114.4	1116.9	518.9	1217.9	33472.6
\$ per capita (c)									
(1) General Revenue Assistance	771.6	795.3	923.1	885.0	1069.4	1468.4	898.3	5175.4	903.8
(2) Total Specific Purpose Payments	924.4	909.2	923.1	1088.5	1117.7	1086.9	823.2	1685.4	961.8
Specific Purpose Payments 'to' the States (a)	547.7	486.7	562.6	693.4	718.5	699.2	575.1	1299.6	575.0
Specific Purpose Payments 'through' the States (b)	376.7	422.4	360.5	395.2	399.2	387.7	248.2	385.9	386.8
(3) Gross Payments to the States (1) + (2)	1696.0	1704.5	1846.1	1973.6	2187.0	2555.3	1721.5	6860.8	1865.6
(4) Payments Direct to Local Government Authorities	12.6	22.1	8.0	11.0	4.6	20.2	0.6	14.1	13.3
(5) Gross Total Payments to the States (3) + (4)	1708.6	1726.6	1854.1	1984.6	2191.7	2575.5	1722.1	6874.9	1878.9
(6) State Fiscal Contributions	34.4	34.4	34.4	34.4	34.4	17.2	17.2	34.4	33.6
(7) Repayments by States	68.2	5.9	19.3	65.7	64.6	199.1	38.0	228.7	47.6
(8) Net Total Payments to States and Local Government (5) - (6) - (7)	1606.1	1686.2	1800.4	1884.5	2092.7	2359.2	1666.9	6611.9	1797.6

(a) Data exclude SPPs direct to local government authorities and SPPs for the Guns Buyback Scheme (\$167 million in 1997-98).

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

(c) Per capita figures are based on projections of population as at 31 December 1997, prepared by the ABS on the basis of assumptions agreed to by the Treasury.

GENERAL PURPOSE PAYMENTS

In 1997-98, general purpose payments to the States will comprise general revenue assistance in the form of FAGs, SRA and NCPs. In contrast to most SPPs, general revenue assistance is not required to be spent by the States in a specified area.

General revenue assistance is estimated to amount to \$16,830 million in 1997-98, an increase of 3.3 per cent on the previous year. The estimates of general revenue assistance for 1997-98 have varied from those presented at the 1997 Premiers' Conference in line with movements in the CPI.

- **FAGs** account for the bulk of general revenue assistance. The level of FAGs is indexed to movements in the CPI in the year to the March quarter and in accordance with projections of the population as at 31 December each year. The indexation of FAGs is guaranteed on a rolling three year basis subject to the States complying with obligations under the Agreement to Implement the National Competition Policy and Related Reforms.
- **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. These payments are added back to the pool when determining the base level of FAGs for the next year (see Table 8).
 - In 1997-98, SRA will comprise the Medicare guarantee payments to New South Wales and Victoria and payments to the Australian Capital Territory for transitional allowances and special fiscal needs.
- **NCPs** will commence in 1997-98 in accordance with the Agreement to Implement National Competition Policy and Related Reforms. A State's receipt of NCPs is conditional on compliance with the obligations of the Agreement.

Table 7 sets out general revenue assistance by type of payment and State for the period 1993-94 to 1997-98.

Table 7: General Revenue Assistance to the States, 1993-94 to 1997-98 (\$million)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Financial Assistance Grants (a)									
1993-94	3773	2717	2735	1514	1429	584	203	772	13727
1994-95	4010	2795	2700	1511	1458	612	218	827	14131
1995-96	4225	2997	2884	1546	1501	651	227	891	14921
1996-97 (b)	4371	3211	3004	1537	1512	665	233	902	15436
1997-98 (b)	4592	3362	3152	1581	1574	690	242	951	16144
Special Revenue Assistance									
1993-94	134	188	..	..	..	..	101	30	454
1994-95	164	215	41	15	4	8	107	29	584
1995-96	182	232	..	..	..	..	61	10	485
1996-97 (b)	188	240	..	..	..	..	42	10	480
1997-98 (b)	192	244	..	..	..	..	35	..	471
National Competition Payments									
1993-94	..	..	..	..	..	..	..	..	..
1994-95	..	..	..	..	..	..	..	..	..
1995-96	..	..	..	..	..	..	..	..	..
1996-97	..	..	..	..	..	..	..	..	..
1997-98 (b)	73	53	40	21	17	5	4	2	215
Identified Road Grants (c)									
1993-94	52	52	32	22	11	4	1	2	175
1994-95	104	103	63	43	23	9	1	4	350
1995-96	110	99	68	43	28	11	3	9	371
1996-97 (b)	113	93	72	41	33	13	4	14	383
1997-98	..	..	..	..	..	..	..	..	..
Total General Revenue Assistance									
1993-94	3960	2957	2767	1535	1441	588	304	804	14355
1994-95	4278	3113	2804	1570	1485	629	326	859	15066
1995-96	4517	3328	2952	1589	1529	662	291	910	15777
1996-97 (b)	4672	3544	3076	1578	1545	679	280	925	16299
1997-98 (b)	4857	3660	3192	1602	1591	695	280	953	16830

(a) The table shows the gross level of FAGs to the States. The actual payments made to some States in 1996-97 and 1997-98 will be reduced by all or part of their fiscal contributions to the Commonwealth.

(b) Estimates — final figures (except for transitional allowances and special fiscal needs for the ACT) will depend on the actual increase in the CPI for the four quarters to March 1997 and March 1998, and the determination of the Statistician as to the population at 31 December 1996 and 31 December 1997. Final figures for FAGs will also depend on final figures for HFGs.

(c) In 1993-94 and 1994-95, identified road grants were distributed on the basis of the average arterial road allocations for the three years to 1991-92. From 1995-96, the distribution of the grants was progressively moved to a distribution based on FAGs. In 1997-98, these payments will be absorbed into FAGs.

Level of Financial Assistance Grants

At the 1997 Premiers' Conference, the Commonwealth agreed that the real per capita indexation arrangement of FAGs would be extended to 1999-2000. This continues the three year rolling guarantee of FAGs real per capita indexation which was introduced in April 1995 for the forthcoming financial year and following two years.

In 1997-98, FAGs to the States are expected to total \$16,144.0 million, with the real terms adjustment and the per capita adjustment estimated to contribute \$124.6 million and \$197.8 million respectively. Final amounts will depend on the actual increase in the CPI for the four quarters to March 1998, the determination of the Statistician as to the population at 31 December 1996 and 31 December 1997 and final figures for HFGs.

Table 8: Level of Financial Assistance Grants (FAGs) 1997-98 (\$million)^(a)

(1) 1996-97 base FAGs (b)	14936.8
(2) Plus real terms adjustment (c)	304.3
(3) Plus per capita terms adjustment (d)	194.5
(4) Equals 1996-97 FAGs	15435.6
(5) Plus 1996-97 NSW SRA (pool funded Medicare guarantee) (e)	152.7
(6) Plus 1996-97 VIC SRA (pool funded Medicare guarantee) (e)	214.0
(7) Plus 1996-97 NT pool funded SRA (e)	9.9
(8) Plus absorption of identified road grants	383.4
(9) Equals base to calculate 1997-98 pool of FAGs	16195.6
(10) Plus real terms adjustment (f)	124.6
(11) Plus per capita terms adjustment (g)	197.8
(12) Equals estimate of 1997-98 pool of FAGs (h)	16518.0
(13) Less 1997-98 NSW SRA (pool funded Medicare guarantee) (h)	155.7
(14) Less 1997-98 VIC SRA (pool funded Medicare guarantee) (h)	218.2
(15) Equals estimate of 1997-98 FAGs	16144.0

- (a) The table shows the gross level of FAGs to the States. The actual payments made to some States in 1996-97 and 1997-98 will be reduced by the amount of their fiscal contributions to the Commonwealth.
- (b) This is the amount set by the *States Grants (General Purposes) Act 1994*, as base assistance for 1996-97.
- (c) This indexes the 1996-97 base FAGs for estimated year average CPI growth to the March quarter 1997 of 2.0 per cent.
- (d) Based on a projection (prepared by the ABS on the basis of assumptions agreed to by Treasury) of an increase in the Australian population between 31 December 1995 and 31 December 1996 of 1.3 per cent. The final figure will depend on the determinations of the Statistician as to the population at those dates.
- (e) Estimates — final figures will depend on the determination of the Statistician as to the population at 31 December 1995 and 31 December 1996.
- (f) Assumes year average CPI growth of 0.8 per cent in the year to the March quarter 1998. Final figures will depend on the actual increase in the CPI.
- (g) Based on a projection (prepared by the ABS for the Budget on the basis of assumptions agreed to by Treasury) of an increase in the Australian population between 31 December 1996 and 31 December 1997 of 1.2 per cent. The final figure will depend on the determinations of the Statistician as to the population at those dates.
- (h) Estimates — final figures will depend on the actual increase in the CPI for the four quarters to March 1998 and the determination of the Statistician as to the population at 31 December 1996 and 31 December 1997.

The 1996 Premiers' Conference agreed that the funds which were previously paid to the States as identified road grants (IRGs) will be absorbed into the FAGs pool from 1997-98. Table 9 shows the amount of each State's FAGs which are notionally attributable to the IRGs which will be absorbed in 1997-98.

Table 9: Notional Identified Road Grants (\$million, estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1997-98	115.9	84.8	75.2	37.8	37.2	15.4	5.8	18.9	391.0

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 Commonwealth Grants Commission (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 10 and 11 set out the estimated distribution of FAGs for 1996-97 and 1997-98, respectively.

The 1997 Premiers' Conference adopted the per capita relativities recommended in the CGC's 1997 Update report. The terms of reference for the 1997 Update report required the CGC to use the same methodology which it employed to calculate the relativities adopted at the 1996 Premiers' Conference. (The role of the CGC is discussed in Chapter II.)

Table 12 shows that the total redistribution between the States implied by the 1997 Update report relativities is \$49.3 million compared to the previous relativities. This is significantly smaller than the redistribution of \$126.6 million implied by the amended 1996 Update report relativities, and entails a redistribution of grants away from Western Australia, Queensland and the Australian Capital Territory to the other States.

Table 10: Financial Assistance Grants to the States, 1996-97 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Estimated population as at 31 December 1996 (000's) (a)	6225.8	4561.5	3388.7	1778.6	1481.2	472.9	308.1	180.8	18397.7
(2) Per capita relativities (b)	0.87472	0.87577	1.04176	1.01409	1.18772	1.54644	0.88883	4.87829	na
(3) Weighted populations (000's) - (1) times (2)	5445.9	3994.9	3530.2	1803.6	1759.3	731.3	273.9	881.9	18420.9
(4) Share of each State in weighted population (per cent) (c)	29.6	21.7	19.2	9.8	9.6	4.0	1.5	4.8	100.0
(5) Pool of FAGs and unquarantined HFGs distributed according to (4) (\$m) (d)	5730.8	4203.9	3714.9	1898.0	1851.3	769.5	288.2	928.1	19384.7
(6) Unquarantined HFGs (\$m)	1360.0	992.7	710.4	360.6	339.5	104.2	55.2	26.5	3949.1
(7) Total FAGs - (5) less (6) (\$m) (e)	4370.8	3211.2	3004.5	1537.4	1511.8	665.3	233.0	901.6	15435.6

(a) The projected population as at 31 December 1996 has been prepared by the ABS on the basis of assumptions agreed to by Treasury. These projections are subject to revision.

(b) The per capita relativities adopted at the 1996 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 *States Grants (General Purposes) Act 1994*.

(d) Estimated unquarantined HFGs — that is, total HFGs less the incentives package, the bonus pools, Medicare benefit adjustments and the other health services component.

(e) The table shows the gross level of FAGs to the States. The actual payments made to some States will be reduced by the amount of their fiscal contribution to the Commonwealth.

Table 11: Financial Assistance Grants to the States, 1997-98 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Estimated population as at 31 December 1997 (000's) (a)	6294.0	4601.5	3457.6	1810.4	1488.2	473.4	311.3	184.2	18620.6
(2) Per capita relativities (b)	0.87819	0.87835	1.03737	0.99589	1.19100	1.54974	0.88435	4.89353	na
(3) Weighted populations (000's) - (1) times (2)	5527.4	4041.7	3586.8	1803.0	1772.4	733.7	275.3	901.4	18641.7
(4) Share of each State in weighted population (per cent) (c)	29.7	21.7	19.2	9.7	9.5	3.9	1.5	4.8	100.0
(5) Pool of FAGs and unquarantined HFGs distributed according to (4) (\$m) (d)	6003.3	4389.7	3895.7	1958.2	1925.0	796.9	299.0	979.0	20246.9
(6) Unquarantined HFGs (\$m) (d)	1411.2	1027.6	744.0	376.9	350.8	107.2	57.5	27.8	4102.9
(7) Total FAGs - (5) less (6) (\$m) (e)	4592.1	3362.1	3151.6	1581.4	1574.3	689.7	241.5	951.2	16144.0

(a) The projected population as at 31 December 1997 has been prepared by the ABS on the basis of assumptions agreed to by Treasury. These projections are subject to revision.

(b) The per capita relativities adopted at the 1997 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) Estimated unquarantined HFGs — that is, total HFGs less the incentives package, the bonus pools, Medicare benefit adjustments and the other health services component.

(e) The table shows the gross level of FAGs to the States. The actual payments made to some States will be reduced by the amount of their fiscal contribution to the Commonwealth.

The main factor responsible for the redistribution is the substitution of 1995-96 for 1990-91 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 the CGC's assessment of disabilities which affect revenue raising capacities and expenditure requirements. More detail is provided below and in Table 12, with the emphasis on factors relevant to those States most affected by the 1997 Update report.

- The decline in Western Australia's grant share was due almost entirely to the replacement of 1990-91 assessments with those for 1995-96. The assessment reflects a higher assessed revenue capacity and an increased share of the SPPs that are included in the CGC's assessments. The latter included a three-fold increase in its Grant in Lieu of Royalties which are related to the North West Shelf project area.
- The decline in Queensland's grant share was also largely attributable to the replacement of 1990-91 assessments with those for 1995-96. Its revenue raising capacity increased in areas such as payroll tax, land revenue and business franchise fees. Its relative costs of providing services fell in government education, agriculture and fisheries services, and housing.
- The main factor driving the small reduction in the Australian Capital Territory's grant share was an increase in revenue raising capacity in areas such as payroll and gambling taxation. This was due to changes in assessment data within the 1996 review period rather than the advancement of the review period.
- New South Wales and Victoria gained the largest increases in grant shares, due mainly to their revenue raising capacities falling relative to those of Western Australia, Queensland and the Australian Capital Territory.

Table 12: Effects of Commonwealth Grants Commission's Recommendations on the Distribution of FAGs (\$million)^{(a)(b)}

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
Updating data for the 1996 Update years (1990-91 to 1994-95)	6.8	-35.2	12.0	19.6	1.4	-4.7	-3.1	3.3
Advancing the Review Period by a year (ie substitution of 1995-96 for 1990-91)	17.9	49.0	-26.4	-53.1	4.4	6.6	1.7	-0.1
Change in the Composition of the Standard Budget	-20.5	-11.1	20.9	-13.2	5.7	8.4	3.1	6.8
Changes in Revenue Disabilities	15.2	33.9	-16.8	-33.3	2.8	1.5	-3.5	0.2
Changes in Expenditure Disabilities	8.7	10.9	-14.1	-0.1	-3.1	-1.1	3.1	-4.4
Interactions	14.6	15.4	-16.4	-6.5	-1.0	-2.3	-1.0	-2.7
Total Change	24.7	13.8	-14.5	-33.5	5.7	1.9	-1.4	3.2

(a) Derived from Table 3-5 of the CGC's *Report on General Revenue Grant Relativities — Update 1997*.

