

1999-2000 BUDGET PAPER No. 3

FEDERAL
FINANCIAL RELATIONS
1999-2000

CIRCULATED BY
THE HONOURABLE PETER COSTELLO, M.P.,
TREASURER OF THE COMMONWEALTH OF AUSTRALIA, AND
THE HONOURABLE JOHN FAHEY, M.P.,
MINISTER FOR FINANCE AND ADMINISTRATION,
FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 1999-2000
11 MAY 1999

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ISBN 0 642 26193 8

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Printed by AGPS, Printing Division of CanPrint Communications Pty Limited, Canberra.

BUDGET PAPER NO. 3: FEDERAL FINANCIAL RELATIONS

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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 1998-99 and 1999-2000 are estimates.

Relationship with Other Budget Papers and Terminology

Chapter I of this Paper examines trends in the States' cash underlying deficits. This measure approximates the national accounts net lending measure and hence provides an estimate of the savings-investment gap for the relevant sector. Data on the Commonwealth's underlying cash position is provided in Statement 1 of *Budget Paper No. 1*. As explained in Statement 9 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.

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

Appendix B to this Paper provides a copy of the historic *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* signed by all Heads of Governments at the 1999 Premiers' Conference.

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
1998-99	1.25	1.25	2.51	6376	4685	3482	1847	1491	471	309	191	18852
1999-00	1.75	1.18	2.95	6447	4737	3537	1880	1499	470	311	195	19075

The population series that underlie per capita estimates in this Budget Paper for 1998-99 and 1999-2000 are projections at 31 December 1998 and 31 December 1999 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 1998-99 and 1999-2000 are based on the estimated annual growth in the Australian population to 31 December 1998 and 31 December 1999 respectively.

The index factors for prices in 1998-99 and 1999-2000 are based on estimated year-average growth in the headline consumer price index (CPI) in the year to the March quarter 1999 and in the year to the March quarter 2000, 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);
- *Taxation Revenue, Australia* (Cat. No. 5506.0);
- *Government Finance Statistics, Australia* (Cat. No. 5512.0);
- *Public Sector Financial Assets and Liabilities, Australia* (Cat. No. 5513.0);
- *Government Finance Statistics — Concepts, Sources and Methods* (Cat. No. 5514.0); and
- *Information Paper: Developments in Government Finance Statistics, Australia* (Cat. No. 5516.0).

Some of the data presented in this Paper are drawn from ABS government finance statistics (preliminary) data and the Commonwealth Grants Commission's *Report on General Revenue Grant Relativities 1999*.

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 applicable
0	zero
..	not zero, but rounded to zero
-	indicating negative amounts

- 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 an overview of:

- the proposed changes to Commonwealth-State financial arrangements to commence in 2000-01 as part of *A New Tax System*;
- the decisions taken at the 1999 Premiers' Conference and Loan Council Meeting on financial arrangements for 1999-2000; and
- public sector finances and fiscal developments in the States.

REFORM OF COMMONWEALTH-STATE FINANCIAL RELATIONS

On 13 August 1998, the Commonwealth Government announced its plan to reform the Australian taxation system. A key element of the *A New Tax System* package is the reform of Commonwealth-State financial relations. The principal objectives of these reforms are to:

- achieve a more efficient national tax system, including the elimination of a number of existing taxes which are impeding economic activity; and
- improve the financial position of all State Governments by providing access to a more robust tax base that can be expected to grow over time. This enhanced revenue security will ensure that the States can provide a sustainable level of quality services — such as hospitals, schools and law enforcement — into the future.

Implementation of the reforms requires the active involvement and support of both the Commonwealth Government and the State Governments. At a Special Premiers' Conference convened on 13 November 1998, Heads of Governments developed an *Agreement on Principles for the Reform of Commonwealth-State Financial Relations*, which established a set of guiding principles for progressing the reforms.

At the 9 April 1999 Premiers' Conference, Heads of Governments signed an *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (a copy of the Intergovernmental Agreement is at Appendix B) which gives effect to the following reform measures:

- From 1 July 2000, the Commonwealth will appropriate all of the Goods and Services Tax (GST) revenues to the States so that no State is worse off than under current arrangements. After 2001-02, the GST revenues will be distributed amongst the States on a pure horizontal fiscal equalisation (HFE) basis.
- Financial Assistance Grants and payments of revenue associated with the safety net surcharge arrangements for alcohol, petroleum and tobacco products will cease from 1 July 2000.

- The States will adjust their gambling tax revenues to the extent of the impact of the GST on gambling operators from 1 July 2000 and abolish:
 - bed taxes from 1 July 2000;
 - Financial Institutions Duty and debits tax from 1 January 2001;
 - a number of business-related stamp duties from 1 July 2001; and
 - stamp duty on non-residential conveyances on real property from a date to be determined.
- The States' receipt of the GST revenues is also subject to their meeting other obligations.
 - The States will fund and administer a First Home Owners Scheme from 1 July 2000 to offset the impact of the GST on house prices for first home buyers. The Scheme will involve the provision of \$7,000 to eligible applicants who are buying or building their first home as their principal place of residence.
 - The States will assume responsibility for local government funding. To ensure adequate funding arrangements for local government, the States will maintain the growth in general purpose assistance to local government on a real per capita basis and meet existing Commonwealth conditions on the payment of assistance to local government.
 - The States will pay to the Commonwealth the cost of administering the GST. To promote accountability between the parties, the States and the Australian Taxation Office (ATO) will develop a performance agreement that establishes an agreed basis against which the administration of the GST by the ATO and its agents can be assessed.
- As the GST revenues will not be sufficient initially to fund the States' current expenditure and the new responsibilities they are assuming, the Commonwealth has guaranteed that in each of the transitional years following the introduction of the GST, each State's budgetary position will be no worse off under the new arrangements.

The Intergovernmental Agreement also provides for the establishment of a Ministerial Council from 1 July 1999, comprising Commonwealth and State Treasurers, to oversee the implementation and operation of the Intergovernmental Agreement and to ensure compliance with its terms. The Ministerial Council will also provide a forum for the discussion of the per capita relativities to apply to the distribution of the GST revenues among the States and obviate the need for the annual Premiers' Conference process.

The reforms to Commonwealth-State financial arrangements require the passage of legislation by the Commonwealth and the States. The Intergovernmental Agreement will be attached as a schedule to relevant Commonwealth and State legislation.

On 31 March 1999 the Commonwealth House of Representatives passed two Bills to give effect to the Commonwealth's commitments: *A New Tax System (Commonwealth-State Financial Arrangements) Bill 1999*; and *A New Tax System (Commonwealth-State Financial Arrangements — Consequential Provisions) Bill 1999*.

The *A New Tax System (Commonwealth-State Financial Arrangements) Bill 1999* (the Bill) fulfils the Government's commitment to appropriate all the GST revenues to the States and includes provisions to ensure that the GST revenues are distributed across the States on the basis of HFE principles after the second year following the introduction of the GST.

The Bill also makes provision for the Commonwealth to provide State Governments with transitional assistance to offset any revenue shortfalls in the initial years following the introduction of the reforms. This transitional assistance will ensure that no State budget will be worse off as a result of the reforms to Commonwealth-State financial arrangements and will take the form of one-year interest-free loans to the States in 2000-01 and grants to the States in subsequent years.

The Bill also establishes arrangements which 'lock-in' the GST rate and base. Consistent with the Intergovernmental Agreement, the Bill provides that the GST rate and, in most cases, the GST base cannot be altered without the unanimous support of all State Governments. However, in order to facilitate the administration of the GST in the initial months of operation, the Commonwealth will reserve the right to make unilateral changes to the GST base in the first 12 months of operation. These changes will have to be of an administrative nature, necessary to facilitate minor adjustments to the GST and made having regard to the need to protect the revenue of the States. From July 2001, changes to the GST base of an administrative nature will require the majority support of the Commonwealth and States.

Finally, the Bill maintains the States' entitlement to National Competition Payments and the protection provided by the business franchise fees windfall tax from 1 July 2000 following the repeal of the existing *States Grants (General Purposes) Act 1994*.

The States have agreed to enact legislation to fulfil their commitments including the abolition of certain indirect taxes, the provision of funding to local government and the introduction of a First Home Owners Scheme.

The *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* will commence on 1 July 1999, with most reform measures taking effect from 1 July 2000.

1999 PREMIERS' CONFERENCE

At the 1999 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 1999-2000. On the basis of current estimates, Commonwealth general revenue assistance to the States is expected to be \$17,719.6 million in 1999-2000, an increase of \$706.2 million or 4.2 per cent on the previous year, as shown in Table 2.

Other key elements of the 1999 Premiers' Conference agreement on financial arrangements in 1999-2000 are as follows:

- The pool of FAGs and unquarantined Health Care Grants (HCGs) will be distributed using the per capita relativities calculated by the Commonwealth Grants Commission (CGC) based on a five year assessment period and including an assessment for depreciation.
- The Commonwealth will provide National Competition Payments (NCPs) to the States as specified in the *Agreement to Implement the National Competition Policy and Related Reforms*. NCPs of up to \$439.1 million will be made in 1999-2000 and will be determined after the National Competition Council (NCC) reports in June 1999. These payments, like the per capita component of the indexation of FAGs, are conditional on the States achieving satisfactory progress in the implementation of National Competition Policy reforms.
- The Commonwealth will provide the Australian Capital Territory with Special Revenue Assistance (SRA) of \$13.2 million, in the form of transitional allowances of \$9.3 million and \$3.9 million as special fiscal needs. These amounts are in accordance with the CGC's recommendations and will be funded directly by the Commonwealth.

Estimates of general revenue assistance to be provided to the States in 1998-99 and 1999-2000 are shown in Table 2.

Further details of the Commonwealth's financial assistance to the States are contained in Chapter III.

Table 2: General Revenue Assistance to the States, 1998-99 and 1999-2000 (estimated)

	Financial	Special	National	General Revenue Assistance			State	General Revenue Assistance		
	Assistance	Revenue	Competition				Fiscal	Net of State Fiscal Contributions		
	Grants	Assistance	Payments				Contributions			
	(a)	(b)	(c)	Change			(d)	Change		
	\$m	\$m	\$m	\$m	\$m	Per cent	\$m	\$m	\$m	Per cent
1998-99										
NSW	4727.8	0.0	73.0	4800.8	-7.3	-0.2	101.5	4699.3	107.9	2.4
VIC	3528.8	0.0	53.6	3582.5	-51.7	-1.4	74.5	3507.9	32.7	0.9
QLD	3194.7	0.0	39.9	3234.5	96.0	3.1	55.4	3179.1	158.4	5.2
WA	1614.3	0.0	21.1	1635.5	46.7	2.9	29.4	1606.1	79.5	5.2
SA	1668.1	0.0	17.1	1685.2	117.2	7.5	23.7	1661.4	144.4	9.5
TAS	736.7	0.0	5.4	742.1	56.2	8.2	15.6	726.5	48.7	7.2
ACT	278.6	25.0	3.5	307.2	32.2	11.7	10.2	296.9	27.3	10.1
NT	1023.5	0.0	2.2	1025.7	53.3	5.5	3.0	1022.7	56.8	5.9
Total	16772.5	25.0	215.8	17013.3	342.7	2.1	313.4	16699.9	655.8	4.1
1999-2000										
NSW	5031.1	0.0	148.4	5179.5	378.7	7.9	0.0	5179.5	480.2	10.2
VIC	3527.5	0.0	109.1	3636.5	54.1	1.5	0.0	3636.5	128.6	3.7
QLD	3237.4	0.0	81.4	3318.9	84.3	2.6	0.0	3318.9	139.7	4.4
WA	1594.1	0.0	43.3	1637.4	1.9	0.1	0.0	1637.4	31.3	1.9
SA	1681.4	0.0	34.5	1715.9	30.8	1.8	0.0	1715.9	54.5	3.3
TAS	782.6	0.0	10.8	793.5	51.4	6.9	0.0	793.5	67.0	9.2
ACT	341.8	13.2	7.2	362.1	55.0	17.9	0.0	362.1	65.2	22.0
NT	1071.3	0.0	4.5	1075.8	50.1	4.9	0.0	1075.8	53.2	5.2
Total	17267.2	13.2	439.1	17719.6	706.2	4.2	0.0	17719.6	1019.7	6.1

(a) These FAGs estimates do not include offsets for State fiscal contributions.

(b) Transitional allowances and special fiscal needs paid to the ACT in accordance with CGC recommendations.

(c) The *Agreement to Implement the National Competition Policy and Related Reforms* specifies that \$200 million and \$400 million in 1994-95 prices is to be distributed between the States on an equal per capita basis in 1998-99 and 1999-2000 respectively. The receipt of the payment is conditional on a State meeting the obligations of the Agreement.

(d) State fiscal contributions cease in 1998-99.

LOAN COUNCIL

At its meeting on 9 April 1999, Loan Council endorsed the Loan Council Allocations (LCAs) nominated by the Commonwealth and each State for 1999-2000.

Loan Council noted its decision (originally reached by correspondence) to discontinue the *National Fiscal Outlook* (NFO) report. When the NFO was first published in 1993, it provided fiscal forecasts for all States and for the total public sector. Since this information was prepared on a consistent basis, the NFO promoted greater transparency in the fiscal positions of all governments. However, in recent years there has been a significant improvement in the standard and consistency of budget reporting. In particular, the revised *Uniform Presentation Framework*, agreed by Loan Council in 1997, ensures standardised budget reporting across States, including the release of mid-year budget reports. These reports, which were first published in 1998-99, contain most of the information previously included in the NFO. Statement 9 of *Budget Paper No. 1* draws on some of this data (updated with the Commonwealth Budget and available State budgets) to present an overview of the national general government sector fiscal position. In these circumstances, Loan Council agreed that the NFO was no longer required.

Loan Council issues — including the Commonwealth's 1999-2000 budget time LCA and the estimated 1998-99 LCA outcome — are discussed further in Chapter IV.

FISCAL DEVELOPMENTS IN THE STATES

The underlying budget position, on a cash basis, of the State non-financial public sector — which comprises the general government and public trading enterprise sectors of all States — is shown in Chart 1¹. In 1998-99, an underlying deficit of \$6.7 billion is expected, representing 1.1 per cent of GDP. This follows a surplus of \$3.6 billion, or 0.6 per cent of GDP, in 1997-98.

However, the inclusion of certain 'one-off' transactions in the 1998-99 deficit means that this estimate is not directly comparable to the 1997-98 result. These transactions related to the funding of superannuation liabilities in New South Wales and Victoria. This has inflated total underlying outlays, making the underlying deficit larger than it would have been in the absence of such transactions. Adjusting for the effects of these superannuation payments yields a 1998-99 underlying surplus of around 0.4 per cent of GDP.

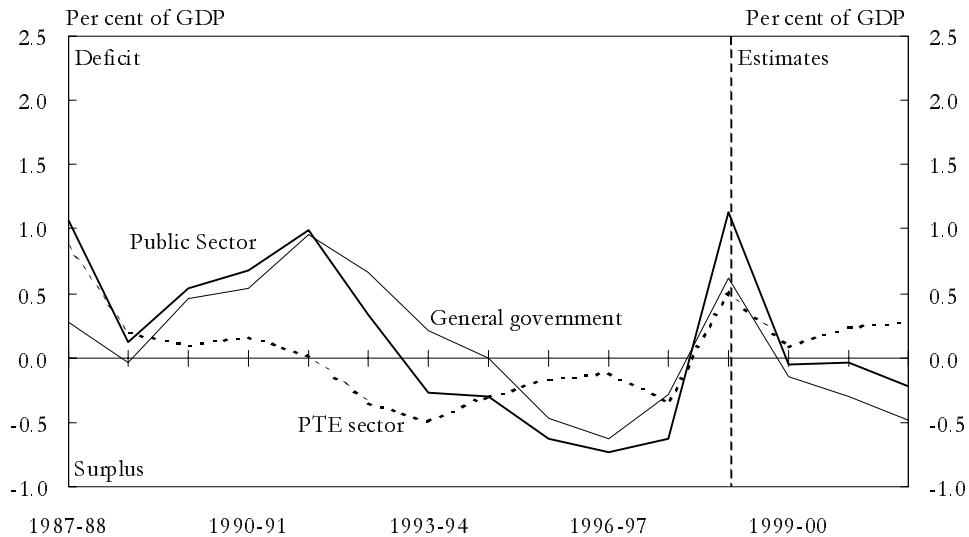
Abstracting from superannuation funding, the change in the State non-financial public sector underlying balance has been precipitated by developments in the PTE sector. There has been little change in the (adjusted) fiscal position of the aggregate State general government sector. PTE sector underlying outlays have, however, increased substantially

¹ As not all States have adopted accruals-based budget reporting, the analysis included herein focuses on developments in the States' budgets on a cash, rather than an accrual, basis.

while revenues have fallen. The PTE sector has accordingly shifted from a surplus of 0.3 per cent of GDP in 1997-98 to a deficit of 0.5 per cent in 1998-99, the first underlying deficit result since 1991-92.

The latest forecasts for the State non-financial public sector suggest a movement back to a modest surplus position (cash basis) in 1999-2000. Subsequent years' projections show the PTE sector remaining in an underlying deficit position. In contrast, the position of the general government sector is expected to improve steadily over the medium term, helping the non-financial sector to a further modest surplus in 2000-01 and larger surpluses in the following two years.

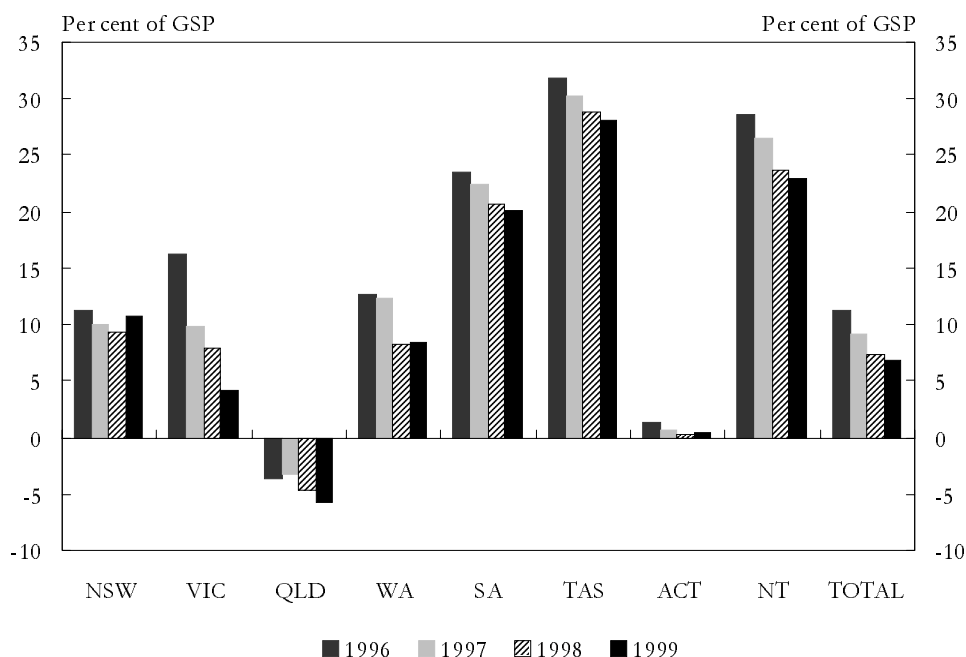
Chart 1: State Underlying Deficit by Sector^(a)



(a) The general government sector underlying deficit (cash basis) is defined as underlying outlays less revenue. Source: 1998-99 State mid-year reports, 1999-2000 State budgets where available, and Commonwealth Treasury estimates.

The ratio of aggregate State net debt to GDP has fallen steadily since 1992-93, with an overall improvement in State underlying budget positions, and the application of these funds — plus the proceeds from equity and asset sales — to debt retirement. This trend is expected to continue. Chart 2 shows recent trends in the net debt to Gross State Product (GSP) ratio of each State alongside the aggregate State net debt to GDP ratio.

**Chart 2: State Public Sector Net Debt
as at 30 June^(a)**



(a) Net debt is defined as gross debt less financial assets. The total is the total of State debt as a percentage of GDP.

Source: 1998-99 State mid-year reports and 1999-2000 State budgets where available.

Fiscal developments and strategies in individual States are outlined below.

New South Wales' 1998-99 Half-Yearly Budget Review shows that a modest general government underlying budget surplus (cash basis) is expected for 1998-99, after allowing for the impact of the Government's superannuation conversion offer. This represents a small improvement on the 1997-98 underlying deficit outcome.

New South Wales is expected to maintain a relatively sound fiscal position over the next few years, with the underlying surplus growing steadily. It is anticipated that capital outlays will peak in 1998-99, but current outlays restraint will also be required to compensate for an expected easing in growth in own-source revenue during this period.

The State's non-financial public sector is expected to record an underlying deficit (cash basis) in 1998-99, due to the PTE sector balance moving from surplus into deficit. The non-financial public sector net debt to GDP ratio is expected to decline in the medium term, reflecting a return to underlying surpluses, but is likely to remain above the States' average in 1998-99 and 1999-2000.

New South Wales' *General Government Debt Elimination Act 1995* includes a short-term fiscal target that the general government sector be operating in a position of sustainable underlying surplus by 1998-99. The State's long-term target is to eliminate general

government net debt by 2020, while fully funding accruing superannuation liabilities and maintaining general government net worth.

Victoria's 1999-2000 Budget shows that the general government sector is set to record an underlying deficit (cash basis) of 0.2 per cent of GSP in 1998-99, the first deficit since 1994-95. However, this result is influenced by the application of \$2.5 billion in privatisation proceeds towards unfunded superannuation liabilities. The underlying balance is projected to return to a surplus of 0.4 per cent of GSP in 1999-2000 and to remain in surplus over the medium term.

Victoria's total non-financial public sector underlying surplus is expected to record a large underlying deficit in 1998-99, largely as a result of the superannuation funding transaction described above. A small underlying surplus is forecast for 1999-2000.

Victoria's energy privatisation programme, now nearing completion, has generated close to \$30 billion in proceeds for the State Government, most of which has been used to retire State debt. Non-financial public sector net debt is estimated to fall to 4.0 per cent of GSP by the end of 1999-2000, compared with 30.7 per cent of GSP at the end of 1991-92.