(b) Based on the estimate of the 1996-97 FAGs/HFGs pool given in *Budget Paper No. 3 1996-97*, as used by the CGC in its 1997 Update report.

Further information is provided in the CGC's 1997 Update report.

National Competition Payments

At the April 1995 Council of Australian Governments (COAG) meeting, the Commonwealth and the States concluded the Agreement to Implement the National Competition Policy and Related Reforms. Under the Agreement the States are eligible for three tranches of ongoing NCPs. The NCPs will commence in July 1997 at a level of \$200 million in 1994-95 prices and increase in July 1999 and July 2001, to \$400 million and \$600 million respectively, in 1994-95 prices.

Each State's NCPs are subject to the State making satisfactory progress with the implementation of specified reform conditions in the Agreement. Prior to the scheduled commencement of NCPs in July 1997, the National Competition Council will assess whether each State has met these conditions and provide a final report for consideration by the Commonwealth. The NCC will conduct similar assessments before the commencement of each tranche of payments.

Subject to satisfactory progress, the Commonwealth will provide the States with NCPs estimated to total \$215.1 million in 1997-98. The Agreement specifies that the NCPs will be paid on a quarterly basis and distributed between the States on an equal per capita basis. Table 13 shows the allocation of NCPs in 1997-98 if each State meets its obligations under the Agreements.

Table 13: National Competition Payments, 1997-98 (\$million)^(a)

NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
72.7	53.2	39.9	20.9	17.2	5.5	3.6	2.1	215.1

(a) Estimates. Final figures will depend on the actual increase in the CPI and the Statistician's determination of population as at 31 December 1997.

Special Revenue Assistance

The 1997 Premiers' Conference agreed to maintain the existing arrangements for the funding of the major part of the Medicare guarantee payments to New South Wales and Victoria from the pool of FAGs and HFGs. Pool-funded SRA will not be provided for other purposes in 1997-98. The Commonwealth will directly fund SRA for the Australian Capital Territory's transitional allowances and special fiscal needs and to meet an agreed component of the Medicare guarantee payments.

Table 14: Special Revenue Assistance, 1997-98 (\$million)

	Medicare Guarantee Payments(a)		Transitional Allowances and Special Fiscal Needs(b)	Total
	Pool funded	Non Pool Funded		
NSW	155.7	36.1	..	191.8
VIC	218.2	26.2	..	244.4
QLD	..	..	..	..
WA	..	..	..	..
SA	..	..	..	..
TAS	..	..	..	..
ACT	..	..	34.5	34.5
NT	..	..	..	..
Total	374.0	62.3	34.5	470.8

(a) Figures for the Medicare Guarantee Payments are estimates — final figures will depend on the actual increase in the CPI for the four quarters to March 1997 and March 1998 and the determination of the Statistician as to the population at 31 December 1996 and 31 December 1997.

(b) Transitional allowances and special fiscal needs are not adjusted for changes in the CPI or population.

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. The level of payments in 1997-98 reflects the recommendation of the CGC in its 1997 Update report.

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 1997-98, transitional allowances will amount to \$20.7 million, a decrease of \$7.9 million over 1996-97. This amount incorporates additional transitional allowances for education and hospital services of \$10 million which the Commonwealth has agreed to provide to the Australian Capital Territory in accordance with the CGC's recommendation. The Commonwealth will also provide an additional \$5 million in 1998-99. The CGC's assessment was that the Australian Capital Territory needed some additional time to implement changes to employment conditions to avoid the high costs it inherited from the Commonwealth. The CGC also indicated that, given the comprehensiveness of its review, these additional allowances should be treated as the final payments required to place the Australian Capital Territory on an equal footing with the States in all areas except policing.

Special fiscal needs are payments to the Australian Capital Territory in recognition 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 1997-98, special fiscal needs will amount to \$13.8 million, an increase of \$0.2 million from 1996-97.

Medicare Guarantee Payments

It is estimated that in 1997-98 New South Wales will receive Medicare guarantee payments of \$191.8 million, of which \$155.7 million will be funded from the pool of FAGs, and that Victoria will receive \$244.4 million, of which \$218.2 million will be funded from the pool.

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

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 until the Agreement terminates in 1997-98 were to be set by adjusting the level of the guarantee payments agreed in the 1993 Premiers' Conference in line with the growth in the pool of FAGs.

It was decided at the 1993 Premiers' Conference that the Commonwealth would fund around half of the Medicare guarantees to New South Wales and Victoria (\$107.7 million in 1993-94), but that this contribution would halve in 1994-95, with a concomitant increase in the payments funded from the pool. 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 \$55.8 million. In accordance with that decision, at the 1995 Premiers' Conference, the Commonwealth reduced its contribution to around one-quarter of the cost of the Medicare guarantees to New South Wales and Victoria.

Following this formula, it was decided at the 1997 Premiers' Conference that the Commonwealth will contribute \$62.3 million 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 \$182.0 million in 1997-98. The net benefits to New South Wales and Victoria of the guarantee payments will be \$81.0 million and \$163.4 million respectively. (The net benefits to New South Wales and Victoria are 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.)

Changes in the Distribution of General Revenue Assistance

Table 15 sets out the impact on the distribution of general revenue assistance of revised population figures for 1997-98, the 1997 per capita relativities, changes in the distribution of HFGs, arrangements for Medicare guarantee payments and other special revenue assistance, and the introduction of NCPs.

Table 15: Factors Affecting the Estimated Distribution of General Revenue Assistance, 1997-98 (\$million)^(a)

	Distribution of the FAGs Pool using 1996-97 Relativities and Population (b)	Effect of:					National Competition Payments (7)	Distribution of 1997-98 General Revenue Assistance (f)
		New Population Estimates (2)	New Relativities (c) (3)	Change in Distribution of Hospital Funding Grants (4)	Medicare Guarantee Payments (d) (5)	Other Special Revenue Assistance (e) (6)		
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
NSW	4683.3	-8.3	26.3	1.7	81.0	..	72.7	4856.7
VIC	3440.6	-15.8	14.7	3.8	163.4	..	53.2	3659.7
QLD	3213.7	31.2	-15.4	-5.9	-72.0	..	39.9	3191.6
WA	1644.4	11.1	-35.7	-2.2	-36.2	..	20.9	1602.3
SA	1616.7	-14.9	6.1	1.9	-35.6	..	17.2	1591.4
TAS	710.3	-9.0	2.0	1.1	-14.7	..	5.5	695.2
ACT	249.3	-0.6	-1.4	-0.2	-5.5	34.5	3.6	279.6
NT	959.7	6.4	3.5	-0.3	-18.1	..	2.1	953.3
Total	16518.0	..	..	..	62.3	34.5	215.1	16829.9

(a) The table is based on the gross level of FAGs to the States. The actual payments made to some States will be reduced by the amount of their fiscal contributions to the Commonwealth.

(b) Column (1) was calculated using the 1997-98 level of base HFGs, \$4102.9 million, but distributed among the States using 1996-97 base HFG shares.

(c) The effect of using the CGC's 1997 Update report relativities as adopted at the 1997 Premiers' Conference as against those used for 1996-97. This column differs from the final row of Table 12 as it applies the 1997 Update report relativities to the current estimate of the 1997-98 FAGs/HFGs pool, whereas Table 12 uses the same FAGs/HFGs pool as used by the CGC in its 1997 Update report.

(d) Shows the net impact of Medicare guarantee payments of \$191.8 million to NSW and \$244.4 million to VIC, of which \$36.1 million and \$26.2 million respectively are funded directly by the Commonwealth (see Table 14) and account for the total net contribution to general revenue assistance of \$62.3 million. 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.

(e) Comprises transitional allowances and special fiscal needs.

(f) Sum of (1) to (7). This amount is equal to the sum of row (7) of Table 11, the NCP data shown in Table 13 and the last column of Table 14.

FISCAL CONTRIBUTIONS BY THE STATES

At the 1996 Premiers' Conference, it was agreed that the States would make payments to the Commonwealth of \$619 million in 1996-97, \$640 million in 1997-98 and \$300 million in 1998-99 as a contribution to the Commonwealth's deficit reduction programme. The States decided that the payments would be shared among them on an equal per capita basis.

The need for the States to make these fiscal contributions was reviewed at the 1997 Premiers' Conference. It was agreed to maintain the existing schedule of fiscal contribution payments other than for Tasmania and the Australian Capital Territory. In recognition of the difficult economic circumstances faced by these jurisdictions, it was agreed that they should defer half of their scheduled 1997-98 fiscal contributions, of \$16.3 million and \$10.7 million respectively, until 1998-99. This reduced the total fiscal contribution from the States in 1997-98 to \$627 million. The need for the revised fiscal contribution of \$313 million in 1998-99 will be reviewed at the 1998 Premiers' Conference in the light of developments in the Commonwealth's fiscal position.

Table 16 shows the estimated contributions of each State in the three years to 1998-99 on the basis agreed at the 1997 Premiers' Conference and the method of payment by each State in 1996-97.

Table 16: Fiscal Contributions by the States

	1996-97		1997-98	1998-99
	\$m	Method of payment	\$m	\$m
NSW	209.5	Direct payment	216.3	101.3
VIC	153.5	Direct payment	158.2	73.9
QLD	114.0	Offset to CSHA(a)	118.8	56.1
WA	59.8	Deduction from financial assistance grants	62.2	29.3
SA	49.8	Part direct payment (\$31.8m) and part offset to CSHA(a) (\$18m)	51.1	23.8
TAS	15.9	Deduction from financial assistance grants	8.1	15.7
ACT	10.4	Offset to CSHA(a)	5.4	10.4
NT	6.1	Deduction from financial assistance grants	6.3	3.0
Total	619.0		626.5	313.5

(a) Payments provided under the Commonwealth-State Housing Agreement.

The Commonwealth has provided the States with flexibility on the method of payment for fiscal contributions. This may take the form of direct weekly payments to the Commonwealth, weekly deductions from general revenue assistance or reductions in the Commonwealth's payment of an SPP. The Commonwealth is prepared to accept payment by reductions in an SPP where this is consistent with its policy objectives and decisions underlying the payment and on the basis that any conditions attaching to the SPP, including the level of the State's matching commitments prior to the reduction, will continue unchanged.

GENERAL PURPOSE CAPITAL ASSISTANCE

In 1996-97, general purpose capital payments to the States were confined to payments under the Better Cities Programmes, which accounted for only 0.3 per cent of total general purpose payments. With the completion of the Commonwealth's contractual commitments under this programme no general purpose capital payments will be made in 1997-98.

The decline in the significance of general purpose capital assistance has mainly been a reflection of changes in Loan Council arrangements. Prior to 1987-88, capital payments to the States were made in the form of both loans and grants. After 1989-90, capital payments to the States were provided entirely by way of grants. At the 1994 Premiers' Conference it was decided to abolish the Loan Council capital grants programme from 1 July 1994. Between 1994-95 and 1996-97, Commonwealth general purpose capital assistance consisted only of grants under the Better Cities Programmes.

Table 17 shows general purpose capital assistance since 1993-94. Chapter IV of *Budget Paper No. 4 1991-92* provided details of earlier developments in general purpose capital assistance.

Table 17: General Purpose Capital Payments to the States (\$million)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	Loan Council Capital Grants Programme								
1993-94	79.8	68.3	16.1	22.4	39.0	27.5	33.5	43.8	330.3
1994-95	..	..	..	..	..	..	..	..	..
1995-96	..	..	..	..	..	..	..	..	..
1996-97	..	..	..	..	..	..	..	..	..
1997-98	..	..	..	..	..	..	..	..	..
	Better Cities								
1993-94	60.0	68.7	45.5	20.3	8.3	8.0	1.3	0.5	212.6
1994-95	107.8	40.0	28.3	22.1	20.0	4.0	0.5	1.7	224.4
1995-96	49.6	35.4	28.8	3.2	14.6	1.9	3.9	2.9	140.1
1996-97(a)(b)	14.7	11.3	4.2	2.6	7.4	3.2	5.0	2.0	52.6
1997-98	..	..	..	..	..	..	..	..	..
	Total								
1993-94	139.8	137.0	61.6	42.7	47.2	35.5	34.9	44.3	542.9
1994-95	107.8	40.0	28.3	22.1	20.0	4.0	0.5	1.7	224.4
1995-96	49.6	35.4	28.8	3.2	14.6	1.9	3.9	2.9	140.1
1996-97(a)(b)	14.7	11.3	4.2	2.6	7.4	3.2	5.0	2.0	52.6
1997-98	..	..	..	..	..	..	..	..	..

(a) Estimates.

(b) In 1996-97, \$2.1 million of total Better Cities funding has not been allocated among the States but is being distributed on an alternative basis.

GENERAL PURPOSE ASSISTANCE TO LOCAL GOVERNMENT

Nature and Derivation

General purpose assistance to local government has been provided by the Commonwealth since 1974-75. Under current arrangements, the Commonwealth provides general purpose assistance to local government in the form of local government financial assistance grants and local government untied road funding. This assistance is

paid to the States as an SPP on the condition that the funds are passed on to local government.

General purpose assistance is provided to local government authorities under the *Local Government (Financial Assistance) Act 1995*. The Act provides for local government FAGs and local government road funds to be increased each year in accordance with an escalation factor which is determined by the Treasurer in line with the underlying movement in general revenue assistance provided to the States. The escalation factor reflects the percentage increase in FAGs and pool funded special revenue assistance to be paid to the States in the current year compared to those paid to the States in the previous year.

In 1996-97, the Commonwealth will provide \$1,216.4 million in local government general purpose assistance. Payments in 1996-97 have been based upon the estimated escalation factor of 4.0 per cent determined by the Treasurer in June 1996. The final entitlement for 1996-97 will be determined by the Treasurer in June 1997 on the basis of actual payments made to the States in 1996-97.

General purpose assistance to local government will be increased in line with the CPI in 1997-98. This level of funding will be more commensurate with trends in payments to the States, taking into account the fiscal contributions which the States are making to the Commonwealth. On this basis, the Treasurer has determined an estimated escalation factor of 0.77 per cent for 1997-98 which will result in the Commonwealth providing \$1,205.2 million in local government general purpose assistance in 1997-98. The final entitlement will be dependent upon the Treasurer's determination of the final escalation factor, which will be made in June 1998 on the basis of the actual payments made to the States in 1997-98.

Table 18 sets out the payments of general purpose assistance to local government in 1996-97 and 1997-98.

As in the past, the interstate distribution of local government FAGs for 1997-98 will be on an equal per capita basis, using the State populations at 31 December in the previous financial year. Untied local government road 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.

Table 18: General Purpose Assistance for Local Government, 1996-97 and 1997-98, (\$million, estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1996-97									
Financial Assistance Grants	285.3	209.7	153.8	81.0	68.5	22.0	14.1	8.2	842.6
Identified Road Funding	108.5	77.1	70.0	57.2	20.5	19.8	12.0	8.8	373.9
Total General Purpose Assistance (a)	393.8	286.8	223.8	138.2	89.0	41.8	26.1	16.9	1,216.4
1997-98									
Financial Assistance Grants	282.5	207.0	153.8	80.7	67.2	21.5	14.0	8.2	834.8
Identified Road Funding	107.5	76.4	69.4	56.6	20.4	19.6	11.9	8.7	370.4
Total General Purpose Assistance (a)	390.0	283.3	223.2	137.3	87.6	41.1	25.8	16.9	1,205.2

(a) Total general purpose assistance is the actual cash payment that the State receives on behalf of local government in the given year. It is equal to the estimated entitlement for the given year adjusted for an over or under payment from the previous year.

SPECIFIC PURPOSE PAYMENTS

Nature and Purpose

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 expenditures by the States;
- payments ‘through’ State governments — payments to State governments to be passed on to other bodies or individuals. The main payments in this category relate to higher education, non-government schools and local government general purpose assistance; and
- a small number of SPPs made direct to local government.

Most SPPs are paid to the States on the condition 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’.

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).

The Commonwealth can attach conditions to SPPs to reflect policy objectives in programme areas often including requirements for certain levels of spending by the States. The conditions attached to SPPs can thus limit the ability of State governments to set their own spending priorities.

The balance to be set between the Commonwealth’s policy objectives and the desirability of maximising the States’ flexibility on SPPs is not easily resolved and depends on the circumstances pertaining to particular areas of expenditure and policy. For example, the extent to which an SPP may restrict State budget flexibility depends on the degree to which States would have undertaken the expenditure concerned anyway, had they received the same level of funding through general purpose payments. For some large State expenditure items funded through SPPs, it could be expected that all of these funds would be directed to the same purpose regardless of the form of funding.

SPPs that are paid ‘through’ the States account for around 40 per cent of total SPPs. These SPPs have a minimal impact on State budgets as they are essentially Commonwealth own-purpose outlays, with the States acting as the Commonwealth’s agent.

Some SPPs include conditions which influence State own-purpose outlays through the use of ‘matching’ funding requirements. These conditions are commonly expressed in terms of inputs (that is expenditure levels) rather than outcomes. These arrangements have been questioned on the grounds that they may reduce the incentive for the States to pursue efficiency measures because a State cannot direct productivity gains to other expenditure priorities or use them to improve its fiscal position. 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 programme.

Trends in Level and Composition of Specific Purpose Payments

In 1997-98, SPPs are estimated to total around \$18.1 billion, which represents a decrease of \$809 million, or 4.3 per cent, on 1996-97. However, this fall is distorted by very large extraordinary SPPs associated with the Guns Buyback Scheme (\$329 million in 1996-97 and \$167 million in 1997-98), the Petroleum Resource Rent Tax settlement with Victoria (\$556 million in 1996-97) and deductions from Commonwealth State Housing Agreement funding for State fiscal contributions (\$142 million in 1996-97). After abstracting from these items, the decline in SPPs in 1997-98 is \$235 million or 1.3 per cent and is mainly due to non-policy influences. For example, payments of debt redemption assistance are expected to fall by \$158 million reflecting changes in the volume of debt maturing on behalf of the States and the inclusion in the 1996-97 payment of compensation relating to optional early debt repayments by some States. After allowing for the fall in debt redemption assistance, total SPPs are expected to decline by \$77 million, or 0.4 per cent, in 1997-98.

Table 19 shows estimated SPPs for 1996-97 and 1997-98.

Table 19: SPPs ‘To’ and ‘Through’ the States and Territories, 1993-94 to 1997-98 (\$million)

	1993-94	1994-95	1995-96	1996-97(a)	1997-98(a)
SPPs ‘To’	10,416.9	10,231.1	10,791.4	11,624.9	10,873.2
SPPs ‘Through’	6,241.1	6,731.4	6,986.5	7,260.1	7,202.3
Total	16,658.0	16,962.4	17,777.9	18,885.0	18,075.5

(a) Estimates.

At the 1996 Premiers’ Conference the Commonwealth advised the States that there would be a reduction in SPPs in 1996-97 of no more than 3 per cent against the forward estimates as a result of the budget processes in that year. In the event, the reduction in SPPs to the States was 2.5 per cent against the forward estimates. At the 1997 Premiers’ Conference the Commonwealth advised the States that the reduction in SPPs through the budget processes would be a maximum of 1.3 per cent against the forward estimates in 1997-98. The measures contained in the Budget resulted in a reduction in SPPs to the States of \$49 million, or around 0.5 per cent, against the forward estimates in 1997-98.

SPPs are expected to account for around 52 per cent of total gross payments to the States in 1997-98. SPPs 'to' the States are expected to total \$10.9 billion or 31 per cent of total gross payments, while SPPs 'through' the States are expected to be \$7.2 billion or 21 per cent of the total. Chart 7 shows trends in SPPs as a proportion of total gross payments to the States since 1977-78, including trends in payments 'to' and 'through' the States. The chart contains adjustments for a number of classification changes and large one-off factors so as to allow comparisons on a consistent basis.²

Chart 7: Specific Purpose Payments as a Percentage of Total Gross Payments to the States, 1977-78 to 1997-98

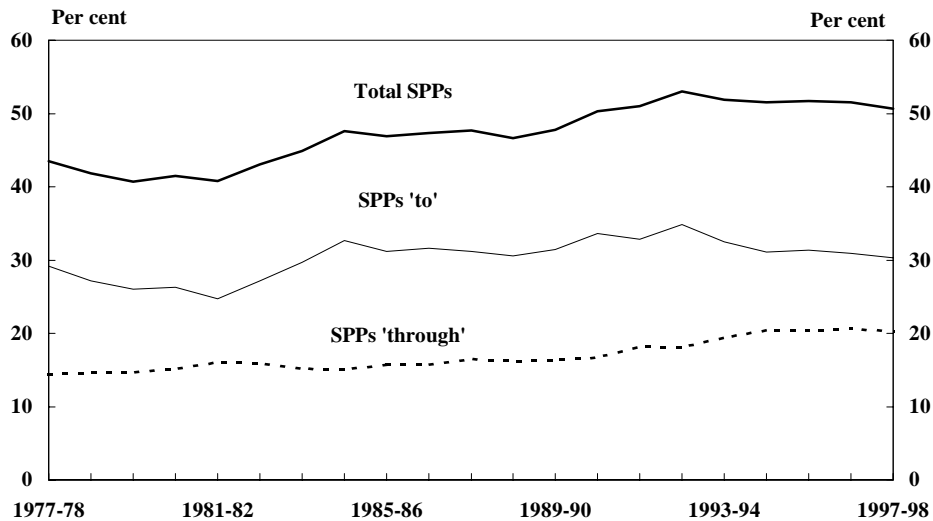
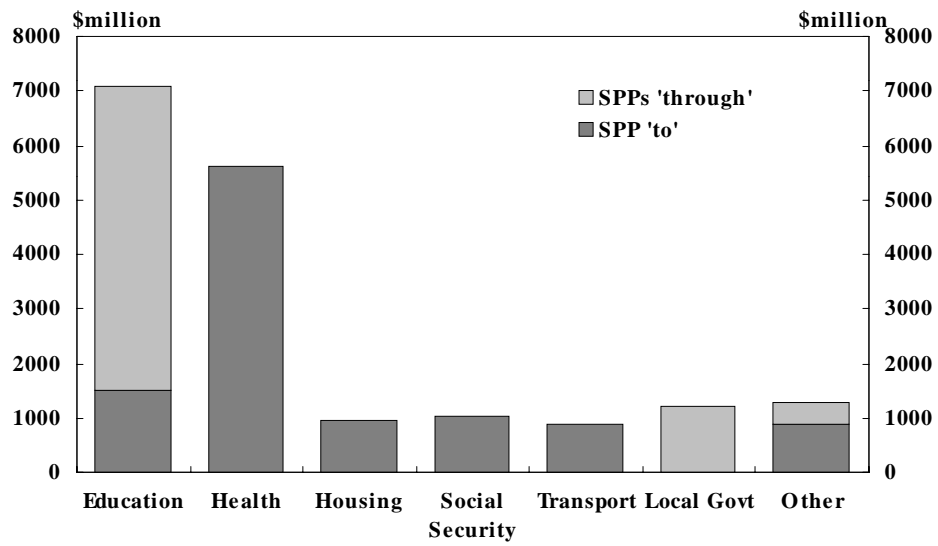


Chart 7 shows that SPPs have increased as a percentage of total Commonwealth payments to the States by around 7 percentage points over the last twenty years. This reflects, in part, the relatively generous escalation arrangements which have applied to SPPs compared to general purpose payments. Although the escalation arrangements for SPPs are diverse, a number have had agreed escalation formulae based, for example, on population growth and price movements.

Chart 8 illustrates the composition of major specific purpose programmes ('to' and 'through' the States) in 1997-98. Education and health account for the great bulk of payments.

² Chart 7 contains adjustments for the reclassification of existing programmes, such as the transfer in 1989-90 of nominated housing advances into Commonwealth-State Housing Agreement grants; and significant changes in the structure of Commonwealth hospital funding (such as the 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 contains adjustments for changes to the level of general purpose payments reflecting Commonwealth policy decisions, such as the transfer of some taxing powers to the States.

Chart 8: Composition of Estimated Specific Purpose Payments 'To' and 'Through' the States, 1997-98



More detailed information on SPPs including State splits for 1997-98 and data on repayments, advances and interest is contained in the Appendix.

CHAPTER IV: LOAN COUNCIL OVERSIGHT OF COMMONWEALTH AND STATE BORROWINGS

This chapter sets out the Loan Council Allocations (LCAs) nominated by the Commonwealth and each State for 1997-98 and endorsed by Loan Council on 21 March 1997. It also reports the Commonwealth's 1997-98 Budget time LCA and outlines Loan Council developments relating to public infrastructure projects with private sector involvement, reporting arrangements, and Telstra.

LOAN COUNCIL ALLOCATIONS FOR 1997-98

Under the current Loan Council arrangements, each jurisdiction nominates an LCA comprising:

- the estimated general government deficit/surplus (based on its NFO projections);
- its public trading enterprise (PTE) sector net financing requirement; and
- memorandum items (such as transactions that, while not formally borrowings, have many of the characteristics of borrowings).

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. LCAs are on a headline rather than an underlying basis as they seek to measure a government's call on financial markets.

The LCAs nominated for 1997-98 and agreed by Loan Council at its meeting on 21 March 1997 are set out in Table 20. In aggregate, they represent a surplus of \$6.9 billion — a substantial improvement on the \$3.3 billion deficit currently estimated for 1996-97. The turnaround largely reflects the expected improvement in the Commonwealth's position.

Loan Council noted the Commonwealth's announcement that it will continue to work towards the aim of balancing the budget over the term of the current Parliament and that this will require further fiscal tightening in the 1997-98 Budget. Against that background, Loan Council considered that the aggregate of LCA nominations is consistent with current macroeconomic policy objectives.

With the exception of New South Wales, LCA nominations were provided on a no policy change basis. They thus provide a well defined indication of the public sector's likely call on financial markets. The actual call may vary from the nomination primarily because of changes in economic parameters and policy measures. Updated information will be provided to financial markets through publication by each jurisdiction of its budget time LCA and a mid-year update of its expected LCA outcome.

A tolerance limit of 2 per cent of total non-financial public sector revenue applies between the LCA approved by Loan Council and the budget time LCA, and again between the budget time LCA and the LCA outcome. Tolerance limits 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.

BOX 2: LOAN COUNCIL

The Australian Loan Council is a Commonwealth-State Ministerial Council which co-ordinates public sector borrowings under voluntarily agreed arrangements. It comprises the Commonwealth Treasurer as Chairman and his counterparts from the States and Territories, and usually meets in conjunction with the annual Premiers' Conference. Loan Council was established in 1927 under the *Financial Agreement between the Commonwealth and the States* and was continued in existence under the *Financial Agreement between the Commonwealth, States and Territories* which became effective in 1995.

Commonwealth-State cooperation in this area derives from a common interest in ensuring that overall public sector borrowing in Australia is consistent with sound macroeconomic policy and that borrowings by each government are consistent with a sustainable fiscal strategy.

The Loan Council arrangements introduced from 1993-94 are designed to enhance the role of financial market scrutiny as a discipline on borrowings by the public sector. In doing so, they build on changes instituted in the late 1980s which gave the individual States responsibility for managing their own borrowings with the aim of making them more accountable to the markets for their actions. The arrangements therefore emphasise transparency of public sector finances rather than adherence to strict borrowing limits.

The Loan Council process is supported by uniform, comprehensive reporting of public sector finances to assist Parliaments, financial markets and the public to make their own judgements about each government's financial performance. Loan Council recently agreed to changes to the Loan Council reporting arrangements as part of a revised uniform presentation framework for government financial information to apply from 1998-99. The revised uniform presentation framework is discussed briefly in this chapter and more fully in Statement 7 of *Budget Paper No. 1*.

ESTIMATED COMMONWEALTH LCA OUTCOME FOR 1996-97

The Commonwealth nominated an LCA for 1996-97 of \$7.9 billion on a no policy change basis. This was endorsed by Loan Council at its meeting in June 1996. In considering the aggregate of nominated LCAs, Loan Council noted that the Commonwealth Government's announced fiscal consolidation strategy would result in a significant reduction in the Commonwealth's LCA from the nominated figure.

In August 1996, the Commonwealth provided (in Chapter V of *Budget Paper No. 3 1996-97*) a budget time LCA estimate of \$3.5 billion, incorporating the then estimated headline budget surplus of \$474 million. As reported at the time, the reduction from the nominated figure exceeded the lower bound of the tolerance limit of 2 per cent of public sector revenue.

A revised LCA estimate of \$5.8 billion was provided in the *Mid-Year Economic and Fiscal Outlook 1996-97* (MYEFO) (Table 28), incorporating an estimated headline budget deficit of \$2.7 billion.

The current estimate of the Commonwealth's 1996-97 LCA outcome is \$5.0 billion. The deterioration from the budget time estimate of \$3.5 billion reflects the increase in the underlying budget deficit noted in Statement 1 of *Budget Paper No. 1*, and slippage in the timing of some asset sales into 1997-98. The recapitalisation of Telstra affects the LCA components but not the total.

The changes through the course of the year in the Commonwealth's 1996-97 LCA and its main components are shown in Table 21. The Commonwealth's actual LCA outcome will be reported in the document, *Final Budget Outcome 1996-97*.

BUDGET TIME COMMONWEALTH LCA FOR 1997-98

In formulating its budget, each jurisdiction is required to take into account its Loan Council approved LCA and to report its budget time LCA in its budget papers.

The Commonwealth's budget time LCA estimate is a \$5.5 billion surplus. The improvement from the nominated \$4.4 billion surplus approved by Loan Council reflects the increase in the estimated budget surplus from the no policy change figure of \$4.6 billion included in the MYEFO to \$6.4 billion as shown in Statement 1 of *Budget Paper No. 1*.

OTHER LOAN COUNCIL DEVELOPMENTS

Public Infrastructure Projects with Private Sector Involvement

As discussed in Chapter V of *Budget Paper No. 3 1996-97*, Loan Council agreed last year to change the basis on which jurisdictions report their exposure to public infrastructure projects with private sector involvement from the previous risk weighted estimate to the full contingent exposure as measured by the government's termination liabilities. This change recognised that the risk weighting approach was producing lower than expected LCA impacts in some cases due to the routine valuation of assets at construction cost. It did not prove possible to find a satisfactory basis for the discounting

of asset values to reflect the fact that certain projects would have a value in alternative use lower than their construction cost.

Loan Council also agreed in principle last year that termination liabilities would in future be disclosed as a footnote to, rather than a component of, LCAs. This reflected a concern that the inclusion of contingent exposures as part of the LCA was misleading as they would only be realised in the unlikely event of project failure and are thus materially different from actual borrowings undertaken to finance the public sector deficit.

Loan Council has now confirmed this in-principle decision. The inclusion of termination liabilities as footnotes to the LCA is consistent with disclosure and accountability objectives and will provide financial markets with sufficient information to assess the impact of projects on a jurisdiction's financial position. Government outlays under these projects such as equity contributions and ongoing payments to the private sector will continue to be included in the annual ABS deficit/surplus and the LCA.

Exemption of Telstra from Loan Council Coverage

Loan Council also agreed to exempt Telstra Corporation Ltd from its monitoring and reporting arrangements under commerciality criteria agreed in 1991. The rationale behind the exemption criteria is that some PTEs operate within a sufficiently competitive environment that they respond to market signals — including changes in the general stance of macroeconomic policy — in much the same way as private sector entities so as to substantially reduce or eliminate the need for their borrowings to be included in government aggregates subject to Loan Council oversight.