The Victorian Government has a number of long-term fiscal objectives including maintaining public sector debt at a level consistent with a AAA credit rating, maintaining a sustainable accrual based operating surplus, and bringing tax rates into line with national averages.

Queensland continues to have the strongest financial position of all the States, and remains the only jurisdiction in a positive net asset position (that is, where financial assets exceed financial liabilities).

Queensland's *1998-99 Mid-Year Fiscal and Economic Review* shows that the general government sector is expected to record an underlying budget surplus (cash basis) of 0.8 per cent of GSP, lower than the surplus recorded in 1997-98 but higher than forecast at budget time. The forecasts published in Queensland's mid-year review project ongoing underlying surpluses over the forecast period to 2001-02.

The total non-financial public sector underlying surplus is expected to decline in 1998-99 and 1999-2000 to reach its lowest point since 1986-87. Declining general government underlying surpluses drive this result.

Queensland has adopted a fiscal strategy of maintaining a public sector underlying surplus and achieving full actuarial funding of all accruing employee entitlements, while preserving Queensland's low tax status.

Western Australia's *1998-99 Mid-Year Review* indicates a general government underlying budget deficit (cash basis) of 0.7 per cent of GSP in 1998-99, compared with 0.3 per cent of GSP in 1997-98. A further small deterioration is expected in 1999-2000, prior to an improvement in later years.

Small expected deficits in Western Australia's PTE underlying balance imply that movements in the non-financial public sector underlying deficit will broadly mirror those in the general government sector.

Western Australia's combined PTE and general government net debt is currently marginally above the States' average and is expected to remain stable for the medium term.

Western Australia's fiscal strategy is to achieve a whole of government accrual-based operating surplus over the forward estimates period, while achieving Consolidated Fund and general government underlying cash surpluses. The Government is aiming to maintain or increase net assets and to reduce net interest costs as a proportion of gross own-source revenue.

South Australia's *Mid-Year Budget Review 1998-99* projections indicate that the general government sector will remain in an underlying deficit position (cash basis) for the foreseeable future. However, the deficit is projected to decline from 0.9 per cent of GSP in 1998-99 to 0.4 per cent in 1999-2000, largely as a result of outlays restraint.

The total non-financial public sector in South Australia is expected to be in underlying deficit in 1998-99 and beyond. This result is driven primarily by the fiscal position of the general government sector.

South Australia's net debt position, which as a proportion of GSP currently ranks third highest of the States, is expected to show modest improvement in the near future, as the general government sector reduces the size of its underlying cash deficit.

The Government's fiscal objectives are to maintain the government sector in underlying balance over the medium term, reduce government debt with the aim of achieving a AAA credit rating and eliminate the State's unfunded superannuation liability over thirty years.

The recent consolidation in **Tasmania's** government finances is continuing notwithstanding budgetary pressures associated with slow economic growth. In 1997-98, outlays restraint and increased public authority income occasioned Tasmania's first general government underlying budget surplus (cash basis) in 22 years. Tasmania's *Mid-Year Report* predicts increasing underlying surpluses in 1998-99 and beyond.

Reflecting continued, although declining, PTE sector underlying surpluses, the non-financial public sector in 1998-99 is set to record an underlying surplus for the fifth successive year.

Tasmania's non-financial public sector net debt to GSP ratio should fall over the medium term but will remain substantially higher than the States' average.

Tasmania's fiscal objectives are to maintain a budget sector underlying surplus and to reduce general government and total State government net debt, while not introducing new taxes or raising existing tax rates.

The **Australian Capital Territory's** 1999-2000 Budget indicates the general government sector moving from an underlying deficit (cash basis) of 0.6 per cent of GSP in 1998-99 to an underlying surplus of 0.4 per cent of GSP in 1999-2000. This improvement reflects a combination of declining capital outlays and rising revenue (particularly grants from the Commonwealth), which is expected to outweigh higher current outlays. The Budget projects continued improvement in the underlying balance, based on outlays restraint and further growth in revenues.

The Australian Capital Territory's fiscal objectives include achieving a zero accruals-based operating loss by the 2004-05 budget and fully funding superannuation liabilities by the 2001-02 budget.

The **Northern Territory's** general government underlying balance (cash basis) has deteriorated over 1998-99, due to difficulties on both revenue and outlays. The Territory's 1999-2000 Budget estimates suggest an underlying deficit of around 0.8 per cent of GSP in 1998-99, following four successive years of underlying surpluses. An increase in the deficit to 1 per cent of GSP is forecast for 1999-2000, as growth in outlays outpaces an expected rise in revenues.

As a result of developments in the general government sector, and notwithstanding ongoing surpluses in the PTE sector, the Northern Territory's total non-financial public sector is also expected to record underlying deficits in 1998-99 and 1999-2000. However, non-financial public sector net debt is expected to decline slightly as a proportion of GSP by the end of 1998-99 to around 23 per cent.

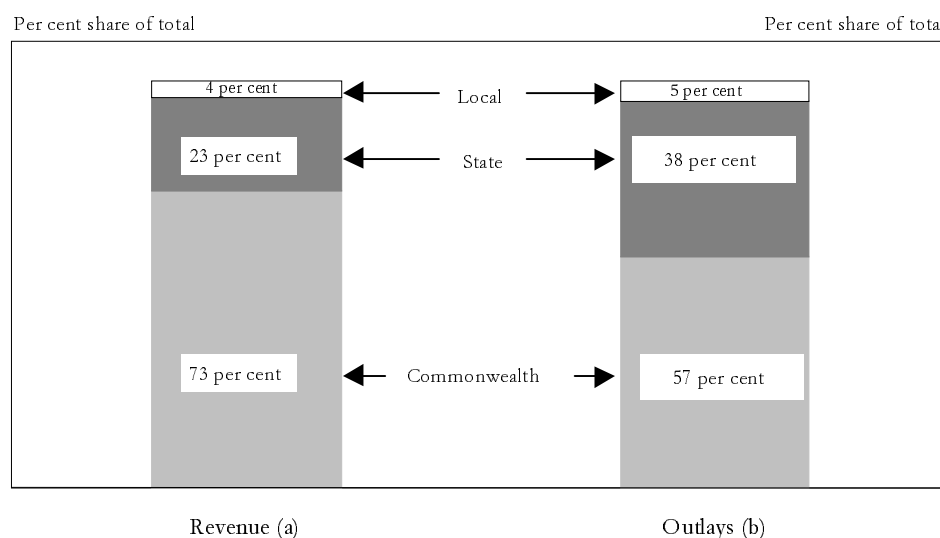
The Northern Territory's fiscal strategy embodies a range of fiscal targets including not increasing per capita current expenditure in real terms, maintaining an own-source revenue effort broadly comparable to that of the States and reducing Territory debt as a proportion of economic output.

Chapter II: Overview of Federal Financial Relations

COMPOSITION OF PUBLIC SECTOR REVENUES 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 raise in own-source revenue, with Commonwealth grants to the States forming a considerable portion of total State revenues. Chart 3 shows the estimated composition of general government own-source revenue and own-purpose outlays in Australia in 1998-99. Own-purpose outlays have been adjusted to include Commonwealth grants 'through' the States (other than for local government purposes) and grants to the multi-jurisdictional sector and to exclude net advances.

Chart 3: Composition of General Government Own-Source Revenue and Adjusted Own-Purpose Outlays, 1998-99 (estimated)

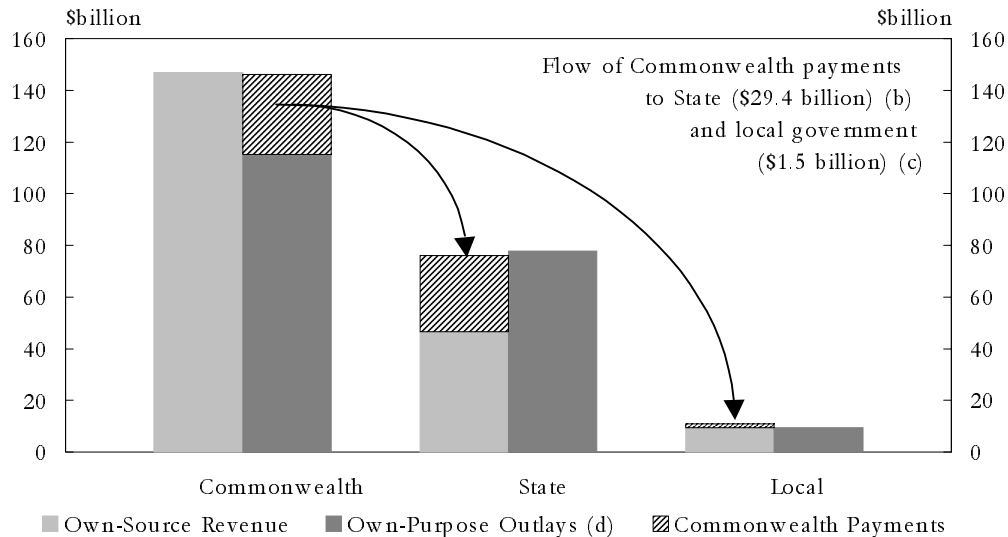


- (a) Own-source revenue excludes the receipt of payments from other levels of government.
- (b) The ABS measure of general government own-purpose outlays excludes payments to other levels of government, public trading enterprises (PTEs) and public financial enterprises (PFEs), such as general revenue assistance, Specific Purpose Payments and advances and subsidies, and interest payments on borrowings for other governments and PTEs. The adjusted measure adds back in to Commonwealth outlays Specific Purpose Payments 'through' the States (other than those for local government purposes) and includes grants to the multi-jurisdictional sector. 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.

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

Chart 4 shows the impact of Commonwealth general government payments to State and local government. Commonwealth payments to other levels of government (excluding Specific Purpose Payments 'through' the States except for local government general purpose assistance grants) accounted for around 22 per cent of the total outlays of the Commonwealth general government sector in 1998-99. These payments also accounted for around 37 per cent of the total revenue of the State general government sector and for around 16 per cent of the total revenue of the local government sector.

Chart 4: Impact of Commonwealth General Government Payments to Other Levels of Government, 1998-99 (estimated)^(a)



- (a) Commonwealth payments comprise general purpose payments and Specific Purpose Payments.
 - (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, and grants to the multi-jurisdictional sector have been treated as Commonwealth government own-purpose outlays.
- Source: ABS, *Government Finance Statistics*, unpublished data.

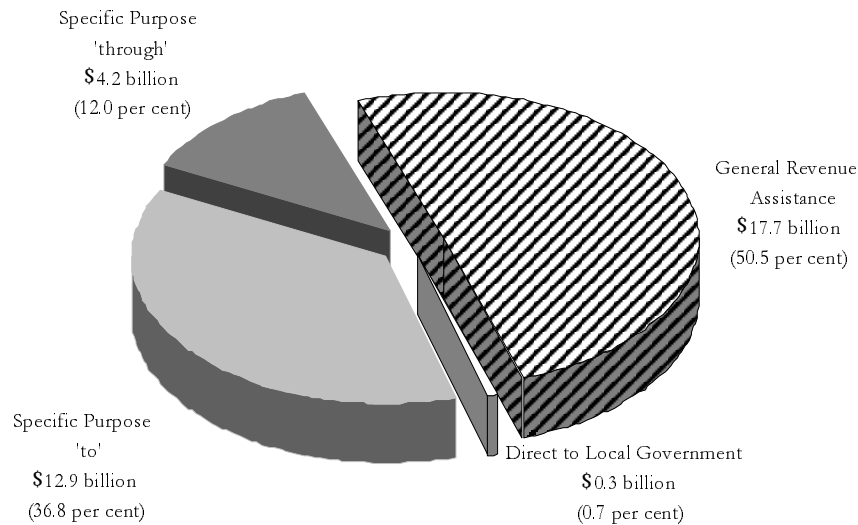
The pattern of Commonwealth and State revenue raising and expenditure responsibilities is longstanding, but will be fundamentally reformed under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* which was signed by Heads of Government at the 1999 Premiers' Conference.

As noted in Chapter I, from 2000-01 the States will receive all of the revenues from the GST. In addition, the unanimous agreement of all States and Territories will be required for significant changes to the GST base or any change to the GST rate. Over time, the growth in GST revenues will exceed the growth in existing Commonwealth grants and improve the balance between the States' revenue capacities and expenditure responsibilities.

Composition of Commonwealth Payments to State/Local Sector

Chart 5 shows the composition of Commonwealth payments to the State/local sector in 1999-2000. Chapter III discusses these payments in detail.

Chart 5: Payments to the State/Local Sector in 1999-2000 (estimated)
Total Gross Payments \$35.1 billion



REVENUE COLLECTED BY THE COMMONWEALTH ON BEHALF OF THE STATES AND TERRITORIES

The Commonwealth collects a range of taxes on behalf of State and Territory Governments. These include revenues collected under the Section 90 'safety net' arrangements (following the 5 August 1997 High Court decision on Business Franchise Fees in the case of *Ha and Lim v. New South Wales*), mirror taxes at Commonwealth places (following the 14 November 1996 High Court decision in the *Allders* case), and from 2000-01, the GST.

Table 3 provides estimates of the taxes to be collected on an agency basis by the Commonwealth for the States and Territories between 1998-99 and 2002-03. The estimates of revenues for the GST are based on the proposed tax arrangements set out in *A New Tax System*, and take account of proposed technical and other amendments introduced in the Senate prior to the 1999-2000 Budget.

Table 3: Revenue Collected by the Commonwealth on Behalf of the States, 1998-99 to 2002-03 (\$million, estimated)

	1998-99	1999-00	2000-01	2001-02	2002-03
'Safety Net' Surcharge Collections(a)	6646	6759	348	na	na
Mirror Taxes	123	127	111	115	120
GST	na	na	27409	32290	33259
Total	6769	6886	27868	32405	33379

(a) These collections (less administration costs) are paid to the States and Territories as Revenue Replacement Payments.

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). The CGC is an independent statutory authority established by the *Commonwealth Grants Commission Act 1973*. 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.

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.

An update of the relativities is conducted annually by the CGC in response to terms of reference provided to it each year by the Commonwealth Government. The CGC also conducts broader methodology reviews every five years and completed its most recent review in February 1999 (see Box 1). The resulting changes to the CGC's methodology were incorporated into the CGC's recommended relativities for 1999-2000. As noted in Chapter I, the 1999 Premiers' Conference agreed that the per capita relativities to be applied in 1999-2000 would continue to be based on the five year assessment period which has been used since 1990-91. Accordingly, the assessment period for the per capita relativities to be applied in 1999-2000 spans the years 1993-94 to 1997-98.

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 *Report on General Revenue Grant Relativities 1999*.

Box 1: Commonwealth Grants Commission's 1999 Methodology Review

- Every five years, the CGC conducts a comprehensive review of its methodology for assessing the per capita relativities for the distribution of the pool of FAGs and HCGs. The CGC completed the '1999 Review' in February 1999.
 - These longer-term reviews contrast with the annual updates of relativities which revise the data upon which the CGC's assessments are based.
- The key outcomes of the CGC's 1999 Review included:
 - the introduction of an assessment of the relative depreciation costs of the States;
 - changes in assessments to reflect the impact of micro-economic reform and National Competition Policy;
 - specific targeting of disabilities and associated expenditures to improve the accuracy and transparency of the CGC's assessments;
 - the use of 1996 Census data which indicated increased indigenous populations (and related needs) in New South Wales, Tasmania and the Australian Capital Territory; and
 - the inclusion of additional national capital factors to recognise the costs to the Australian Capital Territory associated with Canberra's status as the national capital.
- The CGC provided per capita relativities on the basis of both five and three year assessment periods in the 1999 Review.
 - The CGC considered that either set of relativities would be consistent with HFE, provided they are applied consistently over time.
 - However, the CGC noted that the advantages, if any, of moving from a five year period (which has been in use since 1990-91) to a three year period should be weighed against the detriment to long-term equalisation of changing the period.

EFFECTS OF HORIZONTAL FISCAL EQUALISATION

The distribution of the pool of FAGs and HCGs in accordance with the CGC's relativities means that New South Wales, Victoria and Western Australia receive less than an equal per capita share of the pool, 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 4 shows the amount of FAGs and HCGs 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 1999-2000, around \$1,690 million (or 7.4 per cent) of the FAGs/HCGs 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 4: Impact of Horizontal Fiscal Equalisation on the Distribution of the Pool of Financial Assistance Grants and Health Care Grants in 1999-2000^(a)

	Distribution Using CGC Relativities		Distribution on an Equal Per Capita Basis ^(b)		Difference in Distribution (1)-(2)	Distribution on the Basis of Personal Income Tax Paid ^(c)		Difference in Distribution (1)-(4)
	(1) \$m	Per cent	(2) \$m	Per cent	(3) \$m	(4) \$m	Per cent	(5) \$m
NSW	6974	30.4	7754	33.8	-780	8432	36.8	-1458
VIC	4910	21.4	5698	24.8	-788	5733	25.0	-823
QLD	4284	18.7	4255	18.5	29	3661	16.0	623
WA	2143	9.3	2261	9.9	-118	2286	10.0	-143
SA	2176	9.5	1803	7.9	373	1587	6.9	589
TAS	910	4.0	565	2.5	344	471	2.1	439
ACT	412	1.8	374	1.6	38	555	2.4	-143
NT	1135	4.9	234	1.0	901	220	1.0	916
Total	22944	100.0	22944	100.0		22944	100.0	

(a) The pool consists of \$17,267.2 million in FAGs and \$5,676.5 million in HCGs (see Table 12 in Chapter III).

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

(c) Based on each State's contribution to personal income tax paid in 1996-97, sourced from Table 9 of Australian Taxation Office, *Taxation Statistics 1996-97*.

Table 5 shows the per capita relativities used to distribute the combined pool of FAGs and HCGs since 1994.

- 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.

- The per capita relativities of the remaining States have increased, particularly those of the Australian Capital Territory and Tasmania.
 - The Australian Capital Territory, became a ‘recipient’ jurisdiction for the first time in 1999-2000.

Table 5: Commonwealth Grants Commission Relativities, 1994 to 1999

	1994 Update	1995 Update	1996 Update(a)	1997 Update	1998 Update(b)	1999 Report(c)	Per cent Change 1994-1999
NSW	0.8756	0.8743	0.87472	0.87819	0.87765	0.89948	2.7
VIC	0.8374	0.8506	0.87577	0.87835	0.88042	0.86184	2.9
QLD	1.0441	1.0435	1.04176	1.03737	1.02186	1.00687	-3.6
WA	1.0839	1.0521	1.01409	0.99589	0.98252	0.94793	-12.5
SA	1.2186	1.2047	1.18772	1.19100	1.22194	1.20680	-1.0
TAS	1.5173	1.5437	1.54644	1.54974	1.55086	1.60905	6.0
ACT	0.8968	0.8916	0.88883	0.88435	0.95145	1.10270	23.0
NT	4.9863	5.0332	4.87829	4.89353	4.81869	4.84429	-2.8

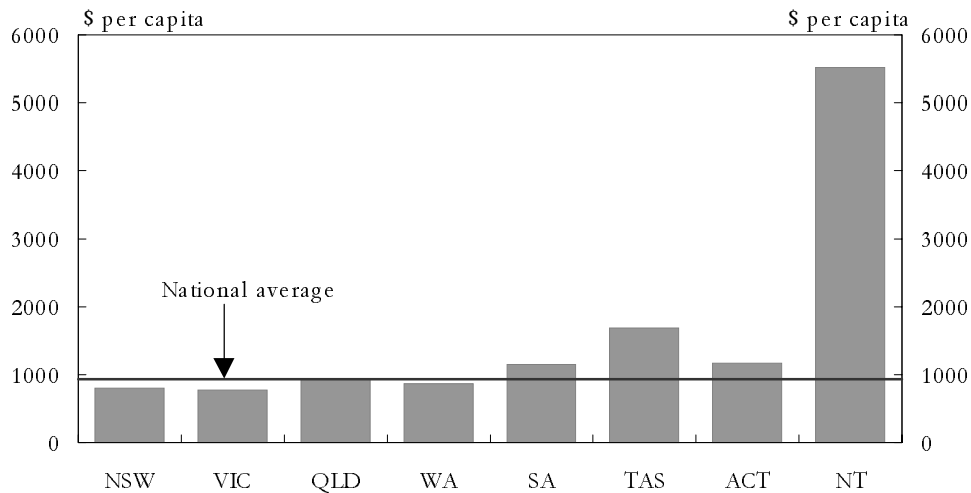
(a) The 1996 Update relativities as amended by the CGC’s subsequent alternative calculation of 29 May 1996 relating to the treatment of Section 130 payments to Western Australia by deduction.

(b) The 1998 Update ‘equalisation’ relativities.

(c) Relativities based on a five year review period and the inclusion of a depreciation assessment, as provided by the CGC to the Commonwealth, States and Territories on 29 March 1999.

The estimated State distribution of general revenue assistance on a per capita basis for 1999-2000 is shown in Chart 6. It indicates that New South Wales, Victoria and Western Australia receive less than average per capita payments while Queensland receives just above the average level of per capita payments. The Northern Territory receives over five times the national average and Tasmania, the Australian Capital Territory and South Australia also benefit from above average per capita payments.

Chart 6: General Revenue Assistance, 1999-2000



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 Specific Purpose Payments (SPPs). Within the CGC's methodology there are three approaches to dealing with SPPs:

- **Inclusion** is used for SPPs which are considered to go towards meeting the States' expenditure needs as assessed by the CGC (for example, SPPs for funding government schools). 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/HCGs pool.
- **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 HCGs are treated in this manner.
- **Exclusion** is used where an SPP is considered to finance expenditure in addition to that which States would otherwise have undertaken or where an SPP is distributed in accordance with the CGC's assessment of State needs. Under this approach, the SPP does not enter into the CGC's calculation of needs — only the State-funded portion of expenditure is taken into account in the CGC's assessments of expenditure needs.

As part of a process to improve the simplification and transparency of the HFE process, the CGC has changed the terminology in relation to the treatment of SPPs as used in the 1998 Update. Absorption and Inclusion remain the same as in the 1998 Update and Deduction has been renamed Exclusion. Previously, the CGC used the term Exclusion to define SPPs which were directed to areas in which the Commonwealth had largely accepted financial responsibility (for example, most SPPs 'through' the States) or were outside the scope of the CGC's assessments of recurrent expenditures and revenues (such as most capital SPPs).