The criteria provide for two main avenues of exemption:

- where a PTE does not have substantial private sector equity, it should be constituted to operate in a commercial manner and have a demonstrated track record of commercial performance; and
- where a PTE has substantial private sector equity (of the order of 40 per cent or more), it should be constituted to operate in a commercial manner and have at least a demonstrated commitment to fully meeting the commerciality criteria. The criteria stipulate that a level of private sector equity lower than 40 per cent may be appropriate depending on such factors as the method of sale (eg public float) or the nature of the private sector's holding of equity.

Telstra's commercial orientation will be further enhanced by the sale of one-third of its equity to the private sector and the introduction, from 1 July 1997, of open competition in the telecommunications market. It would then meet the private sector equity test and associated requirement to demonstrate a commitment to commercial performance. However, Loan Council agreed that Telstra currently satisfies the higher standard of a proven track record of commercial performance, demonstrated in a range of competitive and contestable markets. Telstra also complied with other aspects of the criteria such as an appropriate monitoring and accountability framework and the payment of government taxes.

Telstra will remain classified to the Commonwealth PTE sector (including after the one-third equity sale, reflecting continued majority Government ownership). Its net financing requirement will therefore continue to be included in ABS data for the PTE and total public sectors. However, future Commonwealth LCA figures will be adjusted to remove Telstra's net financing requirement.

Revised Uniform Presentation Framework for Government Financial Information

Loan Council agreed to the implementation, from 1998-99, of a revised uniform presentation framework for government financial information. This updated the 1991 Premiers' Conference Uniform Presentation Agreement which increased the uniformity of information published at budget time to assist soundly based fiscal comparisons between jurisdictions. The revised framework addresses the duplication and complexity of current reporting arrangements, particularly in relation to the presentation of uniform budget information and Loan Council reporting. It also introduces some valuable enhancements such as the presentation of general government forward estimates and the publication of a mid-year report by each jurisdiction.

Although the new framework will not be implemented until 1998-99, Loan Council has agreed that quarterly Loan Council reporting may be discontinued immediately on the basis that all jurisdictions publish a mid-year update of their LCA estimate. There will thus be three LCA estimates published each year — following Loan Council consideration of LCA nominations, at budget time, and in a mid-year report — in addition to the publication of actual outcomes. While the frequency of Loan Council reporting will be reduced, users will benefit from the more forward-looking focus and more integrated presentation of data compared to current Loan Council reports. Interpretation difficulties associated with quarterly reports (due to within year variability in the pattern of transactions) will also be avoided.

A paper setting out the new uniform presentation framework has been published and is available from the Commonwealth and State Treasuries. A fuller discussion of the revised framework is provided in Statement 7 of *Budget Paper No. 1*.

Table 20: Loan Council Allocations — 1997-98 Nominations (\$million)^(a)

	NSW ⁽¹⁾	VIC ⁽²⁾	QLD	WA ⁽³⁾	SA	TAS	ACT	NT	C/wlth ⁽⁴⁾	Aggregate
Nominated 1997-98 LCAs										
General government deficit	-189	-715	-247	-166	-26	1	15	6	-4227	-5548
PTE net financing requirement	-41	-58	-62	314	-139	1	95	6	-79	37
Total public sector deficit	-230	-773	-309	95	-165	2	110	12	-4306	-5564
Memorandum items (b) (c)	-1183	91	-31	4	-163	16	3	4	-84	-1343
<i>University borrowings (d)</i>	34	49	39	0	-9	0	0	1	0	114
Loan Council Allocation	-1413	-682	-340	99	-328	18	113	16	-4390	-6907
1997-98 Tolerance limit	530	372	276	170	125	45	25	35	2740	
Latest estimates 1996-97 LCAs										
General government deficit	146	-2139	-435	-342	-624	-20	31	0	4752	1369
PTE net financing requirement	457	193	-20	305	439	52	-20	14	696	2116
Total public sector deficit	603	-1946	-455	-20	-185	32	11	14	5447	3501
Memorandum items (b) (c)	-1152	18	5	411	101	28	65	4	329	-191
Loan Council Allocation	-549	-1928	-450	391	-84	60	76	18	5776	3310
1996-97 Budget time estimate	-967	-2220	-206	462	-154	-15	76	-6	3485	455
1996-97 Nomination	-888	-685	-123	382	-155	29	90	30	7920	6600
1995-96 LCA outcome	-1342	-11553	-948	-1140	-1035	-58	34	-69	6983	-9128

Footnotes: see next page.

- (a) LCA nominations for 1997-98 in the main reflect current best estimates of 1997-98 public sector deficits/surpluses on a no policy change basis. In the case of New South Wales, some allowance has been made for expected policy measures. Nominations are based on preliminary estimates of general government finances provided by jurisdictions for purposes of the 1997 NFO Report and projected bottom lines for each jurisdiction's PTE sector. Updated LCA estimates will be provided through publication by each jurisdiction of its budget time LCA as part of its budget documentation. The 2 per cent (of total public sector revenue) tolerance limits around each jurisdiction's 1997-98 LCA are designed, inter alia, to accommodate changes to the LCA resulting from policy change.
- (b) Memorandum items are used to adjust the public sector deficit/surplus to include in LCAs certain transactions - such as operating leases - 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 public sector 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. Where relevant, memorandum items include an amount for gross new borrowings of government home finance schemes from 1996-97.
- (c) From 1997-98, government contingent exposures under infrastructure projects with private sector involvement are disclosed as a footnote to rather than a component of LCAs. These exposures, which are measured as the government's contractual liabilities on termination of the project, are unlikely to be realised and are thus materially different from actual borrowings undertaken to finance the public sector deficit. Government outlays under these projects such as equity contributions and ongoing commercial payments to the private sector continue to be included in the annual ABS deficit/surplus and hence the LCA.
- (d) University borrowings are included in the general government deficit/surplus and are not additive.
- (1) New South Wales has two infrastructure projects with private sector involvement for which contracts are expected to be signed in 1997-98. Neither is expected to involve government termination liabilities.
- (2) Victoria has two infrastructure projects with private sector involvement for which contracts are expected to be executed in 1997-98. Neither is expected to involve government termination liabilities.
- (3) For Western Australia's 1997-98 nomination and latest estimate for 1996-97, the general government surplus plus PTE net financing requirement does not equal the public sector deficit due to differences in the timing of recording transactions between the (cash based) general government and (accrual based) PTE sectors. These differences often occur in jurisdictions' actual outturn data.
- (4) The Commonwealth's 1997-98 LCA nomination incorporates the expected proceeds of asset sales and debt repayments by the States. Adjusted for these net advances, the starting point general government deficit for 1997-98 is estimated at \$4,223 million (comprising the underlying general government deficit of \$3,476 million shown in the MYEFO plus \$747 million increase in provisions). The Commonwealth's 1997-98 LCA nomination includes a component (within the PTE sector net financing requirement) for Telstra, as Telstra's exemption from Loan Council coverage on commerciality grounds had not been agreed when LCA nominations were settled. This component will be omitted from subsequent LCA estimates for 1997-98 - at budget time and in the Mid-Year Economic and Fiscal Outlook - and from the LCA outcome.

Table 21: Commonwealth's Loan Council Allocation for 1996-97 (\$million)

	Loan Council Approved June 1996	Budget Time Estimate August 1996	MYEFO Estimate Feb 1997	Current Estimate
General government deficit	6260	1391	4752	751
PTE sector net financing requirement	1550	1432	696	4109
Public sector deficit	7810	2823	5447	4928
Memorandum items(a)	110	662	329	99
Loan Council Allocation	7920	3485	5776	5027

(a) For the Commonwealth, memorandum items comprise the change in the net present value of operating leases (with a net present value greater than \$5 million) of departments and authorities and an adjustment to exclude the net financing requirement of statutory marketing authorities from the LCA.

APPENDIX

COMMONWEALTH SPECIFIC PURPOSE PAYMENTS TO OTHER LEVELS OF GOVERNMENT, REPAYMENTS OF ADVANCES AND INTEREST PAYMENTS

This Appendix provides details of Commonwealth specific purpose payments to the States and local government together with details of repayments and interest on advances (loans) to the States. The majority of these advances were funded from borrowings made on behalf of the States.

TABLE A1: ESTIMATED SPECIFIC PURPOSE PAYMENTS TO THE STATES, REPAYMENTS OF ADVANCES AND INTEREST REPAYMENTS 1996-97 TO 2000-01

This table provides details of Commonwealth specific purpose payments to the States, together with details of repayments and interest on advances. The majority of these advances were funded from borrowings made on behalf of the States under the State Governments' Loan Council programme.

Details are classified as follows:

- specific purpose payments
 - current;
 - capital;
- repayments of advances (including repayments to the Debt Sinking Funds);
- details of new advances made; and
- interest on 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. 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. Programmes in the latter group are indicated within the table by (*) and separate totals for 'to' and 'through' are provided in the summary at the end of the table.

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - 1996-97 - 2000-01 (\$'000)					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>General Public Services</i>					
Contribution to the Port Arthur Victims Appeal Fund Administered by the TAS Government	200	..	..	..	..
This fund assists the victims, families and local community of Port Arthur in the aftermath of the Port Arthur tragedy.					
* Research at Universities	375,891	405,111	420,320	387,588	359,434
Funding is provided to develop Australia's scientific knowledge and research capabilities through a number of grants and fellowships. Funding is also provided for research infrastructure and research centres in higher education institutions.					
General Public Services - Total	376,091	405,111	420,320	387,588	359,434
<i>Public Order and Safety</i>					
Legal Aid	142,848	68,981	65,534	66,527	67,619
Funding is provided to State legal aid commissions for the provision of legal assistance in Commonwealth matters. Funding is also provided to Community Legal Centres.					
Confiscated Assets Trust Fund	1,200	268	100	100	100
Payments may be made to a State where there has been a significant contribution to the investigation which led to conviction and consequent forfeiture of proceeds of crime to the Commonwealth.					
National Firearms Program	328,600	167,000	..	..	..
Provides for financial assistance in accordance with the <i>National Firearms Program Implementation Act 1996</i> to compensate eligible gun owners for the surrender of their weapons and to fund fully the administrative, public relations and education costs associated with the scheme.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Film and Literature Classification	600	609	624	640	656
Payment to States for participation in the new cooperative national censorship scheme as per the intergovernmental agreement signed on 28 November 1995. Classification decisions are made in accordance with the <i>Classification (Publications, Films and Computer Games) Act 1995</i> and the National Classifications Code. Complementary enforcement arrangements are in place with all States.					
Human Rights Co-operative Payment	905	912	917	924	931
The purpose is to provide one point of contact for advice on and handling of complaints under both Federal and State legislation, facilitate efficient handling of complaints and share the experiences of the Commonwealth and State instrumentalities.					
Public Order and Safety - Total	474,153	237,770	67,175	68,191	69,306
Education					
* Higher Education	3,640,993	3,441,959	3,233,531	3,139,339	3,129,818
The Commonwealth provides operating grants to public higher education institutions each calendar year for an agreed level of student load. These grants cover teaching, research and capital related activities.					
State Contribution to Higher Education Superannuation	(50,267)	(51,106)	(53,914)	(56,883)	(56,883)
Payments made to the Commonwealth by State governments to meet the excess superannuation contributions required by relatively more generous superannuation schemes for higher education staff in some States.					
Advanced English for Migrants Program (AEMP)	5,168	5,261	5,346	5,436	5,534
AEMP provides advanced English as a Second Language training to help job seekers obtain employment and overcome barriers to vocational education and training. AEMP courses are provided through the Technical and Further Education (TAFE) system or by other providers approved by TAFE.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Government Schools	948,844	960,399	968,202	970,233	997,233
Provides supplementary assistance to State education authorities through per capita general recurrent grants which can be applied to staff salaries, teacher professional development, curriculum development and maintenance and general operation provisions.					
* Non-Government Schools	1,772,450	1,919,394	2,055,777	2,194,254	2,291,855
Provides supplementary assistance to Non-Government schools and systems through per capita general recurrent grants which can be applied to staff salaries, teacher professional development, curriculum development and maintenance and general operation provisions.					
Targeted Programmes - Government Schools and Joint Initiatives	248,258	265,856	243,403	244,378	245,217
Provides assistance for the improvement of literacy, numeracy and education outcomes for educationally disadvantaged students, to promote the study of other languages, and to assist in the transition from school to work.					
* Targeted Programmes - Non-Government Schools	103,705	105,625	104,187	107,996	111,030
Provides assistance for the improvement of literacy, numeracy and education outcomes for educationally disadvantaged students to promote the study of other languages.					
Indigenous Education Strategic Initiatives Programme	104,500	104,206	109,337	79,909	79,818
Provides supplementary recurrent funding to education providers in the preschool, school and vocational education and training sectors, as well as project based funding aimed at improving Indigenous education outcomes.					
Education - Total	6,773,651	6,751,594	6,665,869	6,684,662	6,803,622
Health					
Health Program Grants	44,472	45,210	45,181	45,993	46,866
Health Program Grants provide alternative funding to Medicare benefits, with the aim of improving access to approved health services and/or where fee for service is inappropriate, by reimbursing service costs to State governments.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Commonwealth Dental Program for Health Card Holders	52,580	..	..	..	..
Financial assistance to increase access for health card holders to State dental services. The programme ceased from 1 January 1997.					
Hospital Funding/Base Medicare	3,945,057	4,102,473	4,246,508	4,398,154	4,560,695
Base Hospital Funding Grants are provided under the terms of the Medicare Agreements to assist the States in meeting the cost of providing public hospital services free of charge to eligible persons.					
Other Medicare (a)	819,007	846,782	841,374	866,914	898,710
Other payments under the Medicare Agreements including Bonus Payments, Incentive Package Payments and funding for AIDS hospital treatment, palliative care and mental health reforms.					
Medicare Related	29,501	5,680	..	..	..
Payments for various Medicare related programmes including Outpatient Research Programme, research into waiting times for elective surgery under the National Demonstration Hospitals Programme, Melbourne Sexual Health Centre and the Palliative Care Programme.					
Magnetic Resonance Imaging (MRI)	19,534	19,435	19,944	20,283	20,648
The MRI Health Program Grants provide a funding alternative to Medicare benefits where fee-for-service is inappropriate by contributing towards the recurrent cost of MRI units in selected public hospitals.					
Transfer of Repatriation General Hospitals	19,000	12,736	12,736	12,736	12,736
To provide funds for payments of a non-treatment nature (eg staff transfer costs such as accrued leave credits, income maintenance, superannuation differential etc) to State governments in accordance with agreements reached on integration of repatriation general hospitals.					
Broadbanded Health Service Programmes (b)	101,823	104,551	107,116	109,354	111,938
Broadbanded programmes covering Blood Transfusion Services, imported blood and blood-related products, Artificial Limbs Scheme, payments for former Commonwealth pathology laboratories, Australian Bone Marrow Donor Registry and Nationally Funded Centres.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Highly Specialised Drug Programme	137,440	186,650	206,370	226,090	245,810
Provides access to certain drugs under the Pharmaceutical Benefits Scheme which, because of special need in clinical administration or monitoring, cannot safely be provided through community pharmacy and must be supplied through hospitals to outpatients.					
National Public Health	129,535	113,787	126,273	136,004	141,258
Payments to the States, under the new broadbanded arrangements for public health, for subsidies for health promotion and disease prevention (covering areas such as women's health), AIDS control, drug strategies, childhood immunisation and cancer screening.					
Aged Care Assessment	11,642	11,731	8,758	8,813	8,877
Funds are provided to enable Aged Care Assessment Teams to conduct holistic assessments of frail aged clients to determine their care needs and to refer them to appropriate care, health and community support services.					
Home and Community Care	122,100	128,894	136,600	145,075	156,702
Funds are provided on a matched basis for the provision of appropriate community care services, such as nursing care, delivered meals ('meals on wheels') and respite care to help frail aged people and people with a disability live independently in their homes as long as possible.					
Essential Vaccines	..	18,452	20,020	20,360	20,727
Funds for essential vaccines for childhood immunisation under the proposed Public Health Outcome Funding Agreement and for new vaccines recommended by the National Health and Medical Research Council for inclusion in the Standard Vaccination Schedule.					
Youth Health Services	2,302	2,109	2,143	2,179	2,219
Funding is provided to develop and implement innovative primary health care services for homeless and otherwise at-risk youth, including stand-alone youth health centres, outreach and mobile health units.					
Rural Obstetrics Pilot Study	..	5,010	..	..	..
The pilot study in one or two rural areas will examine the effects of new funding arrangements covering private and public obstetric services.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
University Departments of Rural Health	3,000	6,048	9,123	9,211	9,253
Provides operational support to the rural and remote based education and training units which are linked to the medical schools of universities.					
John Flynn Medical Student Scholarships	370	764	1,138	1,578	1,606
The scholarships encourage medical students to take up rural and remote clinical placements in supervised general practice, a rural hospital or an Aboriginal Medical Service, for a minimum of two weeks per year over a four year period in the same community.					
National Youth Suicide Strategy	1,000	2,586	2,627	..	..
Funds are provided to assist States to involve the broader community in development of prevention programmes through such measures as supporting rural youth counselling services and providing training for professionals working in this field.					
Health - Total	5,438,363	5,612,898	5,785,910	6,002,745	6,238,044
Social Security and Welfare					
Aged Care Assessment	26,826	28,050	26,356	26,523	26,749
Funds are provided to enable Aged Care Assessment Teams to conduct holistic assessments of frail aged clients to determine their care needs and to refer them to appropriate care, health and community support services.					
Home and Community Care	321,630	339,527	359,823	382,149	412,775
Funds are provided on a matched basis for the provision of appropriate community care services, such as nursing care, delivered meals ('meals on wheels') and respite care to help frail aged people and people with a disability live independently in their homes as long as possible.					
Disabilities Services	309,775	316,084	323,763	332,005	334,156
Under the terms of the renegotiated Commonwealth/State Disability Agreement, the Commonwealth will continue to provide funds to the States to assist in the provision of accommodation support and other services for people with disabilities.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Children's Services	38,886	38,177	41,796	45,635	48,164
Funds are provided to ensure access to affordable quality child care in programmes administered by State governments on behalf of the Commonwealth.					
Supported Accommodation Assistance Program (SAAP)	129,498	128,035	127,148	127,463	130,094
SAAP is a jointly funded Commonwealth/State programme to assist people who are homeless and in crisis. Recurrent annual funding, on a cost shared basis with the States, is provided under the <i>Supported Accommodation Assistance Act 1994 (No 162 of 1994)</i> to 31 December 1999.					
Rural Domestic Violence - Referral	656	138	..	..	..
The aim of this pilot programme is to trial information and referral services for women and children in rural and remote areas who experience domestic violence.					
Supervision and Welfare Support for Humanitarian Minors Without Parents in Australia and for their Caregivers	120	121	125	127	130
To assist humanitarian minors without parents in Australia and the families providing their care through early intervention, counselling and assistance by State welfare agencies.					
Rural Adjustment Scheme (RAS) Certificates	199	69	..	..	..
Funds required to support the administrative costs of State RAS authorities in issuing Drought Exceptional Circumstances (DEC) certificates to eligible farmers in DEC areas across Australia.					
Compensation for Extension of Fringe Benefits to Pensioners and Older Long-Term Allowees and Beneficiaries	140,157	116,452	114,284	107,340	125,548
The States' provision of pensioner concessions, such as property rates, is linked to eligibility for the Commonwealth's Pensioner Concession Card. This compensation arises from extra costs to the States from the liberalisation of access to this card in 1993.					
Native Title	500	1,500	14,500	10,000	4,000
Funding seeks to assist in the successful implementation of the Commonwealth's <i>Native Title Act 1993 (NTA)</i> and a consistent national framework for State bodies and arrangements for dealing with native title issues.					
Social Security and Welfare - Total	968,247	968,153	1,007,795	1,031,242	1,081,616

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
<i>Housing and Community Amenities</i>					
Assistance for Housing	5,500	5,500	5,500	5,500	5,500
The <i>States Grants (Housing) Act 1971</i> provides for payments in lieu of Commonwealth housing assistance (which was not provided in 1971-72 and 1972-73) to offset the cost of interest on funds borrowed by the States at that time for public housing. The total amount payable to each State is in accordance with the Act.					
National Landcare - Urban Water	2,333	2,238	2,271	2,310	2,351
The National Landcare Program aims to achieve efficient, sustainable and equitable management of natural resources in Australia. Current purpose payments mainly assist studies undertaken for flood mitigation activities.					
ACT Assistance for Water and Sewerage	7,739	7,878	8,004	8,140	8,287
To compensate the ACT Government for additional costs resulting from the national capital planning influences on the provision of water and sewerage services. Funding amount is based upon the findings of the Commonwealth Grants Commission in its Second and Third Reports on Financing in the ACT.					
Environmental Restoration	144	152	..	..	..
To provide monitoring and maintenance at Rum Jungle, NT, to ensure the long-term integrity of the rehabilitation works.					
Remote Sensing of Landcover	523	798	..	..	..
The programme provides funding for a remote sensing database to enable accurate estimation of greenhouse gas emissions from tree clearing.					
<i>Housing and Community Amenities - Total</i>	16,239	16,566	15,776	15,950	16,138

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Recreation and Culture					
Management of World Heritage Properties	10,715	7,333	..	..	..
Advise and implement policies and programmes for the management and upkeep of World Heritage properties, and to establish best-practice management for those properties. Funding is provided for specific projects identified through Commonwealth/State agreements and exchanges of letters.					
Assistance to Sydney Organising Committee for Olympic Games (SOCOG)	..	..	50,000	50,000	50,000
Provides assistance to the Sydney Organising Committee for the Olympic Games (SOCOG) in recognition of its income and sales tax payments, subject to adequate levels of cost recovery for government services provided to SOCOG.					
Recreation and Culture - Total	10,715	7,333	50,000	50,000	50,000
Fuel and Energy					
Electricity Grid Infrastructure	674	..	..	..	..
To contribute to a feasibility study that examines possible grid interconnection between the electricity power systems of NSW and QLD.					
Fuel and Energy - Total	674	..	..	..	..
Agriculture, Forestry and Fishing					
TAS Wheat Freight Subsidy	1,200	1,200	1,200	..	..
To provide assistance to cereal processors, end users and consumers for the cost of shipping wheat to TAS, to help their adjustment to the removal of administered pricing following the deregulation of the domestic wheat market in 1989.					
Bovine Brucellosis and Tuberculosis	8,999	6,073	..	..	..
To fund the Brucellosis and Tuberculosis Eradication Campaign.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Exotic Disease Eradication	251	251	251	251	251
The Wildlife and Exotic Diseases Preparedness Programme is a technical and financial programme to support the development of practical field strategies for the eradication, control and management of feral species in the event of an outbreak of exotic animal disease.					
Rural Adjustment Scheme	107,462	39,901	19,658	11,586	1,258
To provide support to farm business enterprises to improve farm productivity, profitability and sustainability, and to eligible farm business enterprises where incomes have been adversely affected by exceptional circumstances such as extreme drought. Farmers in financial difficulty, but without prospects for long-term profitability, are assisted to exit from the farm sector.					
National Landcare Program (NLP)	36,572	28,316	28,447	9,983	10,061
The NLP aims to achieve efficient, sustainable and equitable management of natural resources in Australia. Current purpose payments mainly assist community landcare group activities and projects which support community landcare, although some State agency projects are also supported.					
Forestry Development	3,320	45,009	10,488	4,952	..
To enhance forest management and assist in structural adjustment and value adding investments in the timber industry in south-east NSW. Also, to ameliorate impacts on native forest industry businesses and workers who may be adversely affected by the Deferred Forest Agreement and/or Regional Forest Agreement outcomes, and to facilitate the availability of resources to create a long-term ecologically and economically sustainable forest industry.					
Agriculture, Forestry and Fishing - Total	157,804	120,750	60,044	26,772	11,570
Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction					
AusIndustry Enterprise Development Program	15,670	19,159	4,009	1,860	1,278
To improve the performance and efficiency of small to medium sized firms through assistance in business planning and other enterprise improvement initiatives.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
AusIndustry Enterprise Networking Program	138	138	..	..	..
To establish business networking as a feature of Australian business practice to improve the competitiveness and capabilities of firms.					
Technology Support Centres Programme	1,192	3,827	..	..	..
To support small to medium sized firms evaluate and adopt technologies and techniques to improve their capacity and performance, through demonstration initiatives, technology audits, feasibility studies and technology investment evaluation.					
Nixon Study into TAS Industry and Employment	150	..	..	..	..
To provide funding for an independent review of TAS's industry and employment opportunities.					
AusIndustry Textile, Clothing and Footwear Enterprise Development Programme	..	2,450	2,665	1,786	..
To assist textiles, clothing and footwear firms to continue industry restructuring by encouraging the adoption of quality management initiatives and closer relationships with suppliers.					
Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction - Total	17,150	25,574	6,674	3,646	1,278
Transport and Communication					
Interstate Road Transport Act (1985) Payments	20,000	15,000	15,000	..	..
Under the Act, the Commonwealth makes payments to the States of funds received through the Federal Interstate Registration Scheme. The scheme provides an alternative to State registration for vehicles engaged in inter-state trade and commerce. The intention is to provide funds for the maintenance and upkeep of roads used by these vehicles.					
TAS - Compensation Payments in respect of the Bass Strait Passenger Service	366	50	..	..	..
In 1993 the government decided to pay a subsidy to eligible Bass Strait passenger service operators to alleviate the impact of a fuel oil excise increase. Payments run over the four years from September 1993 with final payment in 1997-98.					
Transport and Communication - Total	20,366	15,050	15,000	..	..

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Total Other Economic Affairs					
Feasibility Study for Proposed International Garden Festival	300	..	..	..	..
To facilitate further development of the NSW International Garden Festival concept, including examination of the scope for private sector investment to underpin the viability of the proposal.					
Access Training	..	5,000	5,080	5,171	5,265
The Access programme provides preliminary training for people who are disadvantaged in the labour market so they can successfully participate in an apprenticeship or traineeship. Payments are contract based and take up is dependent upon State governments' acceptance of contract terms.					
Employment Strategies for Indigenous Australians	4,000	2,552	3,315	2,013	1,239
Provides funds to support the initial employment and training of Indigenous Australians within State public services. Payments are administered under bilateral agreements and joint management arrangements.					
Total Other Economic Affairs - Total	4,300	7,552	8,395	7,184	6,504
Other Purposes					
Debt Redemption Assistance	220,400	62,300	28,100	82,900	79,400
Covers the payment of compensation to the States under the <i>Financial Agreement Act 1994</i> , for the additional interest costs of replacing maturing Commonwealth debt with their own borrowings, rather than by the Commonwealth borrowing on their behalf, and for the lower, formula based, Commonwealth sinking fund contributions which have resulted from the debt redemption arrangements.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
* Financial Assistance					
- Local Government and General Assistance	842,551	834,789	871,281	903,344	936,316
Provides untied (or general purpose) assistance to local government authorities. General purpose grants are provided to enable councils to provide a wider range of services and to promote equity, ie councils which suffer high costs and/or poor revenue sources receive a greater share of the grant.					
- Local Government Identified Road Funding	373,865	370,420	386,613	400,840	415,471
Provides untied assistance to local government authorities in place of specific purpose payments formerly passed on to local government by the States for expenditure on local roads. Local roads grants are distributed having regard to several factors, primarily population and road length.					
Commonwealth Bank - Stamp Duties	11,984	..	..	..	..
Payment to the ACT Government for stamp duty forgone in respect of the sale in July 1996 of the Commonwealth's remaining shareholding in the Commonwealth Bank of Australia.					
Compensation - Companies Regulation	130,335	134,376	138,541	142,836	147,264
Under the terms of the Heads of Agreement on Future Corporate Regulation in Australia, the Commonwealth is obliged to compensate the six States and the NT for revenue forgone following the commencement of the national scheme for the regulation of companies and securities.					
Natural Disaster Relief	12,000	13,000	13,000	13,000	13,000
Reimbursement of part of the expenditure incurred by the States on personal hardship and distress payments made to persons adversely affected by natural disaster.					
Royalties	198,756	185,500	179,500	187,500	195,500
Reimbursement to the WA Government for royalties under the <i>Petroleum (Submerged Lands) Act 1967</i> and for the cost of Barrow Island Resource Royalty and reimbursement to the NT Government in lieu of uranium royalties.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
ACT National Capital Influences on the Cost of Providing Municipal Services	19,249	19,596	19,909	20,247	20,612
Funding assists the ACT Government in meeting the additional municipal type costs it bears flowing from Canberra's role as the national capital. Funding amount is based upon the findings of the Commonwealth Grants Commission in its Second and Third Reports on Financing in the ACT.					
Other Purposes - Total	1,809,140	1,619,981	1,636,944	1,750,667	1,807,563
TOTAL CURRENT	16,066,893	15,788,332	15,739,903	16,028,649	16,445,075
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Education</i>					
* Higher Education	41,586	38,025	38,664	39,339	40,031
In addition to the capital component of operating grants, funding is provided to assist institutions undertaking major new campus developments or undertaking the expansion, development and upgrading of electronic delivery infrastructure in order to increase access to regions with low tertiary participation and efficiency of delivery.					
Government Schools	216,835	217,895	226,769	234,706	239,558
Provides supplementary assistance to State education authorities for the provision, maintenance and upgrading of school facilities, which can include, amongst other things, land or building purchases, capital works or the provision of equipment.					
* Non-Government Schools	109,096	86,996	90,991	89,249	84,852
Provides supplementary assistance to Non-Government schools and systems, as well as hostels for rural students, for the provision, maintenance and upgrading of school facilities, which can include, amongst other things, land or building purchases, capital works or the provision of equipment.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Indigenous Education Strategic Initiatives Programme	4,624	6,000	7,000	..	..
Provides strategic project based capital funding to education providers in the preschool, school and vocational education and training sectors aimed at improving Indigenous education outcomes.					
Education - Total	372,141	348,916	363,424	363,294	364,441
Health					
Home and Community Care	2,888	3,049	3,231	3,431	3,706
Funds are provided on a matched basis for the provision of appropriate community care services, such as nursing care, delivered meals ('meals on wheels') and respite care to help frail aged people and people with a disability live independently in their homes as long as possible.					
Health - Total	2,888	3,049	3,231	3,431	3,706
Social Security and Welfare					
Home and Community Care	4,602	4,859	5,149	5,468	5,907
Funds are provided on a matched basis for the provision of appropriate community care services, such as nursing care, delivered meals ('meals on wheels') and respite care to help frail aged people and people with a disability live independently in their homes as long as possible.					
Children's Services	7,003	7,192	7,514	3,535	50
For constructing community child care centres under Commonwealth/State National Child Care Strategies.					
Crisis Accommodation Assistance (part of the CSHA)	39,655	39,655	39,655	39,655	39,655
To provide funds to the States for the acquisition of accommodation for homeless people.					
Social Security and Welfare - Total	51,260	51,706	52,318	48,658	45,612