The distribution of SPPs treated by Inclusion or Absorption affects the distribution of FAGs. 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 Natural Heritage Trust of Australia has been excluded from the CGC's assessments to ensure that the benefit of the assistance is not partly offset by a redistribution of FAGs amongst the States.

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 fulfillment 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 1998-99 and 1999-2000.

Table 6 shows estimated Commonwealth total payments to the States after allowing for State fiscal contributions to the Commonwealth and payments associated with the Gun Buyback Scheme.

- Total payments to the States are estimated to be \$34.8 billion in 1999-2000. General revenue assistance is expected to account for around 51 per cent of total payments to the States and SPPs for around 49 per cent.

Total payments are estimated to increase by \$1,503.8 million or 4.5 per cent in nominal terms and 2.5 per cent in real terms in 1999-2000.

Table 6: Commonwealth Payments to the States, 1998-99 and 1999-2000 (\$million, estimated)

	General Revenue Assistance	Specific Purpose Payments (a)	State Fiscal Contributions (3)	Total Payments (1)+(2)-(3)	Change			
						Nominal		Real (b)
						\$m	Per cent	
	(1)	(2)						
1998-99	17013.3	16642.0	313.4	33341.9	1817.5	5.8	4.3	
1999-00	17719.6	17126.2	0.0	34845.7	1503.8	4.5	2.5	

(a) Data excludes SPPs direct to local government authorities, deductions for State fiscal contributions and the Gun Buyback Scheme.

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

Table 7 shows estimated total Commonwealth payments for each State in 1998-99 and 1999-2000.

In net terms, Commonwealth payments to the States are estimated to be \$34.4 billion in 1999-2000, an increase of \$2,337.0 million or 7.3 per cent on 1998-99. The estimated net increase incorporates SPPs direct to local government authorities (\$241.0 million in 1998-99 and \$258.3 million in 1999-2000) and total repayments to the Commonwealth by the States of \$1,549.4 million in 1998-99 and \$733.5 million in 1999-2000.

Table 7: Total Commonwealth Payments to the States, 1998-99 and 1999-2000 (\$million, estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1998-99									
(1) General Revenue Assistance	4800.8	3582.5	3234.5	1635.5	1685.2	742.1	307.2	1025.7	17013.3
(2) Total Specific Purpose Payments	5452.2	3813.9	2990.8	1843.6	1433.9	494.6	290.4	322.8	16642.0
Specific Purpose Payments 'to' the States (a)	4179.7	2820.5	2289.6	1434.0	1148.6	394.9	206.6	267.1	12740.9
Specific Purpose Payments 'through' the States (b)	1272.5	993.5	701.1	409.6	285.3	99.6	83.8	55.6	3901.1
(3) Gross Payments to the States (1) + (2)	10252.9	7396.4	6225.3	3479.1	3119.0	1236.6	597.6	1348.5	33655.3
(4) State Fiscal Contributions	101.5	74.5	55.4	29.4	23.7	15.6	10.2	3.0	313.4
(5) Total Payments to States (3) - (4)	10151.5	7321.8	6169.9	3449.7	3095.3	1221.0	587.3	1345.4	33341.9
1999-00									
(1) General Revenue Assistance	5179.5	3636.5	3318.9	1637.4	1715.9	793.5	362.1	1075.8	17719.6
(2) Total Specific Purpose Payments	5615.6	3967.9	3082.3	1879.3	1451.2	490.9	316.9	322.1	17126.2
Specific Purpose Payments 'to' the States (a)	4238.1	2896.6	2326.2	1441.1	1141.8	382.9	226.7	260.6	12914.2
Specific Purpose Payments 'through' the States (b)	1377.4	1071.2	756.1	438.2	309.4	108.0	90.2	61.5	4212.0
(3) Gross Payments to the States (1) + (2)	10795.1	7604.4	6401.1	3516.7	3167.1	1284.4	679.1	1397.9	34845.7
(4) State Fiscal Contributions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(5) Total Payments to States (3) - (4)	10795.1	7604.4	6401.1	3516.7	3167.1	1284.4	679.1	1397.9	34845.7
Change in Total Payments, 1998-99 to 1999-00									
\$million	643.6	282.6	231.2	67.0	71.8	63.4	91.7	52.5	1503.8
Nominal change, per cent	6.3	3.9	3.7	1.9	2.3	5.2	15.6	3.9	4.5

(a) Data exclude SPPs direct to local government authorities, deductions for State fiscal contributions in 1998-99 and SPPs for the Gun Buyback Scheme in 1998-99.

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

GENERAL REVENUE ASSISTANCE

In 1999-2000, general revenue assistance to the States will take the form of FAGs, SRA and NCPs. In contrast to most SPPs, general revenue assistance is 'untied', that is, it is not required to be spent by the States in a specified area.

General revenue assistance is estimated to amount to \$17.7 billion in 1999-2000, an increase of 4.2 per cent on the previous year. The estimates of general revenue assistance for 1999-2000 have varied from those presented at the 1999 Premiers' Conference in line with movements in the CPI.

- **FAGs** will account for nearly all of general revenue assistance in 1999-2000. 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. A State's receipt of the per capita element of FAGs indexation is conditional upon compliance with the *Agreement to Implement the National Competition Policy and Related Reforms*.
- **SRA** in 1999-2000 will comprise payments to the Australian Capital Territory for transitional allowances and special fiscal needs.
- **NCPs** are provided in accordance with the *Agreement to Implement the National Competition Policy and Related Reforms*. A State's receipt of NCPs is conditional on compliance with the obligations of the Agreement.

Table 8 sets out general revenue assistance by type of payment and State for the period 1995-96 to 1999-2000.

Table 8: General Revenue Assistance to the States, 1995-96 to 1999-2000 (\$million)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Financial Assistance Grants (a)									
1995-96	4225	2997	2884	1546	1501	651	227	891	14921
1996-97	4372	3220	2981	1538	1503	666	233	921	15435
1997-98	4546	3339	3099	1568	1551	680	237	970	15991
1998-99 (b)	4728	3529	3195	1614	1668	737	279	1024	16773
1999-00 (b)	5031	3527	3237	1594	1681	783	342	1071	17267
Special Revenue Assistance									
1995-96	182	232	0	0	0	0	61	10	485
1996-97	188	240	0	0	0	0	42	10	480
1997-98	190	242	0	0	0	0	35	0	467
1998-99 (b)	0	0	0	0	0	0	25	0	25
1999-00 (b)	0	0	0	0	0	0	13	0	13
National Competition Payments									
1995-96	0	0	0	0	0	0	0	0	0
1996-97	0	0	0	0	0	0	0	0	0
1997-98	72	53	39	21	17	5	4	2	213
1998-99 (b)	73	54	40	21	17	5	4	2	216
1999-00 (b)	148	109	81	43	35	11	7	4	439
Identified Road Grants (c)									
1995-96	110	99	68	43	28	11	3	9	371
1996-97	113	93	72	41	33	13	4	14	383
1997-98	0	0	0	0	0	0	0	0	0
1998-99	0	0	0	0	0	0	0	0	0
1999-00	0	0	0	0	0	0	0	0	0
Total General Revenue Assistance									
1995-96	4517	3328	2952	1589	1529	662	291	910	15777
1996-97	4673	3553	3053	1579	1535	680	279	945	16298
1997-98	4808	3634	3139	1589	1568	686	275	972	16671
1998-99 (b)	4801	3582	3235	1635	1685	742	307	1026	17013
1999-00 (b)	5179	3637	3319	1637	1716	793	362	1076	17720

(a) The table shows the gross level of FAGs to the States, without deductions for State fiscal contributions.

(b) Estimates – final figures (except for transitional allowances and special fiscal needs for the ACT) will depend on the actual increase in the CPI in the four quarters to March 1999 and March 2000, and the Statistician's determination of the population as at 31 December 1998 and 31 December 1999. Final figures for FAGs will also depend on final figures for HCGs.

(c) In 1997-98, these payments were absorbed into FAGs.

Table 9 sets out general revenue assistance by type of payment for the period 1998-99 to 2002-03.

Table 9: General Revenue Assistance to the States, 1998-99 to 2002-03 (\$million, estimated)

	1998-99	1999-00	2000-01	2001-02	2002-03
Financial Assistance Grants	16772.5	17267.2	na	na	na
Special Revenue Assistance	25.0	13.2	13.5	13.9	14.2
National Competition Payments	215.8	439.1	450.1	692.1	709.4
Grants to Balance State Budgets (a)(b)	na	na	na	1217.6	516.7
Total	17013.3	17719.6	463.7	1923.6	1240.3

(a) See Chapter I for more information on this element of *A New Tax System*.

(b) The States will receive interest-free loans, rather than grants in 2000-01, repayable the following year. The total of these loans is estimated to be \$1,119 million.

Level of Financial Assistance Grants

At the 1999 Premiers' Conference, the Commonwealth maintained total FAGs for 1999-2000 in real per capita terms. In 1999-2000, FAGs to the States are expected to total \$17,267.2 million with the real terms adjustment and the per capita adjustment estimated to contribute \$293.2 million and \$201.5 million respectively. Final amounts will depend on the actual increase in the CPI for the four quarters to March 1999 and March 2000, the Australian Statistician's determination of the population at 31 December 1998 and 31 December 1999 and final figures for HCGs.

The 1996 Premiers' Conference agreed that the untied funds, which were previously paid to the States as identified road grants, would be absorbed into the FAGs pool from 1997-98. Table 10 shows the equivalent amount of each State's FAGs in 1999-2000.

Table 10: Addition to FAGs from the Absorption of Untied Identified Road Grants, 1999-2000 (\$million, estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1999-00	124.3	87.5	76.3	38.2	38.8	16.2	7.3	20.2	408.8

Distribution of Financial Assistance Grants

The distribution of FAGs among the States is based on the States' populations as at 31 December of each year and the corrected per capita relativities assessed by the Commonwealth Grants Commission (CGC) in the *Report on General Revenue Grant Relativities 1999*. (The CGC issued corrected relativities on 29 March 1999, which took into account revisions to State revenues.)

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 HCGs, less the unquarantined HCGs it receives.

Tables 11 and 12 set out the estimated distribution of FAGs for 1998-99 and 1999-2000, respectively.

The redistribution of the combined pool of FAGs and HCGs among the States implied by the 1999 relativities reflects a number of broad influences.

- Changes in States' grant shares arise from routine updating of the CGC's assessments, incorporating revisions and corrections to data and the advancement of the review period to replace 1992-93 data with 1997-98 data. These adjustments can affect both the composition of the CGC's standard budget and the assessment of revenue raising and expenditure disabilities by the CGC.
- Changes in States' grant shares also arise as a result of the CGC's five year review of the methodology underlying the HFE process. In particular, the new arrangements affect the structure of the CGC's standard budget and its assessments of disabilities (see Box 1 in Chapter II of this Paper).

Table 11: Financial Assistance Grants to the States, 1998-99 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Estimated population as at 31 December 1998 (000's) (a)	6376.4	4684.6	3482.4	1846.8	1490.7	471.1	308.8	191.5	18852.3
(2) Per capita relativities (b)	0.87765	0.88042	1.02186	0.98252	1.22194	1.55086	0.95145	4.81869	na
(3) Weighted populations (000's) – (1) times (2)	5596.3	4124.4	3558.5	1814.5	1821.6	730.7	293.8	922.6	18862.3
(4) Share of each State in weighted population (per cent) (c)	29.7	21.9	18.9	9.6	9.7	3.9	1.6	4.9	100.0
(5) Pool of FAGs and unquarantined HCGs distributed according to (4) (\$m) (d)	6573.4	4844.5	4179.9	2131.4	2139.6	858.2	345.1	1083.6	22155.8
(6) Unquarantined HCGs (\$m) (d)	1845.6	1315.7	985.2	517.0	471.5	121.6	66.5	60.1	5383.2
(7) Total FAGs – (5) less (6) (\$m) (e)	4727.8	3528.8	3194.7	1614.3	1668.1	736.7	278.6	1023.5	16772.5

- (a) The projected population as at 31 December 1998 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 1998 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 health care grants (HCGs).
- (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 12: Financial Assistance Grants to the States, 1999-2000 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Estimated population as at 31 December 1999 (000's) (a)	6446.6	4736.9	3537.3	1879.5	1499.0	470.0	310.7	194.9	19074.9
(2) Per capita relativities (b)	0.89948	0.86184	1.00687	0.94793	1.20680	1.60905	1.10270	4.84429	na
(3) Weighted populations (000's) – (1) times (2)	5798.6	4082.4	3561.6	1781.6	1809.0	756.3	342.6	944.0	19076.1
(4) Share of each State in weighted population (per cent) (c)	30.4	21.4	18.7	9.3	9.5	4.0	1.8	4.9	100.0
(5) Pool of FAGs and unquarantined HCGs distributed according to (4) (\$m) (d)	6974.2	4910.1	4283.7	2142.9	2175.8	909.6	412.1	1135.3	22943.7
(6) Unquarantined HCGs (\$m) (d)	1943.2	1382.6	1046.3	548.8	494.3	127.0	70.4	64.0	5676.5
(7) Total FAGs – (5) less (6) (\$m)	5031.1	3527.5	3237.4	1594.1	1681.4	782.6	341.8	1071.3	17267.2

- (a) The projected population as at 31 December 1999 has been prepared by the ABS on the basis of assumptions agreed to by Treasury. These projections are subject to revision.
- (b) The corrected per capita relativities for 1999-2000 as adopted at the 1999 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 health care grants (HCGs).

Table 13 shows that the redistribution of the FAGs and HCGs pool between the States implied by the 1999 relativities is **\$259.0** million. This is significantly larger than the redistribution implied by the CGC's recent annual updates of the per capita relativities, due mainly to the impact of methodology changes.

The 1999 relativities mainly redistribute funding away from Victoria and Western Australia to New South Wales and the smaller States.

- New South Wales gained the largest increase in grant share, benefiting most from the introduction of an assessment of depreciation costs.
- Victoria's decline in grant share is due mainly to the effects of data and methodology changes, although the impact was partly offset by a fall in Victoria's revenue raising capacity.
- The decline in Western Australia's grant share was largely due to strong growth in its revenue raising capacity relative to the other States.
- The decline in Queensland's grant share is largely attributable to the effects of data and methodology changes affecting revenue and expenditure assessments, although the effect is partly offset by a decline in their revenue raising capacity.
- The ACT became a recipient under the HFE process due to changes in method and data, including the CGC's decision to include a number of additional national capital factors and to adjust the payroll tax base to exclude the defence forces.

Further information is provided in Table 13 below and in the CGC's *Report on General Revenue Grant Relativities 1999*.

Table 13: Effects of the Commonwealth Grants Commission's 1999 Review Relativities (\$million)^{(a)(b)}

Cause	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
Data Changes								
Changed Financial Data	3.8	-21.0	40.5	0.6	-2.2	2.8	-7.8	-16.7
Adoption of 1996 Census Data	-3.1	26.4	-43.2	-20.2	43.7	8.0	3.1	-14.7
Methodology Changes								
Inclusion of Depreciation	113.7	-27.9	-67.1	-18.4	-10.8	-12.2	-6.6	29.2
Changed SPP Treatment	-1.6	-54.4	37.2	-2.4	18.1	7.1	-15.1	11.2
Changed Revenue Methods	59.0	-19.4	-56.3	6.4	-12.5	-15.9	18.5	20.2
Changed Expenditure Methods	105.3	-35.9	-17.3	14.7	-100.6	25.8	38.9	-30.7
Sub-Total	277.0	-132.3	-106.2	-19.2	-64.3	15.6	31.0	-1.5
Advancing the Review Period (substituting 1997-98 for 1992-93)	-111.6	32.4	46.5	-54.5	38.7	16.8	24.0	7.7
Total Redistribution	165.3	-99.9	-59.7	-73.8	-25.6	32.4	55.1	6.2

(a) From revised Table No. 5-6 (incorporating changes to the assessment of Land Revenue, Stamp Duty on Conveyances and Financial Transactions Taxes) of the CGC's *Report on General Revenue Grant Relativities 1999*.

(b) Based on estimates of the level and distribution of the 1998-99 combined pool of FAGs and unquarantined HCGs.

National Competition Payments

At the April 1995 Council of Australian Governments 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 commenced in July 1997 at an annual level of \$200 million and are scheduled to increase to \$400 million and \$600 million in July 1999 and July 2001 respectively, in 1994-95 prices. The Agreement specifies that the NCPs be paid quarterly and be distributed to the States on an equal per capita basis.

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 payment of NCPs in 1999-2000, the National Competition Council (NCC) will assess whether each State has met these conditions and provide a report for consideration by the Commonwealth.

Subject to satisfactory progress in the areas to be reviewed by the NCC, the Commonwealth will provide the States with NCPs estimated to total \$439.1 million in 1999-2000. Table 14 shows the allocation of NCPs in 1998-99 and 1999-2000.

Table 14: National Competition Payments, 1998-99 and 1999-2000 (\$million, estimated)^(a)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1998-99	73.0	53.6	39.9	21.1	17.1	5.4	3.5	2.2	215.8
1999-00	148.4	109.1	81.4	43.3	34.5	10.8	7.2	4.5	439.1

(a) Estimates. Figures will depend on actual increases in the CPI and the Statistician's determination of population as at 31 December 1998 and 31 December 1999.

Special Revenue Assistance

In 1999-2000 SRA will comprise funding to the Australian Capital Territory (ACT) in the form of transitional allowances and special fiscal needs. The level of these payments will reflect the recommendations of the CGC in its *Report on General Revenue Grant Relativities 1999*.

Transitional allowances are designed to assist with the ACT's transition to 'State-like' funding from the generous levels of Commonwealth funding which existed before self-government. In 1999-2000, transitional allowances will amount to \$9.3 million, a reduction of \$1.8 million. This amount recognises that the ACT continues to have limited policy control over policing, and will be reassessed once Stage Two of the Commonwealth-ACT review of policing is completed around mid 1999.

Special fiscal needs are payments to the ACT 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 1999-2000, special fiscal needs will amount to \$3.9 million, a decrease of \$10.0 million from 1998-99. This decrease reflects the CGC's decision not to continue assessing a special fiscal need for items of a capital nature. In the view of the CGC, the introduction of a depreciation assessment into its standard budget framework will take into account the ACT's need to fund recurrent expenditure associated with capital needs.

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 1999-2000, the 1999 per capita relativities, changes in the level of NCPs and changes in the distributions of HCGs and SRA.

Table 15: Factors Affecting the Change in General Revenue Assistance, 1998-99 to 1999-2000 (\$million, estimated)

	FAGs Pool Redistributions							1999-00 General Revenue Assistance
	1998-99 General Revenue Assistance	Relativities(a)	New Population Estimates	Change in Distribution of Health Care Grants(b)	FAGs Indexation	Special Revenue Assistance(c)	National Competition Payments	
NSW	4800.8	166.2	-4.8	-8.4	150.4	0.0	75.4	5179.5
VIC	3582.5	-100.4	-2.7	-4.2	105.9	0.0	55.4	3636.5
QLD	3234.5	-59.7	16.4	-6.3	92.4	0.0	41.6	3318.9
WA	1635.5	-74.2	12.1	-4.3	46.2	0.0	22.1	1637.4
SA	1685.2	-25.7	-12.9	5.0	46.9	0.0	17.4	1715.9
TAS	742.1	32.6	-12.4	6.2	19.6	0.0	5.4	793.5
ACT	307.2	55.0	-2.2	1.4	8.9	-11.8	3.6	362.1
NT	1025.7	6.2	6.5	10.6	24.5	0.0	2.3	1075.8
Total	17013.3	0.0	0.0	0.0	494.7	-11.8	223.3	17719.6

(a) Total impact of change from the 1998 equalisation relativities to the 1999 relativities. This data may differ from Table 13 due to the use of the most recent estimates of the 1999-2000 FAGs/HCGs pool.

(b) Estimated distribution of unquarantined HCGs based on the Commonwealth's health funding to the States under the Australian Health Care Agreements (AHCAs).

(c) Reduction in transitional allowance and special fiscal needs payments to the ACT.

REVENUE REPLACEMENT PAYMENTS

On 5 August 1997 the High Court ruling on tobacco franchise fees in New South Wales (*Ha and Lim v. New South Wales* and *Walter Hammond & Associates Pty Ltd v. New South Wales*) cast into doubt the constitutional validity of all State business franchise fees (BFFs). BFFs on tobacco, alcohol and petroleum generated State revenues of around \$5 billion annually.

On 6 August 1997, at the unanimous request of the States, the Commonwealth announced 'safety net' arrangements to protect State finances. These arrangements provided for:

- an increase in the rate of Commonwealth customs and excise duty on tobacco and petroleum products and an increase in the rate of wholesale sales tax on alcoholic beverages; and
- a one hundred per cent windfall gains tax to protect the States from claims for refunds of past BFF payments.

All revenue collected by the Commonwealth under these arrangements is returned to the States (less administrative costs) as revenue replacement payments (RRPs).

The States have acknowledged that these arrangements represent State taxes imposed and collected by the Commonwealth at the request and on behalf of the States. The distribution of RRP between the States was agreed among the States.

Details of estimated RRP for 1998-99 and 1999-2000 are set out in Table 16. Actual RRP in 1998-99 and 1999-2000 will be in accordance with formal determinations to be made by the Commissioner of Taxation and the Chief Executive Officer of the Australian Customs Service under the *States Grants (General Purposes) Act 1994*.

These 'safety net' arrangements will cease from 1 July 2000 under the proposed reforms to Commonwealth-State financial relations.