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Housing and Community Amenities					
Housing Assistance for Aborigines (part of the CSHA)	91,000	91,000	91,000	91,000	91,000
To assist Aboriginal and Torres Strait Islander peoples on low to moderate incomes to have access to affordable, appropriate and secure rental housing, including public and community-owned rental housing.					
Community Housing (part of the CSHA)	63,990	63,990	63,990	63,990	63,990
To develop community housing which provides appropriate and affordable rental accommodation for low to moderate income earners.					
Commonwealth-State Housing Agreement (CSHA) Block Assistance/Base Funding (c)	730,518	780,403	769,723	759,047	759,047
The Commonwealth through the CSHA provides funds to the States primarily for the provision of public rental housing for low to moderate income households. States are required to contribute to housing assistance in amounts as set in the CSHA.					
Social Housing Subsidy Program (SHSP)	2,130	2,130	2,130	2,130	2,130
Provides matching funding to States for up to 20 years to subsidise the recurrent costs of financing rental accommodation for low and moderate income earners. Funds are committed to NSW and the ACT and future funding to other States was removed in the 1996-97 Budget.					
National Landcare - Urban Water (NLP)	8,682	7,286	7,398	7,531	7,674
The National Landcare Program (NLP) aims to achieve efficient, sustainable and equitable management of natural resources in Australia. Capital purpose payments support State agency projects that are consistent with NLP objectives and which have significant works elements: these mostly comprise flood mitigation and country towns water services.					
NT - Indigenous Health Infrastructure	5,000	10,000	..	..	..
Construction of indigenous health related infrastructure including roads, water and sewerage facilities.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Orielton Lagoon	..	725	..	..	..
This project will re-direct sewage, which is presently discharged to this embayment on the Derwent Estuary, for use in irrigating orchards. Funds will be used for a holding pond and pipes. Funding is provided by contributions from State and Commonwealth governments and the Sorrell Council.					
Housing and Community Amenities - Total	901,320	955,534	934,241	923,698	923,841
Recreation and Culture					
Management of World Heritage Properties	4,049	2,509	..	..	..
Advise and implement policies and programmes for the management and upkeep of World Heritage properties, and to establish best-practice management arrangements. Funding is provided for specific projects identified through Commonwealth/State processes under Commonwealth/State agreements and exchanges of letters.					
National Estate Grants Program	1,128	277	..	..	..
Foster community support and involvement in the identification, conservation and promotion of National Estate. Funding is provided through specific grants to non-profit organisations, local government bodies, Commonwealth/State departments and authorities.					
QLD Sugar Coast Environment Rescue Package	2,000	2,000	2,000	..	..
Advise and implement policies and programmes for the protection and conservation of the environment, while ensuring its use is ecologically sustainable. Funds will assist the conservation of endangered species and ecosystems threatened by expanding sugar production.					
Payment to TAS for the International Antarctic Centre	1,000	750	750	..	..
Funds are being provided to assist with exhibition design and fitout in the Antarctic and Southern Ocean Centre, currently under construction in Hobart.					
Payment to NSW towards the Infrastructure Costs associated with the Establishment of the Fox Film Studios at the Sydney Showground Site.	7,000	..	..	..	..
A grant will be provided for this purpose in 1996-97.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Payment to NSW for Development of the New Royal Agricultural Society of New South Wales Site at Homebush, Sydney	25,000	..	..	..	..
A grant will be provided for this purpose in 1996-97.					
Recreation and Culture - Total	40,177	5,536	2,750	..	..
Agriculture, Forestry and Fishing					
Sugar Industry Infrastructure	3,933	7,560	..	..	..
To enhance the economic performance of the Australian sugar industry by providing funding for infrastructure projects including providing better export facilities for the NSW industry.					
National Landcare Program (NLP)	20,255	14,591	14,816	15,083	15,370
The NLP aims to achieve efficient, sustainable and equitable management of natural resources in Australia. Capital purpose payments support State agency projects that are consistent with NLP objectives and which have significant works elements: these include drainage for salinity mitigation and regional initiatives.					
Agriculture, Forestry and Fishing - Total	24,188	22,151	14,816	15,083	15,370
Transport and Communication					
National Highway System and Roads of National Importance	803,453	808,654	806,551	773,245	791,584
The Commonwealth funds the National Highway System and contributes to the capital cost of some other Roads of National Importance. Funds are appropriated under the <i>Australian Land Transport Development Act 1988</i> and administered through a trust fund.					
Road Safety Black Spot Programme	36,000	36,648	37,271	38,054	38,853
Funding is available for the installation of safety related traffic devices at identified black spot locations.					
State Transport agencies manage programmes of works. Funds are appropriated under the <i>Australian Land Transport Development Act 1988</i> and administered through a trust fund.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Contribution towards the Development of Runway Extensions at Adelaide Airport	..	20,000	..	..	..
The Commonwealth has agreed to reimburse the SA Government, from the proceeds of the sale of Adelaide Airport, for the cost of works associated with the extension of the Adelaide Airport runway.					
Transport and Communication - Total	839,453	865,302	843,822	811,299	830,437
Total Other Economic Affairs					
Redevelopment of the Inveresk Rail Yard Site in Launceston	1,500	4,554	1,034	..	..
The Inveresk project involves the redevelopment of a redundant 16 hectare contaminated site into a tourism, cultural and recreational precinct.					
Total Other Economic Affairs - Total	1,500	4,554	1,034	..	..
Other Purposes					
Sinking Fund on State Debt	12,584	10,410	8,270	8,056	4,880
Contributions to the Debt Retirement Reserve Trust Account (DRRTA) by the Commonwealth on behalf of the six States and the NT in accordance with the <i>Financial Agreement Act 1994</i> .					
Payment of Tax Receipts	555,618	..	..	..	..
The <i>Payment of Tax Receipts (Victoria) Act 1996</i> passed in November 1996, authorised the Treasurer to make payments to meet the Commonwealth's obligations under the Deed for the Return of Tax Payments between VIC and the Commonwealth. This agreement involved the Commonwealth paying to VIC an amount of windfall tax arising from the settlement of a dispute between VIC gas utilities and their gas suppliers.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Natural Disaster Relief	17,000	20,000	20,000	20,000	20,000
Reimbursement under a funding formula of part of the expenditure incurred by States to restore/replace public assets damaged by natural disasters.					
Other Purposes - Total	585,202	30,410	28,270	28,056	24,880
TOTAL CAPITAL	2,818,129	2,287,158	2,243,907	2,193,519	2,208,287
REPAYMENTS					
Payments to Debt Sinking Funds	50,785	42,004	33,383	32,512	19,694
DRRTA receipts of contributions from the six States and the NT and from the Commonwealth on their behalf payable under the provisions of the <i>Financial Agreement Act 1994</i> .					
Supplementary Contributions	742,976	718,965	41,975	1,098,703	969,170
DRRTA receipts of supplementary contributions from some States and the NT, payable under the provisions of the <i>Financial Agreement Act 1994</i> , to enable the redemption of Commonwealth Government securities maturing on their behalf.					
Total	793,761	760,969	75,358	1,131,215	988,864
Repayments of Commonwealth Government Loans					
ACT Debt Repayments	6,647	7,062	4,647	4,647	4,647
Servicing of remaining notional debt held against assets transferred from the Commonwealth to the ACT Government, on self-government, for public transport (land and buildings), electricity, water supply and sewerage.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Loan Council - Housing Nominations	16,300	17,000	17,700	18,400	19,100
Principal repayments by the six States and the NT of advances made to them under the various <i>States (Works and Housing) Assistance Acts</i> .					
Repayment of Commonwealth Government Loans - Total	22,947	24,062	22,347	23,047	23,747
Defence					
Servicemen's Housing	1,192	1,264	1,340	1,422	1,510
Principal repayments by the States of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel. These loans are repayable in 53 yearly instalments.					
Defence - Total	1,192	1,264	1,340	1,422	1,510
Housing and Community Amenities					
CSHA Block Assistance	68,151	70,873	73,596	76,318	79,040
Principal repayments by the six States and the NT of advances made to them under the various <i>Housing Agreement, Northern Territory Housing Agreement and Housing Assistance Acts</i> .					
Other Housing	6,426	6,720	7,023	7,338	7,663
This is a loan agreement that relates to assets transferred from the Commonwealth to the NT and ACT, on self-government. Repayments of principal and interest are made at the end of each financial year.					
Urban Water Supply and Treatment	255	284	317	355	340
Repayment of principal on loans to SA for water quality improvement via Adelaide and Northern Towns Water Treatment and to WA for salinity mitigation via the Harding River Dam project.					
NT - Water and Sewerage Assistance	136	136	136	136	136
This is a loan agreement that relates to assets transferred from the Commonwealth to the NT at the time of self-government in 1978. Repayments of principal and interest are made by the NT Government at the end of each financial year.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Growth Centres - Municipal Works	1,579	158	147	134	120
Under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> , financial assistance was provided to NSW for urban expansion and redevelopment in the Bathurst-Orange area and to VIC for the purpose of developing a growth complex in the Albury-Wodonga area.					
Emerald Hill	205	205	205	205	205
Under the <i>Land Commissions (Financial Assistance) Act 1973</i> , the Federal Parliament made provision for financial assistance to VIC for the acquisition of land at Emerald Hill, South Melbourne, for redevelopment.					
Sewerage Assistance	65,196	2,451	2,381	2,304	2,218
Under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> , the Federal Parliament made provision to provide financial assistance to all States to undertake programmes connected with provision of sewerage facilities with particular objectives of eliminating the backlog of sewerage works.					
Community Facilities - Townsville	22	24	26	28	31
Repayment of a loan to the QLD Government as a contribution towards the cost of developing community facilities in West Townsville to assist in assimilating servicemen and their families into the community.					
Captains Flat (Abatement of Pollution Agreement)	41	46	20	6	6
This is a loan agreement that generates repayments of principal and interest from the NSW Government in relation to capital works undertaken at Captains Flat to prevent pollution of the Molonglo River.					
Housing and Community Amenities - Total	142,011	80,897	83,851	86,824	89,759
Agriculture, Forestry and Fishing					
Dairy Adjustment Programme	450	38	30	10	2
This programme provided assistance by way of interest free loans to 'less than economic' dairy farms for property development and carry-on and grants for writing-off redundant milking plants.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Bovine Brucellosis and Tuberculosis	275	150	..	..	..
Commonwealth share of principal repaid by pastoralists on loans for property maintenance and improvement essential for disease eradication under the Brucellosis and Tuberculosis Eradication Campaign.					
Rural Adjustment Scheme	41,160	3,675	3,296	2,512	2,283
<i>States Grants (Rural Adjustment) Acts 1976 & 1979</i> provide assistance to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved.					
Rural Reconstruction Scheme	850	100	..	..	..
The <i>States Grants (Rural Reconstruction) Act 1971</i> provides assistance to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved.					
Meat Inspectors' Superannuation	245	..	..	..	..
Repayment of a loan to VIC for the purpose of funding retrenchment benefits to meat inspection staff transferred from the State to the Commonwealth.					
War Service Land Settlement Scheme	725	736	764	792	822
These repayments are of advances made to veterans of WWII or the Korea/Malay campaigns for the purpose of providing working capital funding, paying and effecting improvements and acquiring stock, plant and equipment.					
Brigalow Lands Development Scheme	450	..	..	..	..
The <i>Brigalow Lands Agreement Act 1962</i> gave assistance to QLD for the development of land in the Fitzroy River Basin. The main purpose of the assistance was to increase cattle production.					
Irrigation and Other Water Projects	206	120	26	5	3
Repayment of principal on loans to WA for Stage 1 of the Ord River Dam project.					
Dartmouth Dam Project	3,400	587	542	478	312
Repayment of principal on loans to NSW and SA for construction of the Dartmouth Dam in VIC which contributes to management of the River Murray System.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Softwood Forestry	11,800	3,015	3,121	3,121	3,121
To deliver a policy directed towards self-sufficiency in softwoods by the year 2000, the <i>Softwood Forestry Agreements Acts of 1967, 1972, 1976 and 1978</i> authorised agreements with the States covering loans for the establishment of softwood plantations as well as the maintenance of those plantations established in the period covered by the agreements.					
Agriculture, Forestry and Fishing - Total	59,561	8,421	7,779	6,918	6,543
Transport and Communication					
Railway Standardisation (NSW/VIC) Agreement, National Railway Network Agreement, Railway Agreement (WA)	14,700	6,804	3,963	567	567
These payments relate to loans taken out for the upgrading and standardisation of railways in mainland Australia.					
Weipa Development	217	..	..	..	..
Repayment of a loan made to the QLD Government for the development of Weipa port facilities.					
Transport and Communication - Total	14,917	6,804	3,963	567	567
Other Purposes					
Natural Disaster Relief	5,249	4,225	2,801	2,801	2,801
Repayment by States of loans made by the Commonwealth under the Natural Disaster Relief Arrangements (NDRA) and the repayment of overpaid moneys.					
Other Purposes - Total	5,249	4,225	2,801	2,801	2,801
TOTAL REPAYMENTS	1,039,638	886,642	197,439	1,252,794	1,113,791

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
ADVANCES					
<i>Other Purposes</i>					
Natural Disaster Relief	2,000	2,000	2,000	2,000	2,000
Concessional interest rate loans to the States in respect of loans made by them to individuals affected by natural disasters.					
TOTAL ADVANCES	2,000	2,000	2,000	2,000	2,000
INTEREST					
Interest on Loan Council and NT Government Borrowings	466,900	387,900	316,500	256,500	116,600
Receipts from the six States and the NT of interest on Commonwealth Government securities outstanding on their behalf.					
Total	466,900	387,900	316,500	256,500	116,600
<i>Interest on Commonwealth Government Loans</i>					
ACT Government Debt	12,327	11,509	10,668	9,297	7,101
Receipts from the ACT of interest on Commonwealth Government loans and on Commonwealth Government securities nominally outstanding on its behalf.					
Housing Nominations	95,100	94,400	93,700	93,000	92,300
Interest received from the six States and the NT on outstanding advances made to them under the <i>States (Works and Housing) Assistance Acts</i> .					
Interest on Commonwealth Government Loans - Total	107,427	105,909	104,368	102,297	99,401

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
<i>Defence</i>					
Servicemen's Housing	5,527	5,475	5,421	5,364	5,302
Interest payments by the States of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel. These loans are repayable in 53 yearly instalments.					
Defence - Total	5,527	5,475	5,421	5,364	5,302
<i>Housing and Community Amenities</i>					
CSHA Loans	150,220	147,499	144,777	142,054	139,331
Interest received from the six States and the NT on outstanding advances made to them under the various <i>Housing Agreement, Northern Territory Housing Agreement</i> and <i>Housing Assistance Acts</i> .					
Other Housing	16,782	16,490	16,184	15,867	15,768
Servicing of notional debt relating to assets transferred from the Commonwealth to the NT and ACT, on self-government. Repayments of principal and interest are made at the end of each financial year.					
Urban Water Supply and Treatment	1,405	1,295	1,263	1,236	1,207
Repayment of interest on loans to SA for water quality improvement via Adelaide and Northern Towns Water Treatment and to WA for salinity mitigation via the Harding River Dam project.					
NT - Water and Sewerage Assistance	678	671	664	657	650
This is a loan agreement that relates to assets transferred from the Commonwealth to the NT at the time of self-government in 1978. Repayments of principal and interest are made by the NT Government at the end of each financial year.					
Growth Centres - Municipal Works	326	173	185	198	212
Under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> , financial assistance was provided to NSW for urban expansion and redevelopment in the Bathurst-Orange area and to VIC for the purposes of developing a growth complex in the Albury-Wodonga area.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Emerald Hill	127	109	109	109	109
Under the <i>Land Commissions (Financial Assistance) Act 1973</i> , the Federal Parliament made provision for financial assistance to VIC for the acquisition of land at Emerald Hill, South Melbourne for redevelopment.					
Sewerage	17,647	11,233	11,303	11,381	11,467
Under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> , the Federal Parliament made provision to provide financial assistance to all States to undertake programmes connected with provision of sewerage facilities with particular objectives of eliminating the backlog of sewerage works.					
Community Facilities - Townsville	24	22	20	18	15
Repayment of a loan to the QLD Government as a contribution towards the cost of developing community facilities in West Townsville to assist in assimilating servicemen and their families into the community.					
Captains Flat (Abatement of Pollution Agreement)	20	15	11	9	9
This is a loan agreement that generates repayments of principal and interest from the NSW Government in relation to capital works undertaken at Captains Flat to prevent pollution of the Molonglo River.					
Housing and Community Amenities - Total	187,229	177,507	174,516	171,529	168,768
Agriculture, Forestry and Fishing					
Dairy Adjustment Programme	85	4	2	1	..
Repayment of interest on loans to 'less than economic' dairy farms for property development and carry-on and grants for writing-off redundant milking plants.					
Bovine Brucellosis and Tuberculosis	35	9	..	..	..
Repayment of interest on loans to pastoralists for property maintenance and improvements essential for disease eradication under the Brucellosis and Tuberculosis Eradication Campaign.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Rural Adjustment Scheme	3,700	1,378	1,092	844	647
Repayment of interest on loans under the <i>States Grants (Rural Adjustment) Acts 1976 & 1979</i> to provide assistance to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved.					
Rural Reconstruction Scheme	50	5	..	..	..
Repayment of interest on loans under the <i>States Grants (Rural Reconstruction) Act 1971</i> to provide assistance to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved.					
War Service Land Settlement	512	485	458	429	399
Payment of interest on loans to veterans of WWII or the Korea/Malay campaigns which were for the purpose of providing working capital and paying and effecting improvements and acquiring stock, plant and equipment.					
Brigalow Land Development Scheme	200	..	..	..	..
Repayment of interest on loans under the <i>Brigalow Lands Agreement Act 1962</i> which assists QLD in the development of land in the Fitzroy River Basin. The main purpose of the assistance was to increase cattle production.					
Irrigation and Other Water Projects	49	39	29	17	4
Repayment of interest on loans to WA for Stage 1 of the Ord River Dam project.					
Dartmouth Dam	461	188	133	81	37
Repayment of interest on loans to NSW and SA for construction of the Dartmouth Dam in VIC which contributes to management of the River Murray System.					
Softwood Forestry	4,749	4,869	4,898	4,575	4,215
Repayment of interest on loans under the <i>Softwood Forestry Agreements Acts of 1967, 1972, 1976 and 1978</i> .					
Agriculture, Forestry and Fishing - Total	9,841	6,977	6,612	5,947	5,302