Table 16: Revenue Replacement Payments, 1998-99 and 1999-2000 (\$million, estimated)

			NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1998-99											
Tobacco	Share	(Per cent)	0.32492	0.21803	0.19065	0.11100	0.08988	0.03226	0.01456	0.01870	1.00000
	Amount	(\$m)	1013.8	680.3	594.9	346.3	280.4	100.7	45.4	58.3	3120.2
Petroleum	Share	(Per cent)	0.30039	0.20153	0.19593	0.17118	0.07549	0.02453	0.01291	0.01804	1.00000
	Amount	(\$m)	757.2	508.0	493.9	431.5	190.3	61.8	32.5	45.5	2520.7
Alcohol	Share	(Per cent)	0.33796	0.22332	0.19314	0.11147	0.07857	0.02415	0.01569	0.01569	1.00000
	Amount	(\$m)	337.1	222.7	192.6	111.2	78.4	24.1	15.6	15.6	997.4
Total			2108.1	1411.0	1281.4	889.0	549.1	186.6	93.6	119.5	6638.3
1999-00											
Tobacco(a)	Share	(Per cent)	0.32492	0.21803	0.19065	0.11100	0.08988	0.03226	0.01456	0.01870	1.00000
	Amount	(\$m)	1004.1	673.8	589.2	343.0	277.8	99.7	45.0	57.8	3090.3
Petroleum	Share	(Per cent)	0.30039	0.20153	0.19593	0.17118	0.07549	0.02453	0.01291	0.01804	1.00000
	Amount	(\$m)	783.7	525.8	511.2	446.6	197.0	64.0	33.7	47.1	2609.0
Alcohol	Share	(Per cent)	0.33796	0.22332	0.19314	0.11147	0.07857	0.02415	0.01569	0.01569	1.00000
	Amount	(\$m)	355.4	234.8	203.1	117.2	82.6	25.4	16.5	16.5	1051.5
Total			2143.2	1434.4	1303.5	906.9	557.3	189.1	95.2	121.4	6750.9

(a) The tobacco component of RRP's is based on projected full year collections under safety net surcharge arrangements which will apply prior to the introduction of a 'per stick' excise regime on 1 November 1999.

GENERAL PURPOSE ASSISTANCE TO LOCAL GOVERNMENT

General purpose assistance to local government has been provided by the Commonwealth since 1974-75, but will become the responsibility of the States and the Northern Territory from 1 July 2000 under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (see Appendix B). 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). Under the Act, the Treasurer is responsible for determining the annual increase in Commonwealth general purpose assistance paid to local government. The Act provides for general purpose assistance to be increased each year by an escalation factor which reflects the underlying movement in general revenue assistance provided to the States. The escalation factor reflects the percentage increase in the States' FAGs pool in the current year, which in turn reflects indexation for population growth and the CPI.

The Commonwealth will provide **\$1,227.8 million** in local government general purpose assistance in 1998-99. These payments have been based upon the estimated escalation factor of 3.0 per cent determined by the Treasurer and take into account an overpayment of \$10.0 million in 1997-98. In June 1999, the Treasurer will determine the 1998-99 final escalation factor on the basis of the actual payments made to the States in 1998-99.

In 1999-2000, general purpose assistance to local government will be based upon an estimated escalation factor of 2.9 per cent determined by the Treasurer. The 1999-2000 escalation factor reflects both the estimated CPI increase and population growth. General purpose assistance to local government is estimated to be \$1,263.3 million in 1999-2000, after allowing for an estimated overpayment of \$5.7 million in 1998-99. The Treasurer will determine the final escalation factor for 1999-2000 in June 2000, on the basis of the actual payments made to the States in 1999-2000.

Table 17 sets out the payments of general purpose assistance to local government in 1998-99 and 1999-2000.

As in the past, the interstate distribution of local government FAGs for 1999-2000 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, State Grants Commissions determine the intrastate distribution of these payments to local governments on the basis of fiscal equalisation.

Table 17: General Purpose Assistance for Local Government, 1998-99 and 1999-2000, (\$million, estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1998-99									
Financial Assistance Grants	287.9	211.2	156.6	82.7	67.7	21.5	14.1	8.6	850.4
Identified Road Grants	109.5	77.8	70.7	57.7	20.7	20.0	12.1	8.8	377.4
Total General Purpose Assistance (a)	397.4	289.0	227.3	140.4	88.4	41.5	26.2	17.5	1227.8
1999-00									
Financial Assistance Grants	296.0	217.0	162.1	85.5	69.2	21.9	14.4	9.0	875.0
Identified Road Grants	112.7	80.0	72.7	59.4	21.3	20.6	12.5	9.1	388.3
Total General Purpose Assistance (a)	408.6	297.0	234.8	144.9	90.5	42.4	26.9	18.1	1263.3

(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

Specific Purpose Payments (SPPs) are payments for policy purposes related to particular functional activities (for example, health and education). SPPs are made under Section 96 of the Constitution, which states that the Parliament may grant financial assistance to any State on such terms as it sees fit.

There are around 120 SPPs which can be classified into three groups:

- SPPs paid **to** the States — payments direct to State Governments, representing around 74 per cent of total SPPs;
- SPPs **through** the States — payments to State Governments to be passed on to local government, other bodies and individuals, representing around 24 per cent of total SPPs. The main payments in this category relate to non-government schools and local government general purpose assistance; and
- a small number of SPPs made direct to local government, representing around 2 per cent of total SPPs. The main payments in this category relate to child care programmes administered by local governments on behalf of the Commonwealth and funding for aged and disabled persons' homes and hostels.

SPPs are reviewed every year in the Budget context. Indexation arrangements and the distribution of SPPs among States vary for each SPP.

In most cases SPPs are subject to conditions reflecting Commonwealth policy objectives or national policy objectives agreed to between the Commonwealth and the States. It is because of the conditions attached to SPPs that they are sometimes called 'tied grants'. Such conditions may include:

- general policy requirements on States (for example, that the States provide free public hospital treatment to Medicare patients as a condition of receiving health care grants);
- a requirement that a payment be expended for a specific purpose (for example, housing assistance for homeless people);
- meeting broad Commonwealth-State agreements covering principles and programme delivery mechanisms (for example, the Commonwealth-State Housing Agreement); and
- conditions of joint expenditure programmes including project approval, matching funding arrangements and performance information.

SPPs also include some payments which are not subject to conditions. These typically relate to revenue sharing arrangements or compensation (either for the transfer of responsibilities or for other Commonwealth action). For example, compensation payments are made to the States for revenue forgone as a result of the national system of companies and securities regulation.

Trends in Level and Composition of Specific Purpose Payments

In 1999-2000 SPPs are estimated to total around \$17.1 billion, an increase of \$474.5 million or 2.8 per cent, on 1998-99. SPPs 'to' the States are expected to increase by around \$173.3 million in 1999-2000 or 1.4 per cent, after abstracting from SPPs associated with the Gun Buyback Scheme (\$78.8 million in 1998-99) and deductions from Commonwealth-State Housing Agreement funding for State fiscal contributions (\$69.1 million in 1998-99).

Measures in the 1999-2000 Budget have increased SPPs 'to' the States by \$94.0 million in 1999-2000 and by \$716.8 million over the forward estimates period.

SPPs are expected to account for around 49 per cent of total gross payments to the States in 1999-2000. SPPs 'to' the States are expected to total \$12.9 billion or around 37 per cent of the total. Chart 7 shows trends in SPPs as a proportion of total gross payments 'to' and 'through' the States. The chart also contains adjustments for a number of classification changes and large one-off factors so as to allow comparisons on a consistent basis².

Chart 7 shows that although SPPs have increased as a percentage of total Commonwealth payments to the States by around 12 percentage points over the last twenty years, most of this increase occurred in the period to the early 1990s. In recent years, SPPs have declined as a percentage of gross payments to the States. In the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* which was signed by the Commonwealth and the States at the 1999 Premiers' Conference, the Commonwealth has indicated that it has no intention of cutting aggregate SPPs as part of the reform process set out in the Agreement.

2 Incorporates the reclassification of funding under higher education from SPPs through the States to grants to the multi-jurisdictional sector. Chart 7 also contains adjustments for reclassifications such as: payments to the States under the *Vocational Education and Training Funding Act 1992*; 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). Adjustments have been made to the level of general purpose payments to account for Commonwealth policy decisions which transferred some taxing powers to the States.

Chart 7: Specific Purpose Payments as a Percentage of Total Gross Payments to the States, 1979-80 to 1999-2000

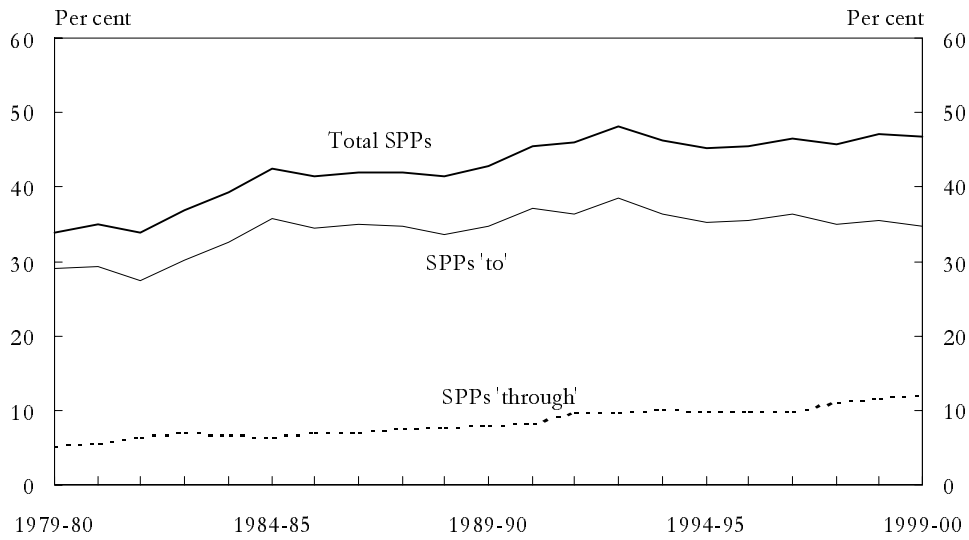
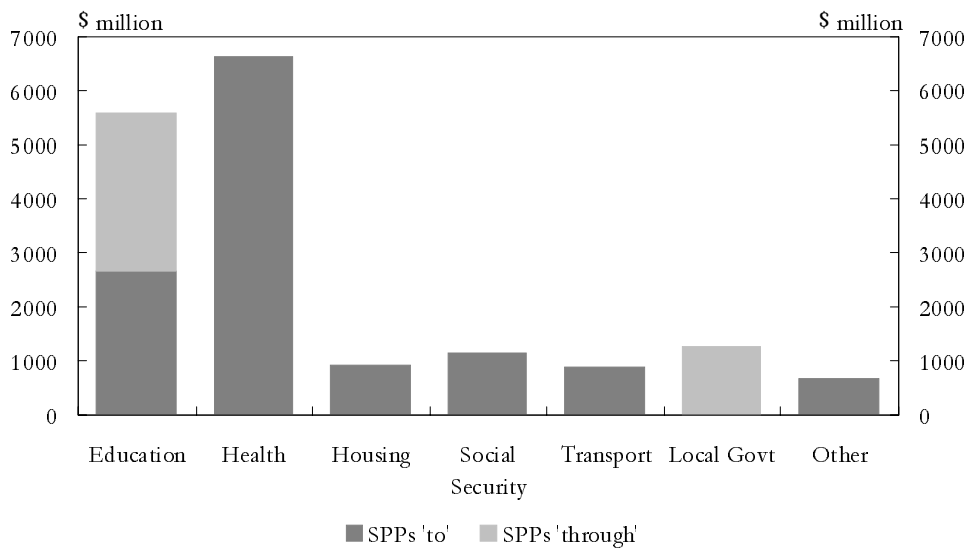


Chart 8 illustrates the composition of major specific purpose programmes ('to' and 'through' the States) in 1999-2000. Health accounts for 51 per cent (or over \$6.5 billion) of SPPs 'to' the States. More detailed information on SPPs including estimated State splits for 1998-99 and 1999-2000 and data on repayments of advances, advances and interest payments are contained in Appendix A.

Chart 8: Composition of Estimated Specific Purpose Payments 'To' and 'Through' the States, 1999-2000



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 1999-2000 and endorsed by Loan Council at its meeting on 9 April 1999. It also reports the Commonwealth's 1998-99 expected LCA outcome and its 1999-2000 Budget time LCA. Background on Loan Council arrangements is provided in Box 2.

LOAN COUNCIL ALLOCATIONS FOR 1999-2000

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

- the estimated general government deficit/surplus (based on its mid-year report projections);
- its public trading enterprise (PTE) sector net financing requirement (also based on mid-year report projections); 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 1999-2000 are set out in Table 18. In aggregate, they represent a surplus of \$15.6 billion compared with an estimated surplus for 1998-99 of \$15.0 billion.

Loan Council considered that the process of fiscal consolidation has been important in helping to shield the domestic economy from the instability experienced in our region and noted the need for continued perseverance with sound fiscal policies. Against this background, the aggregate of 1999-2000 LCA nominations was judged consistent with current macroeconomic policy objectives and Loan Council endorsed each jurisdiction's nomination without change.

LCA nominations for all jurisdictions were prepared on a no policy change basis. They thus provide an 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.

In making their LCA nominations to the Loan Council, the Commonwealth, States and Territories also provide information on government contingent exposures under infrastructure projects with private sector involvement. These exposures, which are measured as the government's contractual liabilities in the event of termination of the project, are not included as a component of the LCA as they 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 total public sector deficit, and hence the LCA.

Box 2: Loan Council — History and Objectives

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 came into effect 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 present Loan Council arrangements, introduced in 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 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 informed judgements about each government's financial performance.

ESTIMATED COMMONWEALTH LCA OUTCOME FOR 1998-99

In May 1998, Loan Council endorsed the Commonwealth's 1998-99 LCA nomination of a \$6.9 billion surplus, provided on a no policy change basis. The Commonwealth subsequently estimated a budget time LCA surplus of \$17.3 billion, incorporating the then estimated headline budget surplus of \$18.7 billion (see Chapter IV of *Budget Paper No. 3 1998-99*). This comprised in large part proceeds from the planned sale of the Government's remaining equity in Telstra in 1998-99.

In December 1998, a revised LCA estimate was provided in Table E5 of the *Mid-Year Economic and Fiscal Outlook 1998-99* (MYEFO). This showed a surplus of \$6.1 billion, incorporating a revised estimate for the headline budget surplus of \$8.7 billion. The revisions to the budget and LCA estimates in the MYEFO mainly reflected changes in the planned timing of the Telstra sale. The MYEFO indicated that, as a result, the Commonwealth expected to exceed the upper bound of the 2 per cent of revenue tolerance limit that applies on either side of its budget time LCA estimate.

The current estimate of the Commonwealth's 1998-99 LCA outcome is a surplus of \$8.0 billion. The increase in this figure since MYEFO mainly reflects improvements in the estimated general government underlying surplus and a lower estimated PTE net financing requirement.

The changes through the course of the year in the Commonwealth's 1998-99 LCA and its main components are shown in Table 19. The Commonwealth's actual LCA outcome will be reported in *Final Budget Outcome 1998-99*.

BUDGET TIME COMMONWEALTH LCA FOR 1999-2000

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

The Commonwealth's budget time LCA estimate for 1999-2000 is a \$22.3 billion surplus, compared with the nominated surplus of \$14.4 billion approved by Loan Council. The change in the LCA estimate primarily reflects improvements in the general government headline balance due to the re-appraisal of the market value of Telstra and changes to the proposed method and timing of its sale. The budget time LCA estimate exceeds the lower bound of the tolerance limit of 2 per cent of total non-financial public sector revenue. The components of the Commonwealth's nominated and budget time LCAs for 1999-2000 are shown in Table 20.

Under the Loan Council arrangements, jurisdictions are required to disclose, as a footnote to their LCA, government termination liabilities under infrastructure projects with private sector involvement which operate for 10 years or longer and involve gross project liabilities of at least \$5 million. The Commonwealth plans no such projects in 1999-2000.

OTHER LOAN COUNCIL DEVELOPMENTS

The current *Uniform Presentation Framework* was agreed by Loan Council in 1997. In accordance with this framework, all jurisdictions published mid-year budget reports for the first time in 1998-99. The *Uniform Presentation Framework* tables included in these mid-year reports, like those published in State and Territory budgets, feature consistent cash-based budget estimates.

The move of the States and Territories and the Commonwealth to accrual based budget reporting, together with the shift by the ABS later in 1999 to accrual based Government Finance Statistics, has necessitated a review of the uniform presentation framework. Such a review is to be undertaken over the course of 1999.

During 1998-99, Loan Council members agreed by correspondence to cease publication of the *National Fiscal Outlook* Report. Some background to this development is given in Chapter I.

Table 18: Loan Council Allocations — 1999-2000 Nominations (\$million)^(a)

	NSW (c)	VIC(d)	QLD	WA	SA(e)	TAS	ACT	NT	C/wlth(f)	Agg
Nominated 1999-2000 LCAs										
General government deficit	-1133	-945	-25	467	72	-102	-57	47	-15135	-16811
PTE net financing requirement	287	-193	-12	207	-14	111	10	-2	651	1045
Total public sector deficit	-846	-1138	-37	674	58	9	-47	45	-14485	-15767
Memorandum items (b)	334	249	-150	30	-427	18	-13	0	115	155
Loan Council Allocation	-512	-890	-187	704	-369	26	-61	45	-14370	-15614
1999-2000 Tolerance limit	545	353	305	174	130	49	31	37	3099	
1998-99 LCAs - Feb 1999 estimates										
General government deficit	3273	-6807	-1,710	406	62	-90	-2	39	-7035	-11864
PTE net financing requirement	571	-1700	536	116	5	41	36	13	1584	1202
Total public sector deficit	3844	-8507	-1174	524	68	-49	34	52	-5452	-10660
Memorandum items (b)	-3807	373	-72	95	-338	16	34	0	-622	-4321
Loan Council Allocation	37	-8134	-1247	619	-270	-33	68	52	-6074	-14982
1998-99 Budget time estimate	-1196	170	-1761	374	-87	-30	161	14	-17342	-19697
1998-99 Nomination	-1478	-9	-867	-37	-279	17	164	24	-6918	-9383
1997-98 LCA outcome	-1239	-3746	-1272	-1437	-338	-92	104	-58	-15619	-23697

- (a) LCA nominations for 1999-2000 reflect best estimates of 1999-2000 public sector deficits/surpluses as at the 9 April 1999 Loan Council meeting. Nominations have been provided on the basis of policies announced up to and included in jurisdictions' mid year reports. With the exception of Victoria (see footnote (d)) nominations are based on preliminary estimates of general government finances provided by jurisdictions for purposes of their mid year reports, 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 non-financial public sector revenue) tolerance limits around each jurisdiction's 1999-2000 LCA are designed, inter alia, to accommodate changes to the LCA resulting from changes in policy.
- (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, 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. Overfunding and underfunding of emerging superannuation liabilities is also included as a memorandum item, as are interest earnings on employer superannuation balances.

Table 18: Loan Council Allocations — 1999-2000 Nominations (\$million)(continued)

- (c) New South Wales' 1999-2000 allocations and latest 1998-99 estimates incorporate the impact of its superannuation conversion offer.
- (d) Victoria updated its 1999-2000 LCA nomination, and its latest estimate of 1998-99 LCA, on 7 April 1999. These changes were mainly due to significant privatisation receipts, which occurred after Victoria's mid-year budget report.
- (e) Changes in the measurement of overfunding of superannuation have led to a substantial upward revision in South Australia's memorandum items and in the LCA surplus estimated for 1998-99.
- (f) The revision in the Commonwealth's 1998-99 estimate since Budget time mainly reflects a change in the timing of the sale of the Government's remaining equity in Telstra.

Table 19: Commonwealth's Loan Council Allocation for 1998-99 (\$million)

	Loan Council Approved May 1998	Budget Time Estimate May 1998	MYEFO Estimate Dec 1998	Current Estimate
General government sector deficit	-7887	-17794	-7035	-8394
PTE sector net financing requirement	790	739	1584	590
Public sector deficit	-7097	-17055	-5452	-7804
Memorandum items(a)	179	-287	-622	-244
Loan Council Allocation	-6918	-17342	-6074	-8048

(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, university borrowings, overfunding of superannuation, and an adjustment to exclude the net financing requirement of statutory marketing authorities and Telstra from the LCA.

Table 20: Commonwealth's Loan Council Allocation for 1999-2000 (\$million)

	Loan Council Approved Nomination	Budget Time Estimate May 1999
General government sector deficit	-15135	-23035
PTE sector net financing requirement	651	748
Public sector deficit	-14485	-22287
Memorandum items (a)(b)	115	34
Loan Council Allocation	-14370	-22254

(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, university borrowings, overfunding of superannuation, and an adjustment to exclude the net financing requirement of statutory marketing authorities and Telstra from the LCA.

(b) The Commonwealth does not expect to enter into any infrastructure projects with private sector involvement in 1999-2000.

Appendix A: Commonwealth Specific Purpose Payments to Other Levels of Government, Repayments of Advances, Advances and Interest Payments

This appendix provides information on estimated 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.

Consistent with the reporting of other financial data in the 1999-2000 Budget Papers, data in this appendix have been prepared on an accrual accounting basis rather than a cash basis as in previous years. In relation to specific purpose payments, the main difference between the two accounting bases relates to the timing that payments are recognised. The change in treatment has had the most significant impact on payments in the education function which were previously reported on a calendar year basis but are now reported on a financial year basis.

In addition, the tables in this appendix report for the first time payments made by the Commonwealth general government sector rather than the more limited Commonwealth budget sector. This change involves the inclusion of payments to the States and local government made by the Australian National Training Authority.

TABLE A1: ESTIMATED SPECIFIC PURPOSE PAYMENTS TO THE STATES, REPAYMENTS OF ADVANCES, ADVANCES AND INTEREST PAYMENTS, 1998-99 TO 2002-03

This table provides information on 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 payment information is presented on a function basis, which aggregates payments 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. Payments 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.

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TABLE A2 AND A3: ESTIMATED SPECIFIC PURPOSE PAYMENTS TO THE STATES, REPAYMENTS OF ADVANCES, ADVANCES AND INTEREST PAYMENTS, 1998-99 AND 1999-2000

Table A2 provides revised estimates for 1998-99 of each State’s share of the items included in Table A1. Some items that were reported in *Budget Paper No.3, Federal Financial Relations 1998-99*, are no longer classified as specific purpose payments, and therefore, are not included in this table. These include payments for the access programme and human rights.

Table A3 provides budget estimates for 1999-2000 of each State’s share of the items included in Table A1. As in other years the distribution of assistance for these years 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 1999-2000 will not be settled until further data become available. In such cases, provisional or notional estimates of the distribution are 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 tables by (*).

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

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TABLES A4, A5 AND A6: ESTIMATED SPECIFIC PURPOSE PAYMENTS DIRECT TO LOCAL GOVERNMENT AUTHORITIES

These tables provide information on Commonwealth specific purpose payments to local government authorities on a function basis.

Table A4 provides information on estimated Commonwealth specific purpose payments to local government authorities for the years 1998-99 to 2002-03.

Table A5 provides revised estimates of the distribution of the specific purpose payments direct to local government authorities among the States for 1998-99.

Table A6 provides an indicative distribution of specific purpose payments direct to local government authorities among the States for 1999-2000. The actual distribution of some payments may change in light of factors such as revisions to estimates and national priorities.

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Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000)

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES						
Public Order and Safety						
Legal Aid		57,088	57,587	57,793	57,806	57,087
	Funding is provided to State legal aid commissions for the provision of legal assistance in Commonwealth matters.					
Confiscated Assets Trust Fund		100	100	100	100	100
	Payments may be made to a State where there has been a significant contribution to the investigation which led to the conviction and consequent forfeiture of proceeds of crime to the Commonwealth.					
Gun Buyback Scheme		78,750	0	0	0	0
	Provides for financial assistance in accordance with the <i>National Firearms Programme Implementation Act 1996</i> to compensate eligible gun owners for the surrender of their weapons, to compensate eligible gun dealers for loss of business, and to fund fully the administrative, public relations and education costs associated with the scheme.					
Film and Literature Classifications		607	607	607	607	607
	Payment to States for participation in the new cooperative national censorship scheme as per the inter-governmental 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 Arrangements with the States		917	0	0	0	0
	The purpose is for certain States to handle complaints of prescribed discrimination under federal anti-discrimination legislation.					
Public Order and Safety - Total		137,462	58,294	58,500	58,513	57,794

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
<i>Education</i>						
Advanced English for Migrants Programme (AEMP)		5,341	5,420	5,512	5,607	5,702
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 approved providers.						
Government Schools		1,118,750	1,190,203	1,234,323	1,274,702	1,310,110
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 operational provisions.						
* Non-Government Schools		2,387,756	2,624,370	2,803,583	2,967,346	3,125,439
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 operational provisions.						
Vocational Education and Training Funding Act (a)		865,683	865,683	865,683	865,683	865,683
Funds provided under this Act are used to promote a nationally identifiable and consistent vocational education and training system.						
Targeted and Joint Programmes Government Schools		296,789	310,790	312,099	311,032	280,021
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.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>					
Payment Title	1998-99	1999-00	2000-01	2001-02	2002-03
Description					
* Targeted Programmes Non-Government Schools	133,869	146,204	145,556	149,419	137,793
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.					
Indigenous Education Strategic Initiatives Programme - Government	66,541	67,307	68,012	68,702	69,855
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.					
* Indigenous Education Strategic Initiatives Programme - Non-Government	47,000	61,602	63,093	64,691	65,814
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	4,921,729	5,271,579	5,497,861	5,707,182	5,860,417
Health					
Blood Transfusion Services	55,486	56,041	54,886	51,864	52,741
To provide funds for the Australian Red Cross Blood Service towards its recurrent costs in providing a national blood transfusion service.					
Health Programme Grants	54,238	65,165	63,921	69,354	75,218
Health Programme 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.					
Hospital Funding/Base Medicare	694	0	0	0	0
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.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Health Care Grants (b)		5,520,578	5,776,886	6,024,697	6,301,253	6,589,806
Grants to the States under the Australian Health Care Agreements to assist with the provision of public hospital services free of charge to eligible persons.						
Other Medicare		7,554	0	0	0	0
Other payments under the Medicare Agreements including Bonus Payments, Incentive Package Payments and funding for AIDS hospital treatment, palliative care and mental health reforms.						
Aged Care Assessment		10,798	11,179	11,488	11,858	12,037
Funds are provided to enable Aged Care Assessment Teams to conduct holistic assessments of frail aged clients and refer them to appropriate residential or community care services.						
National Health Development Fund		6,470	73,530	60,000	60,000	52,800
Grants under the Australian Health Care Agreements to assist States to improve the performance of the health system.						
Medicare Related Payments		359	0	0	0	0
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)		5,011	0	0	0	0
The MRI Health Programme Grants provided a funding alternative to Medicare benefits where fee-for-service was inappropriate by contributing towards the recurrent cost of MRI units in selected public hospitals.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Highly Specialised Drugs		213,498	248,812	284,126	319,438	351,384
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.						
Home and Community Care		147,529	155,308	166,976	179,880	194,386
Funds are provided on a matched basis for the provision of appropriate community care services to help frail aged people and people with a disability live independently in their homes as long as possible.						
Youth Health Services		2,141	2,152	2,162	2,173	2,187
Funding is provided on a matched basis to develop and implement innovative primary health care services for homeless and at risk youth.						
National Public Health		148,835	142,159	155,719	160,543	164,502
Payments to the States, under the new broadbanded and other arrangements for public health, for subsidies for health promotion and disease prevention (covering areas such as women's health, AIDS control, drug strategies and cancer screening).						
University Departments of Rural Health		9,114	9,184	9,207	9,265	9,424
Provides operational support to the rural and remote based education and training units which are linked to the medical schools of universities.						
National Youth Suicide Strategy		2,625	0	0	0	0
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.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Essential Vaccines		34,391	63,601	65,142	66,595	68,115
Funds for essential vaccines for immunisation under the Public Health Outcome Funding Agreements and for selected new vaccines recommended by the National Health and Medical Research Council for inclusion in the Standard Vaccination Schedule.						
Transfer Pathology Laboratories		181	0	0	0	0
Grants to compensate the States for the operating costs of public pathology laboratories, previously the responsibility of the Commonwealth.						
Repatriation General Hospitals		12,736	12,927	13,134	13,370	13,611
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.						
Health - Total		6,232,238	6,616,944	6,911,458	7,245,593	7,586,211
Social Security and Welfare						
Aged Care Assessment		27,788	28,880	29,754	30,804	31,307
Funds are provided to enable Aged Care Assessment Teams to conduct holistic assessments of frail aged clients and refer them to appropriate residential or community care services.						
Home and Community Care		349,407	366,828	395,308	426,831	460,385
Funds are provided on a matched basis for the provision of appropriate community care services to help frail aged people and people with a disability live independently in their homes as long as possible.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Disabilities Services		338,186	355,801	376,397	394,670	394,670
Under the terms of the Commonwealth/State Disability Agreements, the Commonwealth will continue to provide funds to States and Territories to assist in the provision of accommodation support and other services for people with disabilities.						
Children's Services		22,523	30,182	31,298	32,480	28,078
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		134,323	138,998	140,117	141,023	143,978
This is a jointly funded Commonwealth/State programme to assist people who are homeless and in crisis. Under the renegotiated Commonwealth/State agreements, recurrent annual funding is provided under the <i>Supported Accommodation Assistance Act 1994</i> .						
Unattached Humanitarian Minors		143	163	163	163	163
To assist humanitarian minors without parents in Australia and the families providing their care through early intervention, counselling and assistance by State welfare agencies.						
Exceptional Circumstances (EC) Administration		1,312	620	0	0	0
Funds are to support the administrative costs of the State rural assistance authorities, including the issuing of EC certificates under the <i>Farm Household Support Act 1992</i> to eligible farmers in EC areas across Australia.						
Extension of Fringe Benefits		151,892	155,265	159,386	163,392	168,283
This funding compensates the States for the extra costs resulting from the liberalisation of access to the Commonwealth's Pensioner Concession Card in 1993. In return the States agree to provide a core group of concessions to all Card holders.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Native Title		7,000	20,000	14,000	11,000	11,000
For expenditure under part 9 of the <i>Native Title Act 1993</i> . Funding is to assist States and Territories implement a consistent framework for dealing with native title issues and meeting native title compensation costs.						
Victorian Gas Emergency Assistance Fund		7,500	0	0	0	0
Assistance to small businesses, individuals and community organisations that meet the criteria, to ameliorate the consequences of the interruption to Victoria's gas supplies.						
Social Security and Welfare - Total		1,040,074	1,096,737	1,146,423	1,200,363	1,237,864
Housing and Community Amenities						
Assistance for Housing		5,501	5,501	5,501	5,501	5,501
The <i>States Grants (Housing) Act 1971</i> provides for payments to offset the cost of interest on funds borrowed by the States in 1971-72 and 1972-73 for public housing. The total amount payable to each State is in accordance with the Act.						
Assistance for Water and Sewerage		7,997	8,117	8,246	8,387	8,538
To compensate the ACT Government for additional costs resulting from the national capital planning influences on the provision of water and sewerage services. The level of funding is based upon the findings of the Commonwealth Grants Commission in its Second and Third Reports on Financing in the ACT.						
Remote Sensing of Landcover		114	0	0	0	0
The programme provides funding for a remote sensing database to enable accurate estimation of greenhouse gas emissions from tree clearing.						
Tasmanian Regional Forest Agreement		8,400	1,600	0	0	0
Funding will support projects under the Tasmanian Regional Forest Agreement. The package includes funding for the implementation of new intensive forest management initiatives, including hardwood plantation establishment and thinning Programmes.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Natural Heritage Trust of Australia - Bushcare (c)		36,858	0	0	0	0
To reverse the long term decline in the quality and extent of Australia's native vegetation cover by the year 2001.						
Natural Heritage Trust of Australia - Coasts and Clean Seas Initiative (c)		10,880	0	0	0	0
To accelerate activities in the national interest to achieve the conservation, sustainable use and repair of Australia's coastal and marine environments.						
Natural Heritage Trust of Australia - National Rivercare Programme (c)		13,900	0	0	0	0
To ensure progress towards the sustainable management, rehabilitation and conservation of rivers outside the Murray-Darling Basin and to improve the health of these river systems.						
Natural Heritage Trust of Australia - Endangered Species Programme (c)		5,803	0	0	0	0
To protect and conserve Australia's threatened species and ecological communities so they can survive, flourish and retain their potential for evolutionary development in the wild.						
Natural Heritage Trust of Australia - National Feral Animal Control Programme (c)		732	0	0	0	0
To ensure effective management of the impact of feral animals on the natural environment and on primary production.						
<i>Housing and Community Amenities - Total</i>		90,185	15,218	13,747	13,888	14,039
<i>Recreation and Culture</i>						
Natural Heritage Trust of Australia - National Wetlands Programme (c)		1,837	0	0	0	0
To promote the conservation, repair and wise use of wetlands across Australia.						
Natural Heritage Trust of Australia - National Reserve System Programme (c)		941	0	0	0	0
To assist with the establishment and maintenance of a comprehensive, adequate and representative system of reserves.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Natural Heritage Trust of Australia - World Heritage Area Management and Upkeep (c)		10,458	0	0	0	0
To meet Australia's national and international obligations to protect, conserve and present Australia's world heritage properties.						
Management of World Heritage Properties		5,000	5,070	5,151	5,234	0
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.						
* Payments to the Sydney Organising Committee for the Olympic Games (SOCOG) for Games related services		600	6,883	24,517	0	0
Subject to the successful conclusion of negotiations with the NSW Government, the Commonwealth has made a provisional allocation of up to \$32 million, between 1998-99 and 2000-01, to assist SOCOG to purchase further services for the Games.						
Upgrade Tasmanian Sporting Facilities		10,000	0	0	0	0
As part of the 1998 election campaign the Coalition promised funding for the upgrading of York Park in Launceston and Bellerive Oval in Hobart.						
Inveresk Woodchopping Stadium		60	0	0	0	0
Provision of funding to provide a new Inveresk Woodchopping Stadium.						
Contemporary Music Package - State Pilots		1,000	1,000	0	0	0
The package is about initiatives that will result in ongoing benefits for the contemporary music industry, enhancing its long term viability. Pilot projects are being undertaken in Tasmania and South Australia, which will each receive \$1million.						
Recreation and Culture - Total		29,896	12,953	29,668	5,234	0

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
<i>Agriculture, Forestry and Fishing</i>						
Natural Heritage Trust of Australia - National Weeds Programme (c)		709	0	0	0	0
To reduce the detrimental impact of nationally significant weeds on the sustainability of Australia's productive capacity and natural ecosystems.						
Natural Heritage Trust of Australia - National Landcare Programme (c)		14,000	0	0	0	0
To develop and implement resource management practices which enhance our soil, water and biological resources and which are efficient, sustainable, equitable, and consistent with the principles of ecologically sustainable development.						
Natural Heritage Trust of Australia - Farm Forestry Programme (c)		5,900	0	0	0	0
To encourage the incorporation of commercial tree growing and management into farming systems for the purpose of wood and non-wood production, increasing agricultural productivity and sustainable natural resource management.						
Natural Heritage Trust of Australia - Murray Darling 2001 (c)		10,600	0	0	0	0
To contribute to the rehabilitation of the Murray-Darling Basin, with a view to achieving a sustainable future for the Basin, its natural systems and its communities.						
Tasmanian Wheat Freight Subsidy		1,200	1,200	1,200	1,200	1,200
To provide assistance to cereal processors, and users and consumers for the cost of shipping wheat to Tasmania and to help their adjustment to the removal of administered pricing following the deregulation of the domestic wheat market in 1989. The subsidy will be reviewed at the end of 1999-2000.						
Bovine Brucellosis and Tuberculosis		7,761	6,107	4,608	2,321	890
To fund the Brucellosis and Tuberculosis Eradication Campaign.						
Exotic Disease Eradication		251	251	251	251	251
The Wildlife and Exotic Diseases Preparedness Programme supports investigations into the role of wildlife species in the maintenance and spread of emerging animal diseases and incursions of major exotic diseases of animals.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Sustainable Forest Management		28,775	23,035	4,963	0	0
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 investment to create a long-term ecologically and economically sustainable forest industry.						
National Landcare Programme (NLP)		52,359	33,649	33,836	34,307	34,663
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. This funding is managed in conjunction with Natural Heritage Trust allocations to the NLP.						
* Farm Business Improvement Programme (FarmBis)		0	14,677	9,949	0	0
FarmBis provides a framework for promoting a positive approach to change and build on the farm sector's culture of continuous improvement to help farmers improve the productivity, profitability and sustainability of their businesses.						
Rural Adjustment Scheme		51,511	22,658	2,451	1,743	548
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.						
Natural Heritage Trust of Australia - National River Health Programme (c)		3,079	0	0	0	0
To guide and monitor activities to reverse the degradation of Australia's inland waters.						
Natural Heritage Trust of Australia - Waterwatch Australia (c)		2,244	0	0	0	0
Coordinate and support networks of community members who are working towards the goal of healthy waterways.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Natural Heritage Trust of Australia - Waste Management Awareness (c)		300	0	0	0	0
To promote benefits and practicalities entailed in effective waste management and recycling, with the emphasis on community based activities.						
Natural Heritage Trust of Australia - Riverworks Tasmania (c)		3,334	0	0	0	0
To carry out remedial works to improve the environment and the general amenity, within the Mount Lyell region, and the Derwent, Tamar and Huon Valley regions.						
Natural Heritage Trust of Australia - Fisheries Action Programme (c)		1,800	0	0	0	0
Help achieve the repair of Australian aquatic environment and assist in the conservation and sustainable use of fish resources in fresh water, estuarine and marine environments.						
Natural Heritage Trust of Australia - National Land and Water Resources Audit (c)		900	0	0	0	0
Provide assessments of land, vegetation and water resources that will assist in the sustainable development of those resources.						
Natural Heritage Trust of Australia - FarmBis - Advanced PMP (Property Management Planning) (c)		5,400	0	0	0	0
Provides a framework for promoting a positive approach to change and builds on the farm sector's culture of continual improvement to help farmers improve the productivity, profitability and sustainability of their businesses.						
Great Artesian Basin Sustainability Initiative (d)		0	2,400	5,400	7,000	7,000
Commonwealth contribution to assist with the implementation of the Great Artesian Basin Management Plan. Grants will be made to States and Territories to assist bore rehabilitation. Supplementary incentives will also be made available for the replacement of open drains with piping.						
Agriculture, Forestry and Fishing - Total		190,123	103,977	62,658	46,822	44,552
Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Regional Minerals Programme		0	1,000	4,000	0	0
To provide resources for infrastructure development to implement the Western Tasmania Study under the Regional Minerals Programme.						
Enterprise Development Programme		2,905	1,856	1,272	1,292	0
To improve the capacity of the Business Information Service and reduce business 'red tape' through joint initiatives with State and Territory governments.						
* Textiles, Clothing & Footwear Development		2,678	1,796	0	0	0
To assist textiles, clothing and footwear firms to continue industry restructuring by encouraging the adoption of quality management initiatives and closer relationships with suppliers.						
<i>Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction - Total</i>		5,583	4,652	5,272	1,292	0
<i>Transport and Communication</i>						
Interstate Road Transport		20,250	15,252	0	0	0
Under the <i>Interstate Road Transport Act 1985</i> , the Commonwealth makes payments to the States and Territories which equal total revenue received from the States and Territories from registrations made under the Federal Interstate Registration Scheme (FIRS). Payment of amounts equal to penalties arising from prosecutions under the Act are also made by the Commonwealth.						
* AN - Payments for regional assistance		400	0	0	0	0
To support measures which will create jobs through economic development of the regions most adversely affected by the sale of the assets of Australian National Railways Commission (AN).						
* Petroleum Products Freight Subsidy Scheme		3,500	3,500	3,500	3,500	3,500
The <i>States Grants (Petroleum Products) Act 1965</i> provides for grants to be made to the States and the Northern Territory to enable them to subsidise the cost of transporting eligible petroleum products to remote areas of Australia.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
<i>Transport and Communication - Total</i>		24,150	18,752	3,500	3,500	3,500
<i>Other Economic Affairs</i>						
Training for Aboriginals Programme		3,772	3,391	3,094	3,121	3,149
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.						
<i>Other Economic Affairs - Total</i>		3,772	3,391	3,094	3,121	3,149
<i>Other Purposes</i>						
Debt Redemption Assistance		81,700	59,610	53,400	34,400	29,800
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.						
* Financial Assistance Grants for Local Government						
- Financial Assistance Grants		850,426	875,036	0	0	0
Provides untied general purpose assistance to local government authorities. The grants are distributed between the States and Territories on an equal per capita basis.						
- Identified Local Road Grants		377,359	388,279	0	0	0
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.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Compensation - Companies Regulation		133,479	134,412	135,353	136,302	137,255
Under the terms of the Corporations Agreement, 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		20,250	18,150	18,150	18,150	18,150
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		202,220	213,130	171,110	164,370	164,370
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.						
ACT National Capital Influences		19,890	20,188	20,511	20,859	21,235
Funding assists the ACT Government to meet the additional municipal costs flowing from Canberra's role as the national capital. The level of funding is based upon the findings of the Commonwealth Grants Commission in its Second and Third Reports on Financing in the ACT.						
Other Purposes - Total		1,685,324	1,708,805	398,524	374,081	370,810
TOTAL CURRENT		14,360,536	14,911,302	14,130,705	14,659,589	15,178,336
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES						
<i>Education</i>						
Government Schools		219,255	225,395	231,254	237,268	243,437
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.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
* Non-Government Schools		86,196	88,610	90,914	93,275	95,702
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.						
* Indigenous Education Strategic Initiatives Programme		9,705	0	0	0	0
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		315,156	314,005	322,168	330,543	339,139
Health						
Home and Community Care		684	722	785	856	902
Funds are provided on a matched basis for the provision of appropriate community care services to help frail aged people and people with a disability live independently in their homes as long as possible.						
Blood Transfusion Services		7,500	5,663	5,955	6,269	6,438
To provide funds for the Australian Red Cross Blood Service towards the cost of its approved capital programme in providing a national blood transfusion service.						
Health - Total		8,184	6,385	6,740	7,125	7,340
Social Security and Welfare						
Home and Community Care		2,580	2,707	2,943	3,205	3,399
Funds are provided on a matched basis for the provision of appropriate community care services to help frail aged people and people with a disability live independently in their homes as long as possible.						
Children's Services		5,036	4,637	3,332	1,174	1,000
For constructing community child care centres under Commonwealth/State National Child Care Strategies.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Crisis Accommodation Assistance		39,655	39,655	39,655	39,655	39,655
To provide funds to the States under the Commonwealth-State Housing Agreement for the acquisition of accommodation for use under the Supported Accommodation Assistance Programme.						
Social Security and Welfare - Total		47,271	46,999	45,930	44,034	44,054
Housing and Community Amenities						
NT Indigenous Health Infrastructure		10,000	0	0	0	0
Construction of indigenous health related infrastructure including roads, water and sewerage facilities.						
Housing Assistance for Indigenous People		91,000	91,000	91,000	91,000	91,000
To assist Aboriginal and Torres Strait Islander people on low to moderate incomes to have access to affordable, appropriate and secure rental housing, including public and community-owned rental housing.						
Community Housing		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)		703,537	762,964	843,055	833,575	824,189
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 Programme		2,292	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.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Federation Fund - Development of the Tuggeranong Homestead Property		0	17	658	0	0
The project aims to conserve and restore the culturally significant elements of the Tuggeranong Homestead complex. The objective will be to ensure that these elements are conserved so as to prevent further deterioration as well as ensure their optimal attractiveness to adapted uses within the context of the work of the interim Tuggeranong Homestead Authority.						
Federation Fund - Centennial and Moore Parks		0	8,000	6,000	7,000	0
The project will conduct a four element capital improvement plan on Federation Drive, Federation Landscape, Federation Valley and the Avenues of Trees.						
Tasmanian Regional Forest Agreement		300	300	0	0	0
Funding will support projects under the Tasmanian Regional Forest Agreement. The package includes funding for the implementation of new intensive forest management initiatives, including hardwood plantation establishment and thinning Programmes.						
<i>Housing and Community Amenities - Total</i>		871,119	928,401	1,006,833	997,695	981,309
<i>Recreation and Culture</i>						
Sugar Coast Environment Rescue Package		0	3,923	0	0	0
To protect identified critical habitat of the Mahogany Glider.						
Natural Heritage Trust of Australia - National Reserve System Programme (c)		12,585	0	0	0	0
To assist with the establishment and maintenance of a comprehensive, adequate and representative system of reserves.						
<i>Recreation and Culture - Total</i>		12,585	3,923	0	0	0
<i>Agriculture, Forestry and Fishing</i>						
Natural Heritage Trust of Australia - Murray Darling 2001 (c)		19,700	0	0	0	0
To contribute to the rehabilitation of the Murray-Darling Basin, with a view to achieving a sustainable future for the Basin, its natural systems and its communities.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Natural Heritage Trust of Australia - National Landcare Programme (c)		25,800	0	0	0	0
To develop and implement resource management practices which enhance our soil, water and biological resources and which are efficient, sustainable, equitable, and consistent with the principles of ecologically sustainable development.						
Sugar		2,072	2,701	0	0	0
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 Programme (NLP)		42	27	27	27	27
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 regional initiatives, drainage for salinity mitigation and non-metropolitan mitigation. This funding is managed in conjunction with Natural Heritage Trust allocations to the NLP.						
Tasmanian Regional Forest Agreement		25,400	23,590	0	0	0
This is new funding for hardwood plantation, intensive forest management and infrastructure development to ensure the continuing supply of resources to industry following the signing of the Tasmanian Regional Forest Agreement.						
Wyndham Port Loading Facilities		0	550	0	0	0
To facilitate the development of the Western Australian sugar industry by contributing to improved loading facilities at the port of Wyndham.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
<i>Agriculture, Forestry and Fishing - Total</i>		73,014	26,868	27	27	27
<i>Transport and Communication</i>						
Adelaide Airport Runway		20,000	0	0	0	0
	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.					
Road Programmes		876,466	769,306	852,716	885,205	849,004
	The Commonwealth funds the National Highway System and contributes to the capital cost of declared Roads of National Importance. Funds are appropriated under the <i>Australian Land Transport Development Act 1988</i> and administered through a reserved money fund.					
Road Safety Blackspots - States		37,198	37,793	40,761	41,698	0
	Funding is available for the treatment of road sites where casualty crashes are occurring. State Transport agencies manage programmes of works. Funds are appropriated under the <i>Australian Land Transport Development Act 1988</i> and administered through a reserved money fund.					
Federation Funds Projects - Northern Territory		0	30,000	30,000	40,000	0
	Alice Springs to Darwin - The Commonwealth has agreed to contribute \$100m from its Centenary of Federation Fund toward the construction of an Alice Springs to Darwin rail link matching the \$100 million committed by both the NT and SA.					
Federation Funds Projects -Tasmania		700	9,300	9,000	1,450	0
	Abt Railway - The Commonwealth has agreed to provide \$20.45 million from its Centenary of Federation Fund for the re-establishment of the Abt Railway between Queenstown and Strahan on Tasmania's West Coast.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Federation Funds Projects - Queensland		2,000	12,000	15,000	36,000	0
Brisbane Light Rail - The Commonwealth has agreed to provide \$65 million from its Centenary of Federation Fund toward the estimated \$235 million cost of constructing a light rail network that meets Brisbane commuter needs.						
Federation Funds Projects - New South Wales/Victoria		1,000	8,000	12,000	24,000	0
The Commonwealth has agreed to fund \$22 million each to both Victoria and New South Wales for the replacement of three key crossings of the Murray River at Echuca, Robinvale and Corowa.						
* Payment to Tasmania for Track Upgrading		1,614	1,019	1,019	0	0
In negotiations leading to Tasmania's agreement to sell the Tasmanian operations of the Australian National Railways Commission (AN), it was agreed that the Commonwealth would provide funding to upgrade rail infrastructure in Tasmania. The selection of projects for funding was on the basis of their expected contribution to the enhancement of rail operations in the State, including rail's competitive position.						
Transport and Communication - Total		938,978	867,418	960,496	1,028,353	849,004
Tourism						
Tasmanian Regional Forest Agreement		1,000	1,000	0	0	0
Administer funding to the Tasmanian Government under the Regional Forests Agreement to ensure the provision of high quality visitor interpretation facilities.						
Inveresk Redevelopment		1,890	0	0	0	0
The Inveresk project involves the development of a redundant 16 hectare contaminated site into a tourism, cultural and recreational precinct.						
Tourism - Total		2,890	1,000	0	0	0