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
<i>Transport and Communication</i>					
Railway Standardisation (NSW/VIC) Agreement, National Railway Network Agreement, Railway Agreement (WA)	3,413	1,834	810	516	485
These payments relate to loans taken out for the upgrading and standardisation of railways in mainland Australia.					
Weipa Development	9	..	..	..	..
Repayment of interest on a loan made to the QLD Government for the development of Weipa port facilities.					
Transport and Communication - Total	3,422	1,834	810	516	485
<i>Other Purposes</i>					
Natural Disaster Relief	615	428	257	257	257
Interest payable by the States in respect of loans made by the Commonwealth to them under NDRA.					
Other Purposes - Total	615	428	257	257	257
TOTAL INTEREST	780,961	686,030	608,484	542,410	396,115

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued					
<i>Function</i>					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
SUMMARY OF SPECIFIC PURPOSE PAYMENTS					
Total Specific Purpose Payments	18,885,022	18,075,490	17,983,810	18,222,168	18,653,362
Total 'To'	11,624,885	10,873,171	10,782,446	10,960,219	11,284,555
Total 'Through'	7,260,137	7,202,319	7,201,364	7,261,949	7,368,807
* Items so marked are classified as payments 'through' the States.					
(a) The estimates for 1997-98 onwards include all Commonwealth funding to the States for palliative care services and incorporate the continued funding for the Palliative Care Programme in 1997-98 which was previously included in the Medicare Related SPP.					
(b) The 1996-97 estimate includes expenditure for those programmes which will be covered by the Broadbanded Health Service Programmes SPP from 1997-98 onwards but excludes approximately \$8 million funding for imported blood products which was provided under a special appropriation in 1996-97.					
(c) The amount shown for 1996-97 is less the amount some States chose to use as part of their State Fiscal Contributions.					

**TABLE A2: ESTIMATED SPECIFIC PURPOSE PAYMENTS TO THE STATES,
REPAYMENTS OF ADVANCES AND INTEREST PAYMENTS 1997-98**

This table provides estimates of each State's share of the items included in Table A1 as estimated for 1997-98.

As in other years, the distribution of assistance for 1997-98 under some programmes is dependent upon the recipient government undertaking to participate in programmes or approve particular projects. For a few programmes, final decisions on the distribution of payments among the States have still to be taken by the Commonwealth; for others, the final distribution for 1997-98 will not be settled until further data become available. In such cases, a provisional or notional estimate of the 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 programme.

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 A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - 1997-98 (\$'000)

<i>Function</i> Payment Title	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>General Public Services</i>									
* Research at Universities	147,324	103,984	60,735	36,666	42,623	11,662	609	1,508	405,111
<i>General Public Services - Total</i>	147,324	103,984	60,735	36,666	42,623	11,662	609	1,508	405,111
<i>Public Order and Safety</i>									
Legal Aid (a)	20,815	18,036	2,635	7,447	10,799	2,875	3,624	2,750	68,981
Confiscated Assets Trust Fund	..	180	..	88	..	..	..	..	268
National Firearms Program	34,000	58,000	35,000	8,000	17,000	9,000	2,000	4,000	167,000
Film and Literature Classification	76	76	76	76	76	76	76	76	609
Human Rights Co-operative Payment	..	369	..	257	286	..	..	..	912
<i>Public Order and Safety - Total</i>	54,891	76,661	37,711	15,868	28,161	11,951	5,700	6,826	237,770
<i>Education</i>									
* Higher Education	1,125,623	962,188	593,885	335,906	307,375	81,213	2,615	33,154	3,441,959
State Contribution to Higher Education Superannuation	(19,198)	(20,116)	..	(3,432)	(8,050)	(310)	..	..	(51,106)
Advanced English for Migrants Program (AEMP)	2,052	1,631	558	437	368	63	89	63	5,261
Government Schools	323,404	220,181	183,078	101,352	76,497	27,049	16,867	11,971	960,399
* Non-Government Schools	630,645	536,824	326,233	179,673	142,883	44,388	44,366	14,382	1,919,394
Targeted Programmes - Government Schools and Joint Initiatives	99,172	66,967	37,060	25,091	22,058	7,123	3,002	5,383	265,856
* Targeted Programmes Non-Government Schools	38,935	32,868	13,686	8,453	7,395	1,414	1,784	1,090	105,625
Indigenous Education Strategic Initiatives Programme	26,186	7,120	17,857	18,832	9,863	2,346	1,016	20,986	104,206
<i>Education - Total</i>	2,226,819	1,807,663	1,172,357	666,312	558,389	163,286	69,739	87,029	6,751,594
<i>Health</i>									
Health Program Grants	..	4,243	..	9,982	27,223	..	2,996	766	45,210
Hospital Funding/Base Medicare	1,411,005	1,027,455	743,980	376,814	350,763	107,159	57,470	27,827	4,102,473
Other Medicare (b)	170,924	66,529	191,982	150,149	151,615	39,159	17,253	59,171	846,782
Medicare Related	1,465	3,482	..	..	733	..	..	..	5,680

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued

<i>Function</i>	New South	Victoria	Queens-	Western	South	Tasmania	ACT	Northern	Total
Payment Title	Wales		land	Australia	Australia			Territory	
Magnetic Resonance Imaging (MRI)	5,475	4,418	3,078	2,209	2,209	1,104	942	..	19,435
Transfer of Repatriation General Hospitals	5,530	4,200	..	..	2,200	806	..	..	12,736
Broadbanded Health Service Programmes	33,611	21,357	28,438	7,870	6,878	4,241	1,391	765	104,551
Highly Specialised Drug Programme	77,117	53,579	26,463	11,036	11,879	2,663	2,247	1,666	186,650
National Public Health	43,906	24,111	18,065	10,417	8,257	4,161	2,372	2,498	113,787
Aged Care Assessment	4,015	3,067	1,870	1,155	1,027	314	90	193	11,731
Home and Community Care	41,624	36,416	21,391	12,977	10,985	3,416	1,300	785	128,894
Essential Vaccines	6,288	4,547	3,310	1,790	1,428	482	345	262	18,452
Youth Health Services (c)	707	523	367	190	173	54	48	48	2,109
Rural Obstetrics Pilot Study (d)	626	626	626	626	626	626	626	626	5,010
University Departments of Rural Health	1,524	500	1,524	1,500	1,000	..	..	..	6,048
John Flynn Medical Student Scholarships	217	196	139	72	108	31	..	..	764
National Youth Suicide Strategy	776	497	714	155	243	116	..	85	2,586
Health - Total	1,804,810	1,255,747	1,041,948	586,942	577,347	164,332	87,080	94,692	5,612,898
Social Security and Welfare									
Aged Care Assessment	9,601	7,333	4,474	2,763	2,457	751	212	459	28,050
Home and Community Care	109,644	95,926	56,350	34,185	28,935	8,999	3,424	2,064	339,527
Disabilities Services	103,282	67,284	62,368	22,030	42,045	12,159	3,964	2,952	316,084
Children's Services	1,864	8,849	810	602	25,616	205	100	131	38,177
Supported Accommodation Assistance Program (SAAP)	44,156	29,034	18,699	10,583	13,148	5,678	3,674	3,063	128,035
Rural Domestic Violence - Referral	..	9	..	62	67	..	..	..	138
Supervision and Welfare Support for Humanitarian Minors Without Parents in Australia and for their Caregivers	..	54	25	23	19	..	..	..	121
Rural Adjustment Scheme (RAS) Certificates	8	..	61	..	..	..	..	..	69
Compensation for Extension of Fringe Benefits to Pensioners and Older Long-Term Allowees and Beneficiaries	40,499	28,953	20,217	10,180	11,518	3,699	822	564	116,452
Native Title	..	..	..	..	1,500	..	..	..	1,500
Social Security and Welfare - Total	309,054	237,442	163,004	80,428	125,305	31,491	12,196	9,233	968,153

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued

<i>Function</i> Payment Title	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
<i>Housing and Community Amenities</i>									
Assistance for Housing	1,848	1,347	424	627	940	314	..	..	5,500
National Landcare - Urban Water	612	437	354	342	320	86	..	87	2,238
ACT Assistance for Water and Sewerage	..	..	..	..	..	..	7,878	..	7,878
Environmental Restoration	..	..	..	..	..	..	..	152	152
Remote Sensing of Landcover	175	..	430	..	82	55	..	56	798
<i>Housing and Community Amenities - Total</i>	2,635	1,784	1,208	969	1,342	455	7,878	295	16,566
<i>Recreation and Culture</i>									
Management of World Heritage Properties	2,304	..	1,070	255	104	3,600	..	..	7,333
<i>Recreation and Culture - Total</i>	2,304	..	1,070	255	104	3,600	..	..	7,333
<i>Agriculture, Forestry and Fishing</i>									
TAS Wheat Freight Subsidy	..	..	..	..	..	1,200	..	..	1,200
Bovine Brucellosis and Tuberculosis	..	..	..	..	..	..	..	6,073	6,073
Exotic Disease Eradication	173	..	..	25	..	..	..	53	251
Rural Adjustment Scheme	11,571	7,867	14,300	..	4,053	1,769	..	341	39,901
National Landcare Program (NLP)	7,684	5,525	4,485	4,332	4,009	1,091	94	1,096	28,316
Forestry Development	25,709	4,825	4,825	4,825	..	4,825	..	..	45,009
<i>Agriculture, Forestry and Fishing - Total</i>	45,137	18,217	23,610	9,182	8,062	8,885	94	7,563	120,750
<i>Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction</i>									
AusIndustry Enterprise Development Program	5,927	4,708	3,551	1,897	1,770	588	401	317	19,159
AusIndustry Enterprise Networking Program	..	69	69	..	..	..	..	..	138
Technology Support Centres Programme	855	766	1,378	262	269	125	89	82	3,827
AusIndustry Textile, Clothing and Footwear Enterprise Development Programme	725	895	293	142	282	85	29	..	2,450
<i>Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction - Total</i>	7,507	6,438	5,291	2,302	2,321	798	519	399	25,574

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued

<i>Function</i> Payment Title	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
<i>Transport and Communication</i>									
<i>Interstate Road Transport Act (1985) Payments</i>	6,917	4,024	1,425	596	1,813	75	75	75	15,000
TAS - Compensation Payments in respect of the Bass Strait Passenger Service	..	..	..	..	..	50	..	..	50
<i>Transport and Communication - Total</i>	6,917	4,024	1,425	596	1,813	125	75	75	15,050
<i>Total Other Economic Affairs</i>									
Access Training (e)	1,675	1,250	915	480	405	130	95	50	5,000
Employment Strategies for Indigenous Australians	426	..	..	60	1,355	711	..	..	2,552
<i>Total Other Economic Affairs - Total</i>	2,101	1,250	915	540	1,760	841	95	50	7,552
<i>Other Purposes</i>									
Debt Redemption Assistance	25,400	5,690	4,740	8,250	6,950	7,360	..	3,910	62,300
* Financial Assistance									
- Local Government and General Assistance	282,492	206,973	153,771	80,706	67,207	21,454	13,981	8,204	834,788
- Local Government Identified Road Funding	107,470	76,367	69,403	56,638	20,357	19,630	11,878	8,677	370,420
Compensation - Companies Regulation	44,652	39,036	21,984	13,532	10,065	3,118	..	1,989	134,376
Natural Disaster Relief	800	600	10,700	200	300	100	..	300	13,000
Royalties	..	..	..	183,000	..	..	..	2,500	185,500
ACT National Capital Influences on the Cost of Providing Municipal Services	..	..	..	..	..	..	19,596	..	19,596
<i>Other Purposes - Total</i>	460,814	328,666	260,598	342,326	104,879	51,662	45,455	25,580	1,619,980
TOTAL CURRENT	5,070,313	3,841,876	2,769,872	1,742,386	1,452,106	449,088	229,440	233,250	15,788,331

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued

<i>Function</i> Payment Title	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
<i>Education</i>									
* Higher Education	8,995	..	14,382	9,693	..	1,563	..	3,392	38,025
Government Schools	74,536	50,807	40,024	22,017	17,613	6,246	3,960	2,692	217,895
* Non-Government Schools	29,482	24,500	14,225	7,680	6,174	2,243	2,021	671	86,996
Indigenous Education Strategic Initiatives Programme	1,900	400	1,200	1,400	200	200	..	700	6,000
<i>Education - Total</i>	114,913	75,707	69,831	40,790	23,987	10,252	5,981	7,455	348,916
<i>Health</i>									
Home and Community Care	754	614	709	..	847	102	23	..	3,049
<i>Health - Total</i>	754	614	709	..	847	102	23	..	3,049
<i>Social Security and Welfare</i>									
Home and Community Care	1,200	980	1,129	..	1,350	163	37	..	4,859
Children's Services	..	3,296	1,836	348	1,136	264	208	104	7,192
Crisis Accommodation Assistance (part of the CSHA)	13,432	9,868	7,238	3,812	3,221	1,033	665	386	39,655
<i>Social Security and Welfare - Total</i>	14,632	14,144	10,203	4,160	5,707	1,460	910	490	51,706
<i>Housing and Community Amenities</i>									
Housing Assistance for Aborigines (part of the CSHA)	17,777	3,638	25,227	15,862	8,342	696	..	19,458	91,000
Community Housing (part of the CSHA)	21,675	15,924	11,679	6,152	5,197	1,667	1,074	622	63,990
Commonwealth-State Housing Agreement (CSHA)	259,257	190,464	139,695	73,585	62,166	23,821	17,947	13,468	780,403
Block Assistance/Base Funding									
Social Housing Subsidy Program (SHSP)	1,995	..	..	..	..	..	135	..	2,130
National Landcare - Urban Water (NLP)	1,990	1,422	1,153	1,115	1,043	281	..	282	7,286
NT - Indigenous Health Infrastructure	..	..	..	..	..	..	..	10,000	10,000