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Other Purposes						
Sinking Fund on State Debt		5,189	4,999	3,244	1,918	1,500
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> .						
Natural Disaster Relief		16,750	14,850	14,850	14,850	14,850
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		21,939	19,849	18,094	16,768	16,350
TOTAL CAPITAL		2,291,136	2,214,848	2,360,288	2,424,545	2,237,223
REPAYMENTS						
Supplementary Contributions		39,200	605,430	459,808	142,760	28,421
DRRTA receipts of supplementary contributions from the 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.						
Payments to Debt Sinking Funds		20,940	20,171	13,093	7,739	6,050
Debt Retirement Reserve Trust Account (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> .						
Total		60,140	625,601	472,901	150,499	34,471
Repayments of Commonwealth Government Loans						
ACT Debt Repayments		4,647	18,598	17,312	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, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Loan Council - Housing Nominations		430,364	14,213	14,851	15,520	16,221
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> .						
Repayments of Commonwealth Government Loans - Total		435,011	32,811	32,163	20,167	20,868
Defence						
Housing for Servicemen		1,661	1,423	1,510	1,604	1,604
Principal repayments by the States of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.						
Defence - Total		1,661	1,423	1,510	1,604	1,604
Housing and Community Amenities						
CSHA Loans		1,029,395	53,877	56,100	58,300	60,207
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		7,023	7,338	7,663	7,969	8,042
Repayment of the principal of loans relating to assets transferred from the Commonwealth to the NT at the time of self government in 1978 and to the ACT at the time of self government in 1989.						
Urban Water Supply and Treatment		317	355	340	317	317
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
Repayment of the principal of a loan relating to assets transferred from the Commonwealth to the NT at the time of self-government in 1978.						

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Growth Centres		188	207	228	251	276
	Repayment of the principal of loans provided under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> to NSW for urban expansion and redevelopment in the Bathurst-Orange area and to Vic., for the development of a growth complex in the Albury-Wodonga area.					
Urban Rehabilitation		205	205	205	205	205
	Repayment of the principal of a loan provided under the <i>Land Commissions (Financial Assistance) Act 1973</i> to Vic., for the acquisition and redevelopment of land at Emerald Hill, South Melbourne.					
Community Facilities - Townsville		26	28	31	33	33
	Repayment of a loan to the Qld Government as a contribution towards the cost of developing community facilities in Townsville to assist in assimilating servicemen and their families into the community.					
Captains Flat (Abatement of Pollution) Agreement		20	6	6	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.					
Sewerage		2,132	2,324	2,555	2,808	3,050
	Repayment of the principal loans provided under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> to all States to undertake programmes connected with provision of sewerage facilities with particular objectives of eliminating the backlog of sewerage works.					
Housing and Community Amenities - Total		1,039,442	64,476	67,264	70,025	72,272
Agriculture, Forestry and Fishing						
Dairy Adjustment Programme		171	133	27	2	0
	Repayments of loans to 'less than economic' dairy farms for property development and carry-on finance and grants for writing-off redundant milking plants.					

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Bovine Brucellosis and Tuberculosis		140	140	140	140	140
	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		5,530	4,257	3,983	3,595	3,241
	Repayments of loans administered under the <i>States Grants (Rural Adjustment) Acts 1976 & 1979</i> which provide assistance to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved.					
War Service Land Settlement Scheme		889	828	859	880	912
	These repayments are of advances made to veterans of WWII or the Korea/Malaya campaigns for the purpose of providing working capital funding, paying and effecting improvements and acquiring stock, plant and equipment.					
Brigalow Lands Development Scheme		267	267	267	267	192
	Repayments of loans administered under the <i>Brigalow Lands Agreement Act 1962</i> which provide assistance to Qld for the development of land in the Fitzroy River Basin. The main purpose of the assistance was to increase cattle production.					
Softwood Forestry		116	116	116	116	116
	Repayments of loans administered under the <i>Softwood Forestry Agreements Acts of 1967, 1972, 1976 and 1978</i> , which 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		7,113	5,741	5,392	5,000	4,601
Transport and Communication						
Railway Projects		3,203	567	567	567	567
	Repayment of the principal of loans provided by the Commonwealth to upgrade and standardise railways in mainland Australia.					
Transport and Communication - Total		3,203	567	567	567	567

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Other Purposes						
Natural Disaster Relief		2,801	2,851	2,851	2,851	2,851
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		2,801	2,851	2,851	2,851	2,851
TOTAL REPAYMENTS		1,549,371	733,470	582,648	250,713	137,234
ADVANCES						
Other Purposes						
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.						
Other Purposes - Total		2,000	2,000	2,000	2,000	2,000
TOTAL ADVANCES		2,000	2,000	2,000	2,000	2,000
INTEREST						
Interest on Loan Council and NT Government Borrowings		180,230	150,561	74,121	38,226	31,800
Receipts from the six States and the NT of interest on Commonwealth Government securities outstanding on their behalf.						
Interest on Commonwealth Government Loans - Total		180,230	150,561	74,121	38,226	31,800
ACT Government Debt		10,668	9,297	7,101	5,743	5,743
Receipts from the ACT of interest on Commonwealth Government loans and on Commonwealth Government securities nominally outstanding on its behalf.						
Housing Nominations		88,183	71,185	70,544	69,876	69,177
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 Loan Council and NT Government Borrowings - Total		98,851	80,482	77,645	75,619	74,920

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Defence						
Housing for Servicemen		5,421	5,365	5,302	5,238	5,238
Interest payments by the States of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.						
Defence - Total		5,421	5,365	5,302	5,238	5,238
Housing and Community Amenities						
CSHA Loans		134,900	103,540	101,319	99,005	96,597
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 and Housing Assistance Acts</i> . Repayments of principal and interest are made at the end of each financial year.						
Other Housing		16,185	15,867	15,533	15,184	15,077
Payment of interest on loans relating to assets transferred from the Commonwealth to the NT at the time of self-government in 1978 and to the ACT at the time of self-government in 1989.						
Urban Water Supply and Treatment		1,095	1,209	1,175	1,141	1,172
Payment 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		664	657	650	643	637
Payment of interest on loans relating to assets transferred from the Commonwealth to the NT at the time of self-government in 1978.						
Growth Centres		176	156	135	112	86
Payment of interest on loans provided under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> 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, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Urban Rehabilitation		92	74	56	39	21
Payment of interest on a loan provided under the <i>Land Commissions (Financial Assistance) Act 1973</i> , to Vic., for the acquisition and redevelopment of land at Emerald Hill, South Melbourne.						
Sewerage		8,470	8,259	8,029	7,775	7,533
Payment of interest on loans provided under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> 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		20	18	15	13	13
Interest paid on a loan to the Qld Government as a contribution towards the cost of developing community facilities in Townsville to assist in assimilating servicemen and their families into the community.						
Captains Flat (Abatement of Pollution) Agreement		11	9	9	8	7
Interest payable under the loan agreement with the NSW Government in relation to capital works undertaken at Captains Flat to prevent pollution of the Molonglo River.						
Housing and Community Amenities - Total		161,613	129,789	126,921	123,920	121,143
Agriculture, Forestry and Fishing						
Dairy Adjustment Programme		17	8	1	0	0
Payment of interest on loans to 'less than economic' dairy farms for property development and carry-on finance and grants for writing-off redundant milking plants.						
Bovine Brucellosis and Tuberculosis		9	9	9	9	9
Payment 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, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
Rural Adjustment Scheme		1,546	1,432	1,111	802	864
Payment 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.						
Brigalow Land Development Scheme		114	90	66	42	19
Payment 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.						
Softwood Forestry		50	0	0	0	0
Payment of interest on loans under the <i>Softwood Forestry Agreements Acts of 1967, 1972, 1976 and 1978</i> .						
War Service Land Settlement Scheme		482	438	408	375	343
Payment of interest on loans to veterans of WWII or the Korea/Malaya campaigns which were for the purpose of providing working capital funding, paying and effecting improvements and acquiring stock, plant and equipment.						
<i>Agriculture, Forestry and Fishing - Total</i>		2,218	1,977	1,595	1,228	1,235
<i>Transport and Communication</i>						
Railway Projects		751	517	486	486	486
Payment of interest on loans provided by the Commonwealth to upgrade and standardise railways in mainland Australia.						
<i>Transport and Communication - Total</i>		751	517	486	486	486
<i>Other Purposes</i>						
Natural Disaster Relief		213	256	257	256	256
Interest payable by the States in respect of loans made by the Commonwealth to them under NDRA.						
<i>Other Purposes - Total</i>		213	256	257	256	256
TOTAL INTEREST		449,297	368,947	286,327	244,973	235,078

Table A1: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 to 2002-03 (\$'000) - continued

<i>Function</i>						
Payment Title		1998-99	1999-00	2000-01	2001-02	2002-03
Description						
SUMMARY OF SPECIFIC PURPOSE PAYMENTS						
Total Specific Purpose Payments		16,651,672	17,126,150	16,490,993	17,084,134	17,415,559
Total 'To'		12,750,569	12,914,174	13,348,862	13,805,903	13,987,311
Total 'Through'		3,901,103	4,211,976	3,142,131	3,278,231	3,428,248

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

(a) These funds include supplementation for the 1998 calendar year but not for 1999 and the outyears. The amount of supplementation is determined and approved each year by Parliament as an amendment to the *Vocational Education and Training Funding Act 1992*. Additional to the amounts paid to the States listed above, is an amount of \$15 million allocated for Industry based Skill Centres and Skill Centres for School Centres. This money is paid through the States on approval of proposals submitted to the Australian National Training Authority.

(b) Estimated Health Care Grants to the States incorporate Commonwealth Own Purpose Outlays for Mental Health and Palliative Care.

(c) Natural Heritage Trust of Australia: there are no estimates available past the current year (1998-99) at this time as funding is determined on a merit selection basis.

(d) The split between the current and capital component has not yet been determined.

(e) The amount shown for 1998-99 is less the amount some States chose to use as all or part of their State Fiscal Contributions.

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000)

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Public Order and Safety</i>									
Legal Aid	31,100	0	0	8,251	9,000	3,720	3,006	2,011	57,088
Confiscated Assets Trust Fund	100	0	0	0	0	0	0	0	100
Gun Buyback Scheme	34,695	23,723	7,500	4,000	4,500	2,311	1,161	860	78,750
Film and Literature Classifications	76	76	76	76	76	76	75	76	607
Human Rights: Co-operative Arrangements with the States	0	370	0	259	288	0	0	0	917
<i>Public Order and Safety - Total</i>	65,971	24,169	7,576	12,586	13,864	6,107	4,242	2,947	137,462
<i>Education</i>									
Advanced English for Migrants Programme	2,111	1,687	527	455	348	60	93	60	5,341
Government Schools	378,693	261,325	212,663	116,244	83,494	32,628	19,794	13,909	1,118,750
* Non-Government Schools	785,126	637,364	430,621	230,656	177,877	51,419	53,193	21,500	2,387,756
Vocational Education and Training Funding Act (a)	297,306	218,929	146,057	80,779	71,551	22,852	16,859	11,350	865,683
Targeted and Joint Programmes Government Schools	106,575	71,101	48,776	27,277	24,617	8,353	3,843	6,247	296,789
* Targeted Programmes Non-Government Schools	48,674	40,327	18,294	10,864	10,217	2,052	2,213	1,228	133,869
Indigenous Education Strategic Initiatives Programme - Government	10,554	2,212	9,998	13,957	8,269	1,305	361	19,885	66,541
* Indigenous Education Strategic Initiatives Programme - Non-Government	9,165	1,654	5,018	17,132	1,852	540	196	11,443	47,000
<i>Education - Total</i>	1,638,204	1,234,599	871,954	497,364	378,225	119,209	96,552	85,622	4,921,729
<i>Health</i>									
Blood Transfusion Services	19,669	12,877	8,941	5,648	4,665	1,412	1,663	611	55,486
Health Programme Grants	0	3,918	0	14,026	32,483	0	2,682	1,129	54,238
Hospital Funding/Base Medicare	0	0	0	694	0	0	0	0	694
Health Care Grants (b)	1,862,991	1,336,161	1,023,041	557,155	467,208	125,019	69,507	79,496	5,520,578
Other Medicare	1	37	6,604	0	1	911	0	0	7,554

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Aged Care Assessment	3,347	2,591	1,728	1,188	1,080	432	108	324	10,798
National Health Development Fund (c)	0	1,570	3,000	0	0	0	0	1,900	6,470
Medicare Related Payments	0	359	0	0	0	0	0	0	359
Magnetic Resonance Imaging	1,411	1,129	805	564	565	282	255	0	5,011
Highly Specialised Drugs	83,218	56,687	36,055	14,173	13,796	3,592	3,696	2,281	213,498
Home and Community Care	30,982	47,209	26,555	20,654	14,753	5,901	1,475	0	147,529
Youth Health Services	717	531	373	193	175	54	49	49	2,141
National Public Health	52,539	32,297	24,260	13,693	13,246	5,805	3,721	3,274	148,835
University Departments of Rural Health	1,500	1,500	1,500	1,500	1,500	114	0	1,500	9,114
National Youth Suicide Strategy	788	504	725	247	157	118	0	86	2,625
Essential Vaccines	11,660	8,364	6,453	3,394	2,593	896	586	445	34,391
Transfer Pathology Laboratories	10	153	17	0	0	1	0	0	181
Repatriation General Hospitals	5,530	4,200	0	0	2,200	806	0	0	12,736
<i>Health - Total</i>	2,074,363	1,510,087	1,140,057	633,129	554,422	145,343	83,742	91,095	6,232,238
<i>Social Security and Welfare</i>									
Aged Care Assessment	9,447	7,225	4,446	2,779	2,501	834	278	278	27,788
Home and Community Care	122,292	94,340	55,905	31,447	31,447	6,988	3,494	3,494	349,407
Disabilities Services	111,283	73,604	66,341	23,985	42,420	13,044	4,252	3,257	338,186
Children's Services	970	2,196	388	318	18,373	137	61	80	22,523
Supported Accommodation Assistance	45,885	30,262	19,719	11,262	13,807	6,074	3,879	3,435	134,323
Unattached Humanitarian Minors	25	70	17	14	17	0	0	0	143
Exceptional Circumstances Administration	166	546	535	0	0	65	0	0	1,312
Extension of Fringe Benefits	52,825	37,764	26,369	13,278	15,023	4,825	1,072	736	151,892
Native Title	1,000	0	2,000	1,500	1,500	0	0	1,000	7,000
Victorian Gas Emergency Assistance Fund	0	7,500	0	0	0	0	0	0	7,500
<i>Social Security and Welfare - Total</i>	343,893	253,507	175,720	84,583	125,088	31,967	13,036	12,280	1,040,074

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Housing and Community Amenities</i>									
Assistance for Housing	1,848	1,348	424	627	940	314	0	0	5,501
Assistance for Water and Sewerage	0	0	0	0	0	0	7,997	0	7,997
Remote Sensing of Landcover	26	0	59	6	11	3	0	9	114
Tasmanian Regional Forest Agreement	0	0	0	0	0	8,400	0	0	8,400
Natural Heritage Trust of Australia - Bushcare (d)	8,596	6,056	7,958	6,407	4,096	2,638	259	848	36,858
Natural Heritage Trust of Australia - Coasts and Clean Seas Initiative (d)	2,835	1,167	1,423	1,655	1,536	1,651	0	613	10,880
Natural Heritage Trust of Australia - National Rivercare Programme (d)	2,500	1,500	3,300	3,400	1,000	1,700	100	400	13,900
Natural Heritage Trust of Australia - Endangered Species Programme (d)	562	961	1,028	1,616	353	792	30	461	5,803
Natural Heritage Trust of Australia - National Feral Animal Control Programme (d)	91	255	0	0	87	299	0	0	732
<i>Housing and Community Amenities Total</i>	16,458	11,287	14,192	13,711	8,023	15,797	8,386	2,331	90,185
<i>Recreation and Culture</i>									
Natural Heritage Trust of Australia - National Wetlands Programme (d)	466	209	207	208	263	195	40	249	1,837
Natural Heritage Trust of Australia - National Reserve System Programme (d)	152	47	32	269	122	87	0	232	941
Natural Heritage Trust of Australia - World Heritage Area Management and Upkeep (d)	2,100	0	5,241	709	403	2,005	0	0	10,458
Management of World Heritage Properties	0	0	0	0	0	5,000	0	0	5,000
* Payments to the Sydney Organising Committee for the Olympic Games for Games related services	600	0	0	0	0	0	0	0	600
Upgrade Tasmanian Sporting Facilities	0	0	0	0	0	10,000	0	0	10,000
Inveresk Woodchopping Stadium	0	0	0	0	0	60	0	0	60

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Contemporary Music Package - State Pilots	0	0	0	0	500	500	0	0	1,000
Recreation and Culture - Total	3,318	256	5,480	1,186	1,288	17,847	40	481	29,896
<i>Agriculture, Forestry and Fishing</i>									
Natural Heritage Trust of Australia - National Weeds Programme (d)	0	0	0	0	0	0	0	709	709
Natural Heritage Trust of Australia - National Landcare Programme (d)	3,500	2,500	2,200	2,400	2,100	600	100	600	14,000
Natural Heritage Trust of Australia - Farm Forestry Programme (d)	1,100	1,200	1,400	1,200	500	400	0	100	5,900
Natural Heritage Trust of Australia - Murray Darling 2001 (d)	3,700	4,500	1,100	0	1,300	0	0	0	10,600
Tasmanian Wheat Freight Subsidy	0	0	0	0	0	1,200	0	0	1,200
Bovine Brucellosis and Tuberculosis Exotic Disease Eradication	21	0	942	1,452	0	0	0	5,346	7,761
Sustainable Forest Management	15,111	5,000	4,768	2,250	540	1,106	0	0	28,775
National Landcare Programme	14,409	8,188	7,280	10,331	8,708	1,478	0	1,965	52,359
Rural Adjustment Scheme	14,773	13,216	18,403	0	3,408	1,506	0	205	51,511
Natural Heritage Trust of Australia - National River Health Programme (d)	550	400	484	460	460	335	65	325	3,079
Natural Heritage Trust of Australia - Waterwatch Australia (d)	387	399	338	270	306	290	111	143	2,244
Natural Heritage Trust of Australia - Waste Management Awareness (d)	0	0	0	0	0	300	0	0	300
Natural Heritage Trust of Australia - Riverworks Tasmania (d)	0	0	0	0	0	3,334	0	0	3,334
Natural Heritage Trust of Australia - Fisheries Action Programme (d)	300	200	300	300	200	300	100	100	1,800

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Natural Heritage Trust of Australia - National Land and Water Resources Audit (d)	0	100	300	100	200	0	0	200	900
Natural Heritage Trust of Australia - FarmBis - Advanced Property Management Planning (d)	1,500	1,100	1,500	0	1,000	200	0	100	5,400
<i>Agriculture, Forestry and Fishing - Total</i>	55,507	36,803	39,055	18,763	18,722	11,049	376	9,848	190,123
<i>Mining and Mineral Resources; other than Fuels; Manufacturing; and Construction</i>									
Enterprise Development Programme	662	454	377	343	522	213	240	94	2,905
* Textiles, Clothing & Footwear Development	776	870	372	136	263	192	31	38	2,678
<i>Mining and Mineral Resources; other than Fuels; Manufacturing; and Construction - Total</i>	1,438	1,324	749	479	785	405	271	132	5,583
<i>Transport and Communication</i>									
Interstate Road Transport	9,222	5,366	1,900	794	2,668	100	100	100	20,250
* AN - Payments for Regional Assistance	0	0	0	200	0	0	0	200	400
* Petroleum Products Freight Subsidy Scheme	447	0	1,083	417	127	0	0	1,426	3,500
<i>Transport and Communication - Total</i>	9,669	5,366	2,983	1,411	2,795	100	100	1,726	24,150
<i>Other Economic Affairs</i>									
Training for Aboriginals Programme	1,818	0	483	135	931	393	0	12	3,772
<i>Other Economic Affairs - Total</i>	1,818	0	483	135	931	393	0	12	3,772
<i>Other Purposes</i>									
Debt Redemption Assistance	63,719	5,555	3,628	2,441	3,118	2,113	0	1,126	81,700
* Financial Assistance Grants for Local Government									
- Financial Assistance Grants	287,903	211,249	156,615	82,687	67,694	21,535	14,106	8,637	850,426
- Identified Local Roads Grants	109,484	77,798	70,703	57,699	20,738	19,997	12,100	8,840	377,359
Compensation - Companies Regulation	44,355	38,776	21,837	13,441	9,998	3,097	0	1,975	133,479
Natural Disaster Relief	100	0	12,150	0	0	0	0	8,000	20,250
Royalties	0	0	0	199,420	0	0	0	2,800	202,220

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
ACT National Capital Influences	0	0	0	0	0	0	19,890	0	19,890
<i>Other Purposes - Total</i>	505,561	333,378	264,933	355,688	101,548	46,742	46,096	31,378	1,685,324
TOTAL CURRENT	4,716,200	3,410,776	2,523,182	1,619,035	1,205,691	394,959	252,841	237,852	14,360,536
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
<i>Education</i>									
Government Schools	75,009	50,976	40,828	22,227	17,354	6,186	3,893	2,782	219,255
* Non-Government Schools	28,445	24,190	14,526	7,928	6,338	2,088	2,001	680	86,196
* Indigenous Education Strategic Initiatives Programme	1,873	0	3,883	1,898	213	203	0	1,635	9,705
<i>Education - Total</i>	105,327	75,166	59,237	32,053	23,905	8,477	5,894	5,097	315,156
<i>Health</i>									
Home and Community Care	20	0	575	0	14	0	75	0	684
Blood Transfusion Services	2,647	2,009	996	706	749	195	77	121	7,500
<i>Health - Total</i>	2,667	2,009	1,571	706	763	195	152	121	8,184
<i>Social Security and Welfare</i>									
Home and Community Care	748	0	1,806	0	26	0	0	0	2,580
Children's Services	1,410	957	302	252	25	1,435	0	655	5,036
Crisis Accommodation Assistance	13,425	9,850	7,303	3,855	3,157	1,004	658	403	39,655
<i>Social Security and Welfare - Total</i>	15,583	10,807	9,411	4,107	3,208	2,439	658	1,058	47,271
<i>Housing and Community Amenities</i>									
NT Indigenous Health Infrastructure	0	0	0	0	0	0	0	10,000	10,000
Housing Assistance for Indigenous People	17,777	3,638	25,227	15,862	8,342	696	0	19,458	91,000
Community Housing	21,663	15,896	11,784	6,221	5,094	1,621	1,061	650	63,990
Commonwealth-State Housing Agreement (CSHA) Block Assistance/Base Funding (e)	256,461	188,181	83,906	73,653	55,306	23,171	12,295	10,564	703,537
Social Housing Subsidy Programme	2,157	0	0	0	0	0	135	0	2,292
Tasmanian Regional Forest Agreement	0	0	0	0	0	300	0	0	300
<i>Housing and Community Amenities - Total</i>	298,058	207,715	120,917	95,736	68,742	25,788	13,491	40,672	871,119

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Recreation and Culture</i>									
Natural Heritage Trust of Australia - National Reserve System Programme (d)	2,538	135	7,500	2,050	354	0	0	8	12,585
Recreation and Culture - Total	2,538	135	7,500	2,050	354	0	0	8	12,585
<i>Agriculture, Forestry and Fishing</i>									
Natural Heritage Trust of Australia - Murray Darling 2001 (d)	6,900	8,400	2,000	0	2,400	0	0	0	19,700
Natural Heritage Trust of Australia - National Landcare Programme (d)	6,500	4,700	4,100	4,400	4,000	1,000	0	1,100	25,800
Sugar	1,000	0	1,072	0	0	0	0	0	2,072
National Landcare Programme	0	0	0	0	0	0	42	0	42
Tasmanian Regional Forest Agreement	0	0	0	0	0	25,400	0	0	25,400
Agriculture, Forestry and Fishing - Total	14,400	13,100	7,172	4,400	6,400	26,400	42	1,100	73,014
<i>Transport and Communication</i>									
Adelaide Airport Runway	0	0	0	0	20,000	0	0	0	20,000
Road Programmes	318,608	108,179	195,393	84,456	100,303	31,472	12,639	25,416	876,466
Road Safety Blackspots - States	12,263	8,516	7,232	4,161	3,018	984	458	566	37,198
Federation Fund Projects - Tasmania	0	0	0	0	0	700	0	0	700
Federation Fund Projects - Queensland	0	0	2,000	0	0	0	0	0	2,000
Federation Fund Projects - New South Wales/Victoria	0	1,000	0	0	0	0	0	0	1,000
* Payment to Tasmania for Track Upgrading	0	0	0	0	0	1,614	0	0	1,614
Transport and Communication - Total	330,871	117,695	204,625	88,617	123,321	34,770	13,097	25,982	938,978
<i>Tourism</i>									
Tasmanian Regional Forest Agreement	0	0	0	0	0	1,000	0	0	1,000
Inveresk Redevelopment	0	0	0	0	0	1,890	0	0	1,890
Tourism - Total	0	0	0	0	0	2,890	0	0	2,890

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Other Purposes</i>									
Sinking Fund on State Debt	803	191	1,042	888	986	956	0	323	5,189
Natural Disaster Relief	400	50	8,000	0	0	0	0	8,300	16,750
<i>Other Purposes - Total</i>	1,203	241	9,042	888	986	956	0	8,623	21,939
TOTAL CAPITAL	770,647	426,868	419,475	228,557	227,679	101,915	33,334	82,661	2,291,136
REPAYMENTS									
Supplementary Contributions	4,087	0	23,228	2,519	948	5,837	0	2,581	39,200
Payments to Debt Sinking Funds	3,239	772	4,206	3,585	3,979	3,857	0	1,302	20,940
Total	7,326	772	27,434	6,104	4,927	9,694	0	3,883	60,140
<i>Repayments of Commonwealth Government Loans</i>									
ACT Debt Repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - Housing Nominations	4,242	416,764	1,561	2,706	2,541	1,138	0	1,412	430,364
<i>Repayments of Commonwealth Government Loans - Total</i>	4,242	416,764	1,561	2,706	2,541	1,138	4,647	1,412	435,011
<i>Defence</i>									
Housing for Servicemen	792	286	453	98	32	0	0	0	1,661
<i>Defence - Total</i>	792	286	453	98	32	0	0	0	1,661
<i>Housing and Community Amenities</i>									
CSHA Loans	26,609	977,649	7,188	6,861	7,734	2,962	0	392	1,029,395
Other Housing	0	0	0	0	0	0	4,984	2,039	7,023
Urban Water Supply and Treatment	0	0	0	87	230	0	0	0	317
NT - Water and Sewerage Assistance	0	0	0	0	0	0	0	136	136
Growth Centres	188	0	0	0	0	0	0	0	188
Urban Rehabilitation	0	205	0	0	0	0	0	0	205
Community Facilities - Townsville	0	0	26	0	0	0	0	0	26
Captains Flat (Abatement of Pollution) Agreement	20	0	0	0	0	0	0	0	20

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000) - continued

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment Title									
Sewerage	1,689	0	440	3	0	0	0	0	2,132
<i>Housing and Community Amenities - Total</i>	28,506	977,854	7,654	6,951	7,964	2,962	4,984	2,567	1,039,442
<i>Agriculture, Forestry and Fishing</i>									
Dairy Adjustment Programme	30	0	141	0	0	0	0	0	171
Bovine Brucellosis and Tuberculosis	0	0	0	0	0	0	0	140	140
Rural Adjustment Scheme	3,059	0	2,234	0	0	0	0	237	5,530
War Service Land Settlement Scheme	370	394	0	0	102	23	0	0	889
Brigalow Lands Development Scheme	0	0	267	0	0	0	0	0	267
Softwood Forestry	0	0	0	116	0	0	0	0	116
<i>Agriculture, Forestry and Fishing - Total</i>	3,459	394	2,642	116	102	23	0	377	7,113
<i>Transport and Communication</i>									
Railway Projects	96	96	2,217	794	0	0	0	0	3,203
<i>Transport and Communication - Total</i>	96	96	2,217	794	0	0	0	0	3,203
<i>Other Purposes</i>									
Natural Disaster Relief	0	0	1,401	700	0	0	0	700	2,801
<i>Other Purposes - Total</i>	0	0	1,401	700	0	0	0	700	2,801
TOTAL REPAYMENTS	44,421	1,396,166	43,362	17,469	15,566	13,817	9,631	8,939	1,549,371
ADVANCES									
<i>Other Purposes</i>									
Natural Disaster Relief	0	0	1,000	500	0	0	0	500	2,000
<i>Other Purposes - Total</i>	0	0	1,000	500	0	0	0	500	2,000
TOTAL ADVANCES	0	0	1,000	500	0	0	0	500	2,000
INTEREST									
Interest on Loan Council and NT Government Borrowings	23,079	4,289	22,000	39,343	37,227	39,798	0	14,494	180,230
Total	23,079	4,289	22,000	39,343	37,227	39,798	0	14,494	180,230

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Interest on Commonwealth Government Loans</i>									
ACT Government Debt	0	0	0	0	0	0	10,668	0	10,668
Housing Nominations	22,468	16,388	8,105	13,883	13,580	5,969	0	7,790	88,183
<i>Interest on Commonwealth Government Loans - Total</i>	22,468	16,388	8,105	13,883	13,580	5,969	10,668	7,790	98,851
<i>Defence</i>									
Housing for Servicemen	2,585	932	1,478	321	105	0	0	0	5,421
<i>Defence - Total</i>	2,585	932	1,478	321	105	0	0	0	5,421
<i>Housing and Community Amenities</i>									
CSHA Loans	50,027	29,231	13,846	13,255	20,291	6,659	0	1,591	134,900
Other Housing	0	0	0	0	0	0	11,631	4,554	16,185
Urban Water Supply and Treatment	0	0	0	29	1,066	0	0	0	1,095
NT - Water and Sewerage Assistance	0	0	0	0	0	0	0	664	664
Growth Centres	176	0	0	0	0	0	0	0	176
Urban Rehabilitation	0	92	0	0	0	0	0	0	92
Sewerage	6,718	0	1,740	12	0	0	0	0	8,470
Community Facilities - Townsville	0	0	20	0	0	0	0	0	20
Captains Flat (Abatement of Pollution) Agreement	11	0	0	0	0	0	0	0	11
<i>Housing and Community Amenities - Total</i>	56,932	29,323	15,606	13,296	21,357	6,659	11,631	6,809	161,613
<i>Agriculture, Forestry and Fishing</i>									
Dairy Adjustment Programme	2	0	15	0	0	0	0	0	17
Bovine Brucellosis and Tuberculosis	0	0	0	0	0	0	0	9	9
Rural Adjustment Scheme	798	0	648	0	0	0	0	100	1,546
Brigalow Lands Development Scheme	0	0	114	0	0	0	0	0	114
Softwood Forestry	0	0	0	50	0	0	0	0	50
War Service Land Settlement Scheme	223	235	0	0	19	5	0	0	482
<i>Agriculture, Forestry and Fishing - Total</i>	1,023	235	777	50	19	5	0	109	2,218

Table A2: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1998-99 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Transport and Communication</i>									
Railway Projects	63	63	172	453	0	0	0	0	751
Transport and Communication - Total	63	63	172	453	0	0	0	0	751
<i>Other Purposes</i>									
Natural Disaster Relief	0	0	107	53	0	0	0	53	213
Other Purposes - Total	0	0	107	53	0	0	0	53	213
TOTAL INTEREST	106,150	51,230	48,245	67,399	72,288	52,431	22,299	29,255	449,297
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments	5,486,847	3,837,644	2,942,657	1,847,592	1,433,370	496,874	286,175	320,513	16,651,672
Total 'To'	4,214,354	2,844,192	2,241,542	1,437,975	1,148,051	397,234	202,335	264,886	12,750,569
Total 'Through'	1,272,493	993,452	701,115	409,617	285,319	99,640	83,840	55,627	3,901,103

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

(a) These funds include supplementation for the 1998 calendar year but not for 1999 and the outyears. The amount of supplementation is determined and approved each year by Parliament as an amendment to the *Vocational Education and Training Funding Act 1992*. Additional to the figures paid to the States listed above, is an amount of \$15 million allocated for Industry based Skill Centres and Skill Centres for School Centres. This money is paid through the States on approval of proposals submitted to the Australian National Training Authority.

(b) These distributions are indicative only and do not represent a commitment on the part of the Commonwealth. They include a notional distribution of Commonwealth Own Purpose outlays for Mental Health and Palliative Care.

(c) These distributions are indicative only and do not represent a commitment on the part of the Commonwealth. The final distribution will depend on agreement of Strategic Plans with individual States and Territories under the Australian Health Care Agreements.

(d) Natural Heritage Trust: there are no estimates available past the current year (1998-99) at this time as funding is determined on a merit selection basis.

(e) The amount shown for 1998-99 is less the amount some States chose to use as all or part of their State Fiscal Contributions.

Table A3: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1999-2000 (\$'000)

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Public Order and Safety</i>									
Legal Aid	31,372	0	0	8,322	9,079	3,753	3,032	2,029	57,587
Confiscated Assets Trust Fund	100	0	0	0	0	0	0	0	100
Film and Literature Classifications	76	76	76	76	76	76	75	76	607
Public Order and Safety - Total	31,548	76	76	8,398	9,155	3,829	3,107	2,105	58,294
<i>Education</i>									
Advanced English for Migrants Programme	2,143	1,713	534	462	353	60	94	61	5,420
Government Schools	403,099	278,322	226,287	123,423	88,225	34,851	21,142	14,854	1,190,203
* Non-Government Schools	862,233	699,959	472,913	253,308	195,864	58,062	58,419	23,612	2,624,370
Vocational Education and Training Funding Act (a)	297,306	218,929	146,057	80,779	71,551	22,852	16,859	11,350	865,683
Targeted and Joint Programmes Government Schools	115,214	74,519	48,780	28,235	25,701	8,590	3,468	6,283	310,790
* Targeted Programmes Non-Government Schools	53,377	43,982	20,027	11,573	11,397	2,153	2,366	1,329	146,204
Indigenous Education Strategic Initiatives Programme - Government	10,500	2,141	10,089	13,986	8,489	1,357	370	20,375	67,307
* Indigenous Education Strategic Initiatives Programme - Non-Government	12,021	1,955	9,443	19,961	2,464	857	514	14,387	61,602
Education - Total	1,755,893	1,321,520	934,130	531,727	404,044	128,782	103,232	92,251	5,271,579
<i>Health</i>									
Blood Transfusion Services	21,926	11,318	8,406	5,314	6,081	1,131	1,413	452	56,041
Health Programme Grants	0	4,406	0	16,932	39,153	0	3,462	1,212	65,165
Health Care Grants (b)	1,976,594	1,406,675	1,071,796	555,885	500,253	128,737	71,657	65,289	5,776,886
Aged Care Assessment	3,465	2,683	1,789	1,230	1,118	447	112	335	11,179
National Health Development Fund (c)	26,770	18,041	11,008	7,159	6,537	2,023	1,992	0	73,530
Highly Specialised Drugs	96,983	66,063	42,019	16,518	16,077	4,186	4,307	2,659	248,812

Table A3: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1999-2000 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Home and Community Care	32,614	49,699	29,509	21,743	15,531	4,659	1,553	0	155,308
Youth Health Services	721	534	375	194	176	54	49	49	2,152
National Public Health	50,182	30,849	23,172	13,079	12,652	5,544	3,554	3,127	142,159
University Departments of Rural Health	1,500	1,684	1,500	1,500	1,500	0	0	1,500	9,184
Essential Vaccines	21,770	15,549	11,873	6,107	5,030	1,635	956	681	63,601
Repatriation General Hospitals	5,613	4,263	0	0	2,233	818	0	0	12,927
Health - Total	2,238,138	1,611,764	1,201,447	645,661	606,341	149,234	89,055	75,304	6,616,944
<i>Social Security and Welfare</i>									
Aged Care Assessment	9,819	7,509	4,621	2,888	2,599	866	289	289	28,880
Home and Community Care	124,721	102,712	62,361	29,346	33,015	7,337	3,668	3,668	366,828
Disabilities Services	117,054	77,708	69,563	25,912	44,031	13,557	4,523	3,453	355,801
Children's Services	1,939	4,392	777	636	21,883	273	122	160	30,182
Supported Accommodation Assistance	44,801	29,606	22,525	15,073	13,493	5,895	3,799	3,806	138,998
Unattached Humanitarian Minors	45	70	17	14	17	0	0	0	163
Exceptional Circumstances Administration	65	392	114	0	0	49	0	0	620
Extension of Fringe Benefits	53,998	38,603	26,954	13,573	15,357	4,932	1,096	752	155,265
Native Title	2,000	0	6,000	5,000	4,000	0	0	3,000	20,000
Social Security and Welfare - Total	354,442	260,992	192,932	92,442	134,395	32,909	13,497	15,128	1,096,737
<i>Housing and Community Amenities</i>									
Assistance for Housing	1,848	1,348	424	627	940	314	0	0	5,501
Assistance for Water and Sewerage	0	0	0	0	0	0	8,117	0	8,117
Tasmanian Regional Forest Agreement	0	0	0	0	0	1,600	0	0	1,600
Housing and Community Amenities Total	1,848	1,348	424	627	940	1,914	8,117	0	15,218
<i>Recreation and Culture</i>									
Management of World Heritage Properties	0	0	0	0	0	5,070	0	0	5,070
* Payments to the Sydney Organising Committee for the Olympic Games for Games related services	6,883	0	0	0	0	0	0	0	6,883

Table A3: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1999-2000 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Contemporary Music Package - State Pilots	0	0	0	0	500	500	0	0	1,000
<i>Recreation and Culture - Total</i>	6,883	0	0	0	500	5,570	0	0	12,953
<i>Agriculture, Forestry and Fishing</i>									
Tasmanian Wheat Freight Subsidy	0	0	0	0	0	1,200	0	0	1,200
Bovine Brucellosis and Tuberculosis	1	0	584	1,814	0	0	0	3,708	6,107
Exotic Disease Eradication	156	0	40	0	0	0	0	55	251
Sustainable Forest Management	7,488	7,500	5,310	2,520	0	217	0	0	23,035
National Landcare Programme	9,073	5,391	4,793	6,803	5,734	561	0	1,294	33,649
* Farm Business Improvement Programme (FarmBis)	4,028	2,898	4,249	0	2,808	488	0	206	14,677
Rural Adjustment Scheme	2,803	7,074	9,712	0	2,445	595	0	29	22,658
Great Artesian Basin Sustainability Initiative (d)	750	0	1,350	0	250	0	0	50	2,400
<i>Agriculture, Forestry and Fishing - Total</i>	24,299	22,863	26,038	11,137	11,237	3,061	0	5,342	103,977
<i>Mining and Mineral Resources; other than Fuels; Manufacturing; and Construction</i>									
Regional Minerals Programme	0	0	0	0	0	1,000	0	0	1,000
Enterprise Development Programme	268	273	347	253	376	99	172	68	1,856
* Textiles, Clothing & Footwear Development	553	584	252	101	175	102	12	17	1,796
<i>Mining and Mineral Resources; other than Fuels; Manufacturing; and Construction - Total</i>	821	857	599	354	551	1,201	184	85	4,652
<i>Transport and Communication</i>									
Interstate Road Transport	6,917	4,025	1,425	596	2,064	75	75	75	15,252
* Petroleum Products Freight Subsidy Scheme	447	0	1,083	417	127	0	0	1,426	3,500
<i>Transport and Communication - Total</i>	7,364	4,025	2,508	1,013	2,191	75	75	1,501	18,752
<i>Other Economic Affairs</i>									
Training for Aboriginals Programme	1,635	0	434	121	837	353	0	11	3,391
<i>Other Economic Affairs - Total</i>	1,635	0	434	121	837	353	0	11	3,391