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued

<i>Function</i> Payment Title	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Orielton Lagoon	..	..	..	..	..	725	..	..	725
<i>Housing and Community Amenities - Total</i>	302,694	211,448	177,754	96,714	76,748	27,190	19,156	43,830	955,534
<i>Recreation and Culture</i>									
Management of World Heritage Properties	201	..	208	200	200	1,700	..	..	2,509
National Estate Grants Program	41	41	41	41	41	41	7	24	277
QLD Sugar Coast Environment Rescue Package	..	..	2,000	..	..	..	..	..	2,000
Payment to TAS for the International Antarctic Centre	..	..	..	..	..	750	..	..	750
<i>Recreation and Culture - Total</i>	242	41	2,249	241	241	2,491	7	24	5,536
<i>Agriculture, Forestry and Fishing</i>									
Sugar Industry Infrastructure	1,945	..	5,615	..	..	..	..	..	7,560
National Landcare Program (NLP)	3,985	2,847	2,312	2,232	2,088	562	..	565	14,591
<i>Agriculture, Forestry and Fishing - Total</i>	5,930	2,847	7,927	2,232	2,088	562	..	565	22,151
<i>Transport and Communication</i>									
National Highway System and Roads of National Importance (f)	325,666	86,187	165,723	85,404	92,809	25,687	2,320	24,858	808,654
Road Safety Black Spot Programme	12,080	8,386	7,088	4,094	3,000	985	455	560	36,648
Contribution towards the Development of Runway Extensions at Adelaide Airport	..	..	..	..	20,000	..	..	..	20,000
<i>Transport and Communication - Total</i>	337,746	94,573	172,811	89,498	115,809	26,672	2,775	25,418	865,302
<i>Total Other Economic Affairs</i>									
Redevelopment of the Inveresk Rail Yard Site in Launceston	..	..	..	..	..	4,554	..	..	4,554
<i>Total Other Economic Affairs - Total</i>	..	..	..	..	..	4,554	..	..	4,554

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued

<i>Function</i> Payment Title	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
<i>Other Purposes</i>									
Sinking Fund on State Debt	4,965	195	1,187	1,195	1,227	1,211	..	430	10,410
Natural Disaster Relief	..	..	14,000	1,500	1,500	..	..	3,000	20,000
<i>Other Purposes - Total</i>	4,965	195	15,187	2,695	2,727	1,211	..	3,430	30,410
TOTAL CAPITAL	781,876	399,569	456,671	236,330	228,154	74,494	28,852	81,212	2,287,158
REPAYMENTS									
Payments to Debt Sinking Funds	20,025	790	4,790	4,820	4,950	4,890	..	1,739	42,004
Supplementary Contributions	368,700	..	46,065	102,800	80,300	84,950	..	36,150	718,965
<i>Total</i>	388,725	790	50,855	107,620	85,250	89,840	..	37,889	760,969
<i>Repayments of Commonwealth Government Loans</i>									
ACT Debt Repayments	..	..	..	..	..	..	7,062	..	7,062
Loan Council - Housing Nominations	3,900	4,000	1,500	2,600	2,400	1,200	..	1,400	17,000
<i>Repayment of Commonwealth Government Loans - Total</i>	3,900	4,000	1,500	2,600	2,400	1,200	7,062	1,400	24,062
<i>Defence</i>									
Servicemen's Housing	502	333	312	107	10	..	..	..	1,264
<i>Defence - Total</i>	502	333	312	107	10	..	..	..	1,264
<i>Housing and Community Amenities</i>									
CSHA Block Assistance	25,600	21,300	6,825	6,520	7,450	2,805	..	373	70,873
Other Housing	..	..	..	..	..	..	4,770	1,950	6,720
Urban Water Supply and Treatment	..	..	..	77	207	..	..	..	284
NT - Water and Sewerage Assistance	..	..	..	..	..	..	..	136	136
Growth Centres - Municipal Works	158	..	..	..	..	..	..	..	158
Emerald Hill	..	205	..	..	..	..	..	..	205
Sewerage Assistance	1,352	..	341	494	170	94	..	..	2,451

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued

<i>Function</i> Payment Title	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Community Facilities - Townsville	..	..	24	..	..	..	..	..	24
Captains Flat (Abatement of Pollution Agreement)	46	..	..	..	..	..	..	..	46
<i>Housing and Community Amenities - Total</i>	27,156	21,505	7,190	7,091	7,827	2,899	4,770	2,459	80,897
<i>Agriculture, Forestry and Fishing</i>									
Dairy Adjustment Programme	38	..	..	..	..	..	..	..	38
Bovine Brucellosis and Tuberculosis	..	..	..	..	..	..	..	150	150
Rural Adjustment Scheme	3,456	..	..	..	..	..	..	219	3,675
Rural Reconstruction Scheme	100	..	..	..	..	..	..	..	100
War Service Land Settlement Scheme	356	380	..	..	..	..	..	..	736
Irrigation and Other Water Projects	..	..	..	120	..	..	..	..	120
Dartmouth Dam Project	..	..	..	..	587	..	..	..	587
Softwood Forestry	1,135	..	1,649	231	..	..	..	..	3,015
<i>Agriculture, Forestry and Fishing - Total</i>	5,085	380	1,649	351	587	..	..	369	8,421
<i>Transport and Communication</i>									
Railway Standardisation (NSW/VIC) Agreement, National Railway Network Agreement, Railway Agreement (WA)	1,616	96	3,968	1,124	..	..	..	..	6,804
<i>Transport and Communication - Total</i>	1,616	96	3,968	1,124	..	..	..	..	6,804
<i>Other Purposes</i>									
Natural Disaster Relief	2,300	242	1,341	..	..	334	..	8	4,225
<i>Other Purposes - Total</i>	2,300	242	1,341	..	..	334	..	8	4,225
TOTAL REPAYMENTS	429,284	27,346	66,815	118,893	96,074	94,273	11,832	42,125	886,642

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued

<i>Function</i> Payment Title	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
ADVANCES									
<i>Other Purposes</i>									
Natural Disaster Relief	820	120	640	100	100	200	..	20	2,000
TOTAL ADVANCES	820	120	640	100	100	200	..	20	2,000
INTEREST									
Interest on Loan Council and NT Government Borrowings	197,720	4,290	25,000	50,000	43,580	48,470	..	18,840	387,900
<i>Total</i>	197,720	4,290	25,000	50,000	43,580	48,470	..	18,840	387,900
<i>Interest on Commonwealth Government Loans</i>									
ACT Government Debt	..	..	..	..	..	..	11,509	..	11,509
Housing Nominations	22,640	22,020	8,170	14,010	13,690	6,020	..	7,850	94,400
<i>Interest on Commonwealth Government Loans - Total</i>	22,640	22,020	8,170	14,010	13,690	6,020	11,509	7,850	105,909
<i>Defence</i>									
Servicemen's Housing	2,611	942	1,492	324	106	..	..	..	5,475
<i>Defence - Total</i>	2,611	942	1,492	324	106	..	..	..	5,475
<i>Housing and Community Amenities</i>									
CSHA Loans	51,190	39,680	14,130	13,490	20,610	6,830	..	1,569	147,499
Other Housing	..	..	..	..	..	..	11,846	4,644	16,490
Urban Water Supply and Treatment	..	..	..	1,283	12	..	..	..	1,295
NT - Water and Sewerage Assistance	..	..	..	..	..	..	..	671	671
Growth Centres - Municipal Works	173	..	..	..	..	..	..	..	173
Emerald Hill	..	109	..	..	..	..	..	..	109
Sewerage	6,285	..	1,636	2,299	841	172	..	..	11,233
Community Facilities - Townsville	..	..	22	..	..	..	..	..	22
Captains Flat (Abatement of Pollution Agreement)	15	..	..	..	..	..	..	..	15
<i>Housing and Community Amenities - Total</i>	57,663	39,789	15,788	17,072	21,463	7,002	11,846	6,884	177,507

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued

<i>Function</i> Payment Title	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
<i>Agriculture, Forestry and Fishing</i>									
Dairy Adjustment Programme	4	..	..	..	..	..	..	..	4
Bovine Brucellosis and Tuberculosis	..	..	..	..	..	..	..	9	9
Rural Adjustment Scheme	1,260	..	..	..	..	..	..	118	1,378
Rural Reconstruction Scheme	5	..	..	..	..	..	..	..	5
War Service Land Settlement	236	249	..	..	..	..	..	..	485
Irrigation and Other Water Projects	..	..	..	39	..	..	..	..	39
Dartmouth Dam	..	..	..	..	188	..	..	..	188
Softwood Forestry	1,585	..	3,071	213	..	..	..	..	4,869
<i>Agriculture, Forestry and Fishing - Total</i>	3,090	249	3,071	252	188	..	..	127	6,977
<i>Transport and Communication</i>									
Railway Standardisation (NSW/VIC) Agreement, National Railway Network Agreement, Railway Agreement (WA)	358	68	808	600	..	..	..	..	1,834
<i>Transport and Communication - Total</i>	358	68	808	600	..	..	..	..	1,834
<i>Other Purposes</i>									
Natural Disaster Relief	293	..	120	..	..	15	..	..	428
<i>Other Purposes - Total</i>	293	..	120	..	..	15	..	..	428
TOTAL INTEREST	284,375	67,358	54,449	82,258	79,027	61,507	23,355	33,701	686,030

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances and Interest Payments - continued

<i>Function</i> Payment Title	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments	5,852,189	4,241,445	3,226,543	1,978,716	1,680,260	523,582	258,292	314,462	18,075,489
Total 'To'	3,481,223	2,297,741	1,980,223	1,263,301	1,086,246	340,015	181,038	243,384	10,873,171
Total 'Through'	2,370,966	1,943,704	1,246,320	715,415	594,014	183,567	77,254	71,078	7,202,318

* Items so marked are classified as payments 'through' the States.

(a) These figures are notional at the time of their preparation for the Budget. Final figures for NSW, VIC, WA and TAS are dependent upon the conclusion of negotiations for revised agreements. For these States, amounts offered by the Commonwealth are subject to variation from those shown in this table, and if the offers are accepted by the individual States, any necessary funds will be transferred from funds in Appropriation Bill No 2 item 807-00-04 - 'Commonwealth Legal Aid Program'. Funding for QLD is included in Appropriation Bill No 2 Item 807-00-04.

(b) Estimates include a provisional distribution of the cost shifting measure arising from the 1996-97 Budget. The total amount of \$78.1 million in 1997-98 is applied as an adjustment to Bonus Payments.

(c) 1997-98 estimates for individual States are indicative only.

(d) Rural areas to be included in the pilot have yet to be agreed, and therefore the allocation of funds between the States is notional.

(e) These distributions are indicative only and may change as a result of contractual negotiations.

(f) The allocation of road grants to each State will be determined by the Minister for Transport and Regional Development independently of the budget process. The figures shown above are a notional breakdown based on indicative allocations made for 1996-97.

TABLES A3 AND A4: ESTIMATED SPECIFIC PURPOSE PAYMENTS DIRECT TO LOCAL GOVERNMENT AUTHORITIES

These tables provide details of Commonwealth specific purpose payments to local government authorities.

Table A3 provides details of estimated Commonwealth specific purpose payments to local government authorities for the years 1996-97 to 2000-01.

Table A4 provides an indicative distribution of the specific purpose payments direct to local government authorities among the States for 1997-98. The actual distribution of some payments may change in the light of factors such as revisions to estimates and national priorities.

Table A3: Estimated Specific Purpose Payments Direct to Local Government Authorities - 1996-97 - 2000-01 (\$'000)					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
DIRECT PAYMENTS - CURRENT					
Contribution to the Gracetown Families Appeal Fund administered by the Augusta-Margaret River Shire Council	20	..	..	..	..
Contribution to the Gracetown Families Appeal Fund to assist the families affected by the tragedy at Gracetown, WA.					
Home and Community Care	4,718	5,881	6,232	6,644	7,070
Funds are provided on a matched basis for the provision of appropriate community care services, such as nursing care, delivered meals ('meals on wheels') and respite care to help frail aged people and people with a disability live independently in their homes as long as possible.					
Aged and Disabled Persons' Homes and Hostels	31,538	38,242	43,024	46,807	50,135
To assist local government authorities provide access to residential and other care services for frail aged people by provision of funds for the construction, upgrading and recurrent costs of providing residential aged care services; as well as funding for innovative services such as multi-purpose services and centres for people in rural and remote areas.					
Disability Services	2,873	2,916	2,959	2,959	2,959
Payments to organisations auspiced by local government authorities in order to provide services for people with disabilities.					
Children's Services	187,294	187,512	188,220	204,425	216,373
Funds are provided to ensure access to affordable quality child care in programmes administered by local governments on behalf of the Commonwealth.					
Employment Strategies for Indigenous Australians	1,031	921	488	..	..
Provides funds to support the initial employment and training of Indigenous Australians by local governments. Payments are administered under bilateral agreements and joint management arrangements.					

Table A3: Estimated Specific Purpose Payments Direct to Local Government Authorities - continued					
Payment Title	1996-97	1997-98	1998-99	1999-00	2000-01
Description					
Local Government Development Program	2,333	2,111	2,331	..	..
To develop local government's contribution to the social, cultural and economic well-being of the community, particularly in rural Australia.					
TOTAL CURRENT	229,807	237,583	243,254	260,835	276,537
DIRECT PAYMENTS - CAPITAL					
Aged and Disabled Persons' Homes and Hostels	10,536	3,275	1,103	1,131	1,159
To assist local government authorities provide access to residential and other care services for frail aged people by provision of funds for the construction, upgrading and recurrent costs of providing residential aged care services; as well as funding for innovative services such as multi-purpose services and centres for people in rural and remote areas.					
Disability Services	100	..	..	..	..
Payments to organisations auspiced by local government authorities in order to provide services for people with disabilities.					
Children's Services	1,634	4,414	2,492	2,300	666
For constructing community child care centres under Commonwealth/State National Child Care Strategies.					
Drainage Repair - Fairfield and Bankstown	2,283	2,125	2,127	..	..
Grants to Fairfield and Bankstown Councils for repairs to Villawood drains.					
TOTAL CAPITAL	14,553	9,814	5,722	3,431	1,825
TOTAL DIRECT PAYMENTS	244,360	247,397	248,976	264,266	278,362

Table A4: Estimated Specific Purpose Payments Direct to Local Government Authorities - 1997-98 (\$'000)

Payment Title	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
DIRECT PAYMENTS - CURRENT									
Home and Community Care	2,011	1,482	970	511	518	224	94	71	5,881
Aged and Disabled Persons' Homes and Hostels	8,585	11,311	8,915	3,799	4,501	901	..	230	38,242
Disability Services	1,426	742	748	..	..	..	..	..	2,916
Children's Services	62,506	84,388	15,684	13,971	1,362	7,764	..	1,837	187,512
Employment Strategies for Indigenous Australians	50	..	724	147	..	..	..	..	921
Local Government Development Program	678	320	218	223	217	123	89	243	2,111
TOTAL CURRENT	75,256	98,243	27,259	18,651	6,598	9,012	183	2,381	237,583
DIRECT PAYMENTS - CAPITAL									
Aged and Disabled Persons' Homes and Hostels	651	1,405	46	857	73	243	..	..	3,275
Children's Services	1,251	1,855	192	365	216	310	..	225	4,414
Drainage Repair - Fairfield and Bankstown	2,125	..	..	..	..	..	..	..	2,125
TOTAL CAPITAL	4,027	3,260	238	1,222	289	553	..	225	9,814
TOTAL DIRECT PAYMENTS	79,283	101,503	27,497	19,873	6,887	9,565	183	2,606	247,397

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