Table A3: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1999-2000 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Other Purposes</i>									
Debt Redemption Assistance	9,932	5,425	3,797	11,987	10,963	10,773	1,637	5,096	59,610
* Financial Assistance Grants for Local Government									
- Financial Assistance Grants	295,994	216,981	162,099	85,489	69,209	21,869	14,406	8,989	875,036
- Identified Local Roads Grants	112,652	80,049	72,749	59,369	21,339	20,576	12,450	9,095	388,279
Compensation - Companies Regulation	44,665	39,047	21,990	13,535	10,068	3,118	0	1,989	134,412
Natural Disaster Relief	200	200	12,000	2,750	0	0	0	3,000	18,150
Royalties	0	0	0	210,330	0	0	0	2,800	213,130
ACT National Capital Influences	0	0	0	0	0	0	20,188	0	20,188
<i>Other Purposes - Total</i>	463,443	341,702	272,635	383,460	111,579	56,336	48,681	30,969	1,708,805
TOTAL CURRENT	4,886,314	3,565,147	2,631,223	1,674,940	1,281,770	383,264	265,948	222,696	14,911,302
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
<i>Education</i>									
Government Schools	77,109	52,404	41,971	22,849	17,840	6,360	4,002	2,860	225,395
* Non-Government Schools	29,258	24,831	13,236	7,984	5,970	2,856	2,051	2,424	88,610
<i>Education - Total</i>	106,367	77,235	55,207	30,833	23,810	9,216	6,053	5,284	314,005
<i>Health</i>									
Home and Community Care	23	0	606	0	14	0	79	0	722
Blood Transfusion Services	1,610	1,477	1,347	574	311	201	105	38	5,663
<i>Health - Total</i>	1,633	1,477	1,953	574	325	201	184	38	6,385
<i>Social Security and Welfare</i>									
Home and Community Care	758	0	1,922	0	27	0	0	0	2,707
Children's Services	0	1,975	2,475	0	187	0	0	0	4,637
Crisis Accommodation Assistance	13,425	9,850	7,303	3,855	3,157	1,004	658	403	39,655
<i>Social Security and Welfare- Total</i>	14,183	11,825	11,700	3,855	3,371	1,004	658	403	46,999
<i>Housing and Community Amenities</i>									
Housing Assistance for Indigenous People	17,777	3,638	25,227	15,862	8,342	696	0	19,458	91,000

Table A3: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1999-2000 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Community Housing	21,663	15,896	11,784	6,221	5,094	1,621	1,061	650	63,990
Commonwealth-State Housing Agreement (CSHA)									
Block Assistance/Base Funding	253,187	185,778	137,724	72,712	59,536	22,926	17,534	13,567	762,964
Social Housing Subsidy Programme	1,995	0	0	0	0	0	135	0	2,130
Federation Fund - Development of the									
Tuggeranong Homestead Property - Canberra	0	0	0	0	0	0	17	0	17
Federation Fund - Centennial and Moore Parks	8,000	0	0	0	0	0	0	0	8,000
Tasmanian Regional Forest Agreement	0	0	0	0	0	300	0	0	300
<i>Housing and Community Amenities - Total</i>	302,622	205,312	174,735	94,795	72,972	25,543	18,747	33,675	928,401
<i>Recreation and Culture</i>									
Sugar Coast Environment Rescue Package	0	0	3,923	0	0	0	0	0	3,923
<i>Recreation and Culture - Total</i>	0	0	3,923	0	0	0	0	0	3,923
<i>Agriculture, Forestry and Fishing</i>									
Sugar	945	0	1,756	0	0	0	0	0	2,701
National Landcare Programme	0	0	0	0	0	0	27	0	27
Tasmanian Regional Forest Agreement	0	0	0	0	0	23,590	0	0	23,590
Wyndham Port Loading Facilities	0	0	0	550	0	0	0	0	550
<i>Agriculture, Forestry and Fishing - Total</i>	945	0	1,756	550	0	23,590	27	0	26,868
<i>Transport and Communication</i>									
Road Programmes	288,796	90,520	173,470	65,940	64,890	34,850	24,860	25,980	769,306
Road Safety Blackspots - States	12,458	8,653	7,347	4,228	3,066	1,000	466	575	37,793
Federation Fund Projects - Northern Territory	0	0	0	0	0	0	0	30,000	30,000
Federation Fund Projects - Tasmania	0	0	0	0	0	9,300	0	0	9,300
Federation Fund Projects - Queensland	0	0	12,000	0	0	0	0	0	12,000
Federation Fund Projects - New South Wales/Victoria	1,000	7,000	0	0	0	0	0	0	8,000

Table A3: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1999-2000 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
* Payment to Tasmania for Track Upgrading	0	0	0	0	0	1,019	0	0	1,019
Transport and Communication - Total	302,254	106,173	192,817	70,168	67,956	46,169	25,326	56,555	867,418
<i>Tourism</i>									
Tasmanian Regional Forest Agreement	0	0	0	0	0	1,000	0	0	1,000
Tourism - Total	0	0	0	0	0	1,000	0	0	1,000
<i>Other Purposes</i>									
Sinking Fund on State Debt	771	189	956	871	972	928	0	312	4,999
Natural Disaster Relief	500	500	8,000	2,750	0	0	0	3,100	14,850
Other Purposes - Total	1,271	689	8,956	3,621	972	928	0	3,412	19,849
TOTAL CAPITAL	729,275	402,711	451,047	204,396	169,406	107,651	50,995	99,367	2,214,848
	REPAYMENTS								
Supplementary Contributions	71,142	0	29,137	164,184	157,546	132,639	0	50,782	605,430
Payments to Debt Sinking Funds	3,110	763	3,858	3,515	3,921	3,746	0	1,258	20,171
Total	74,252	763	32,995	167,699	161,467	136,385	0	52,040	625,601
<i>Repayments of Commonwealth Government Loans</i>									
ACT Debt Repayments	0	0	0	0	0	0	18,598	0	18,598
Loan Council - Housing Nominations	4,434	0	1,631	2,828	2,655	1,189	0	1,476	14,213
Repayments of Commonwealth Government Loans - Total	4,434	0	1,631	2,828	2,655	1,189	18,598	1,476	32,811
<i>Defence</i>									
Housing for Servicemen	678	245	388	84	28	0	0	0	1,423
Defence - Total	678	245	388	84	28	0	0	0	1,423
<i>Housing and Community Amenities</i>									
CSHA Loans	27,689	0	7,479	7,139	8,073	3,088	0	409	53,877
Other Housing	0	0	0	0	0	0	5,205	2,133	7,338
Urban Water Supply and Treatment	0	0	0	99	256	0	0	0	355
NT - Water and Sewerage Assistance	0	0	0	0	0	0	0	136	136
Growth Centres	207	0	0	0	0	0	0	0	207

Table A3: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1999-2000 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Urban Rehabilitation	0	205	0	0	0	0	0	0	205
Community Facilities - Townsville	0	0	28	0	0	0	0	0	28
Captains Flat (Abatement of Pollution)									
Agreement	6	0	0	0	0	0	0	0	6
Sewerage	1,856	0	465	3	0	0	0	0	2,324
<i>Housing and Community Amenities - Total</i>	29,758	205	7,972	7,241	8,329	3,088	5,205	2,678	64,476
<i>Agriculture, Forestry and Fishing</i>									
Dairy Adjustment Programme	10	0	123	0	0	0	0	0	133
Bovine Brucellosis and Tuberculosis	0	0	0	0	0	0	0	140	140
Rural Adjustment Scheme	2,256	0	1,745	0	0	0	0	256	4,257
War Service Land Settlement Scheme	383	409	0	0	30	6	0	0	828
Brigalow Lands Development Scheme	0	0	267	0	0	0	0	0	267
Softwood Forestry	0	0	0	116	0	0	0	0	116
<i>Agriculture, Forestry and Fishing - Total</i>	2,649	409	2,135	116	30	6	0	396	5,741
<i>Transport and Communication</i>									
Railway Projects	96	96	0	375	0	0	0	0	567
<i>Transport and Communication - Total</i>	96	96	0	375	0	0	0	0	567
<i>Other Purposes</i>									
Natural Disaster Relief	0	0	1,425	713	0	0	0	713	2,851
<i>Other Purposes - Total</i>	0	0	1,425	713	0	0	0	713	2,851
TOTAL REPAYMENTS	111,867	1,718	46,546	179,056	172,509	140,668	23,803	57,303	733,470
ADVANCES									
<i>Other Purposes</i>									
Natural Disaster Relief	0	0	1,000	500	0	0	0	500	2,000
<i>Other Purposes - Total</i>	0	0	1,000	500	0	0	0	500	2,000
TOTAL ADVANCES	0	0	1,000	500	0	0	0	500	2,000

Table A3: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1999-2000 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	INTEREST								
Interest on Loan Council and NT Government Borrowings	22,542	4,289	18,000	30,381	30,138	32,803	0	12,408	150,561
Total	22,542	4,289	18,000	30,381	30,138	32,803	0	12,408	150,561
<i>Interest on Commonwealth Government Loans</i>									
ACT Government Debt	0	0	0	0	0	0	9,297	0	9,297
Housing Nominations	22,278	0	8,035	13,762	13,465	5,918	0	7,727	71,185
Interest on Commonwealth Government Loans - Total	22,278	0	8,035	13,762	13,465	5,918	9,297	7,727	80,482
<i>Defence</i>									
Housing for Servicemen	2,558	923	1,462	318	104	0	0	0	5,365
Defence - Total	2,558	923	1,462	318	104	0	0	0	5,365
<i>Housing and Community Amenities</i>									
CSHA Loans	48,948	0	13,555	12,977	19,953	6,533	0	1,574	103,540
Other Housing	0	0	0	0	0	0	11,407	4,460	15,867
Urban Water Supply and Treatment	0	0	0	17	1,192	0	0	0	1,209
NT - Water and Sewerage Assistance	0	0	0	0	0	0	0	657	657
Growth Centres	156	0	0	0	0	0	0	0	156
Urban Rehabilitation	0	74	0	0	0	0	0	0	74
Sewerage	6,551	0	1,698	10	0	0	0	0	8,259
Community Facilities - Townsville	0	0	18	0	0	0	0	0	18
Captains Flat (Abatement of Pollution) Agreement	9	0	0	0	0	0	0	0	9
Housing and Community Amenities - Total	55,664	74	15,271	13,004	21,145	6,533	11,407	6,691	129,789
<i>Agriculture, Forestry and Fishing</i>									
Dairy Adjustment Programme	1	0	7	0	0	0	0	0	8
Bovine Brucellosis and Tuberculosis	0	0	0	0	0	0	0	9	9

Table A3: Estimated Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1999-2000 (\$'000) - continued

<i>Function</i>									
Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Rural Adjustment Scheme	721	0	630	0	0	0	0	81	1,432
Brigalow Lands Development Scheme	0	0	90	0	0	0	0	0	90
War Service Land Settlement Scheme	208	221	0	0	8	1	0	0	438
<i>Agriculture, Forestry and Fishing - Total</i>	930	221	727	0	8	1	0	90	1,977
<i>Transport and Communication</i>									
Railway Projects	59	59	0	399	0	0	0	0	517
<i>Transport and Communication - Total</i>	59	59	0	399	0	0	0	0	517
<i>Other Purposes</i>									
Natural Disaster Relief	0	0	128	64	0	0	0	64	256
<i>Other Purposes - Total</i>	0	0	128	64	0	0	0	64	256
TOTAL INTEREST	104,031	5,566	43,623	57,928	64,860	45,255	20,704	26,980	368,947
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments	5,615,589	3,967,858	3,082,270	1,879,336	1,451,176	490,915	316,943	322,063	17,126,150
Total 'To'	4,238,143	2,896,619	2,326,219	1,441,134	1,141,823	382,933	226,725	260,578	12,914,174
Total 'Through'	1,377,446	1,071,239	756,051	438,202	309,353	107,982	90,218	61,485	4,211,976

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

(a) These funds include supplementation for the 1998 calendar year but not for 1999 and the outyears. The amount of supplementation is determined and approved each year by Parliament as an amendment to the *Vocational Education and Training Funding Act 1992*. Additional to the amounts paid to the States listed above, is an amount of \$15 million allocated for Industry based Skill Centres and Skill Centres for School Centres. This money is paid through the States on approval of proposals submitted to the Australian National Training Authority.

(b) These distributions are indicative only and do not represent a commitment on the part of the Commonwealth. They include a notional distribution of Commonwealth Own Purpose outlays for Mental Health and Palliative Care.

(c) These distributions are indicative only and do not represent a commitment on the part of the Commonwealth. The final distribution will depend on agreement of Strategic Plans with individual States and Territories under the Australian Health Care Agreements.

(d) Indicative apportionment of 1999-2000 Great Artesian Basin Sustainability Initiative funds between the States and 'whole of Basin' activities, based in part on current levels of Commonwealth support for bore capping/bore drain replacement works programmes. The actual apportionment will be subject to discussions with the States and the Great Artesian Basin Consultative Council.

Table A4: Estimated Specific Purpose Payments Direct to Local Government Authorities, 1998-99 to 2002-03 (\$'000)

Payment Title Description	1998-99	1999-00	2000-01	2001-02	2002-03
DIRECT PAYMENTS - CURRENT					
Aged Care Services To assist in the provision of appropriate residential and community care services for the frail aged.	46,894	57,423	64,441	71,551	74,355
Disability Services Payments to local government authorities in order to provide services for people with disabilities.	1,227	1,196	1,238	1,270	1,314
Children's Services Funds are provided to ensure access to affordable quality child care in programmes administered by local governments on behalf of the Commonwealth.	165,932	178,770	189,979	202,856	197,649
Training for Aboriginals Programme 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.	970	872	795	802	810
Local Government Incentive Programme (a) To develop local government's contribution to the social, cultural and economic wellbeing of the community, particularly in rural Australia.	5,700	3,500	3,500	0	0
Commonwealth Government Contribution to Cyclones Elaine and Vance Trust Fund Funding to Western Australia to provide general relief and business assistance to Exmouth, Onslow, Moora and surrounding districts following cyclones Vance and Elaine.	5,400	0	0	0	0
Wollongong Flood Relief Funding to the Wollongong Lord Mayor's Relief Fund to provide assistance to those in immediate need of assistance following devastating storms in the district.	100	0	0	0	0
Crookwell Fire Relief Funding to the Crookwell Shire Council Trust Fund to provide assistance to bushfire victims in the district.	50	0	0	0	0
TOTAL CURRENT	226,273	241,761	259,953	276,479	274,128

Table A4: Estimated Specific Purpose Payments Direct to Local Government Authorities, 1998-99 to 2002-03 (\$'000) - continued

Payment Title Description	1998-99	1999-00	2000-01	2001-02	2002-03
DIRECT PAYMENTS - CAPITAL					
Aged Care Services To assist in the provision of appropriate residential and community care services for the frail aged.	7,981	3,021	2,928	2,365	1,247
Children's Services For constructing community child care centres under Commonwealth/State National Child Care Strategies.	4,743	2,548	616	686	385
Drainage Repair - Fairfield/Bankstown Grants to Fairfield and Bankstown Councils for repairs to Villawood drains.	1,967	3,934	0	0	0
Upgrade of Rockhampton Airport runway To upgrade Rockhampton's Airport runway to take heavily-laden B767 wide-bodied twin-jet and B747 jumbo jet aircraft and support increased use of the airport by the military.	0	1,000	6,000	0	0
Regional Flood Mitigation Programme Provides funding to States and Territories to assist in addressing the problem of repeated flooding in rural towns and regional centres.	0	6,000	7,000	7,000	0
TOTAL CAPITAL	14,691	16,503	16,544	10,051	1,632
TOTAL DIRECT PAYMENTS	240,964	258,264	276,497	286,530	275,760

(a) This programme has replaced the Local Development Programme.

Table A5: Estimated Specific Purpose Payments Direct to Local Government Authorities, 1998-99 (\$'000)

Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Aged Care Services	11,429	18,345	4,098	6,497	5,122	1,299	0	104	46,894
Disability Services	162	498	567	0	0	0	0	0	1,227
Children's Services	59,409	68,274	14,804	12,482	1,159	8,838	0	966	165,932
Training for Aboriginals Programme - Local Government	6	18	921	22	0	3	0	0	970
Local Government Incentive Programme (a)	713	713	713	713	712	712	712	712	5,700
Commonwealth Government Contribution to Cyclones Elaine and Vance Trust Fund	0	0	0	5,400	0	0	0	0	5,400
Wollongong Flood Relief	100	0	0	0	0	0	0	0	100
Crookwell Fire Relief	50	0	0	0	0	0	0	0	50
TOTAL CURRENT	71,869	87,848	21,103	25,114	6,993	10,852	712	1,782	226,273
DIRECT PAYMENTS - CAPITAL									
Aged Care Services	1,038	2,235	957	160	2,394	1,197	0	0	7,981
Children's Services	1,331	878	279	254	22	1,348	0	631	4,743
Drainage Repair - Fairfield/Bankstown	1,967	0	0	0	0	0	0	0	1,967
TOTAL CAPITAL	4,336	3,113	1,236	414	2,416	2,545	0	631	14,691
TOTAL DIRECT PAYMENTS	76,205	90,961	22,339	25,528	9,409	13,397	712	2,413	240,964

(a) This programme has replaced the Local Development Programme.

Table A6: Estimated Specific Purpose Payments Direct to Local Government Authorities, 1999-2000 (\$'000)

Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Aged Care Services	14,107	21,829	4,997	8,075	6,287	1,876	0	252	57,423
Disability Services	174	519	503	0	0	0	0	0	1,196
Children's Services	64,006	73,557	15,949	13,448	1,248	9,521	0	1,041	178,770
Training for Aboriginals Programme - Local Government	5	16	828	20	0	3	0	0	872
Local Government Incentive Programme (a)	438	438	438	438	437	437	437	437	3,500
TOTAL CURRENT	78,730	96,359	22,715	21,981	7,972	11,837	437	1,730	241,761
DIRECT PAYMENTS - CAPITAL									
Aged Care Services	393	846	362	60	907	453	0	0	3,021
Children's Services	715	471	150	137	12	724	0	339	2,548
Drainage Repair - Fairfield/Bankstown	3,934	0	0	0	0	0	0	0	3,934
Upgrade of Rockhampton Airport Runway	0	0	1,000	0	0	0	0	0	1,000
Regional Flood Mitigation Programme	2,100	900	2,100	300	180	240	60	120	6,000
TOTAL CAPITAL	7,142	2,217	3,612	497	1,099	1,417	60	459	16,503
TOTAL DIRECT PAYMENTS	85,872	98,576	26,327	22,478	9,071	13,254	497	2,189	258,264

(a) This programme has replaced the Local Development Programme.

Appendix B: Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations

THE COMMONWEALTH OF AUSTRALIA

THE STATE OF NEW SOUTH WALES

THE STATE OF VICTORIA

THE STATE OF QUEENSLAND

THE STATE OF WESTERN AUSTRALIA

THE STATE OF SOUTH AUSTRALIA

THE STATE OF TASMANIA

THE AUSTRALIAN CAPITAL TERRITORY, AND

THE NORTHERN TERRITORY OF AUSTRALIA

WHEREAS

- (1) the Special Premiers' Conference on 13 November 1998 developed principles for the reform of Commonwealth-State financial relations;
- (2) the Commonwealth, States and Territories are in agreement that the current financial relationship between levels of government must be reformed to facilitate a stronger and more productive federal system for the new millennium; and
- (3) while a majority of the States and Territories support the introduction of the Goods and Services Tax (GST), the agreement of New South Wales, Queensland and Tasmania to the reform of Commonwealth-State financial relations does not imply their in-principle endorsement of the GST:

IT IS HEREBY AGREED:

PART 1 – PRELIMINARY

Commencement Clause

1. This Agreement will commence between the Commonwealth, the States and the Territories on 1 July 1999 unless otherwise agreed by the Parties.

Objectives

2. The objectives of the reforms set down in this agreement include:
 - (i) the achievement of a new national tax system, including the elimination of a number of existing inefficient taxes which are impeding economic activity;
 - (ii) the provision to State and Territory Governments of revenue from a more robust tax base that can be expected to grow over time; and
 - (iii) an improvement in the financial position of all State and Territory Governments, once the transitional changes have been completed, relative to that which would have existed had the current arrangements continued.
3. All Parties to the Agreement acknowledge the need to pursue on-going reform of Commonwealth-State financial relations.

Acknowledgement of Agreement

4. The Commonwealth will attach the Agreement as a schedule to the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*. The Commonwealth will use its best endeavours to ensure the Act will require compliance with the Agreement. The States and Territories will attach the Agreement as a schedule to relevant State and Territory legislation. The States and Territories will use their best endeavours to ensure their legislation will require compliance with the Agreement.

PART 2 – COMMONWEALTH-STATE FINANCIAL REFORM

Reform Measures

5. The Parties will undertake all necessary steps to have appropriate legislation enacted to give effect to the following reform measures.

- (i) The Commonwealth will legislate to provide all of the revenue from the GST to the States and Territories and will legislate to maintain the rate and base of the GST in accordance with this Agreement.
- (ii) The Commonwealth will cease to apply the Wholesale Sales Tax from 1 July 2000 and will not reintroduce it or a similar tax in the future.
- (iii) The temporary arrangements for the taxation of petrol, liquor and tobacco under the safety net arrangements announced by the Commonwealth on 6 August 1997 will cease on 1 July 2000.
- (iv) The payment of Financial Assistance Grants will cease on 1 July 2000.
- (v) The Commonwealth will continue to provide Specific Purpose Payments (SPPs) to the States and Territories and has no intention of cutting aggregate SPPs as part of the reform process set out in this Agreement, consistent with the objective of the State and Territory Governments being financially better off under the new arrangements.
- (vi) The States and Territories will cease to apply the taxes referred to in Appendix A from the dates outlined below and will not reintroduce them or similar taxes in the future.
 - Bed taxes, from 1 July 2000;
 - Financial Institutions Duty, from 1 January 2001;
 - Debits tax, from 1 January 2001;
 - Stamp duties on marketable securities; business conveyances (other than real property); leases; mortgages, debentures, bonds and other loan securities; credit arrangements, installment purchase arrangements and rental arrangements; and on cheques, bills of exchange and promissory notes, from 1 July 2001.
- (vii) Stamp duty on non-residential conveyances of real property will cease to apply by a date to be determined by the Ministerial Council on the basis that no State or Territory will be worse off in any year.
- (viii) The States and Territories will adjust their gambling tax arrangements to take account of the impact of the GST on gambling operators.
- (ix) Nothing in this clause will prevent any Party from introducing anti-avoidance measures that are reasonably necessary to protect its remaining tax base or liabilities accrued prior to the date the tax ceases to apply.

Distribution of GST Revenue

6. The Commonwealth will make GST revenue grants to the States and Territories equivalent to the revenue from the GST subject to the arrangements in this Agreement. GST revenue grants will be freely available for use by the States and Territories for any purpose.
7. The Commonwealth will distribute GST revenue grants among the States and Territories in accordance with horizontal fiscal equalisation (HFE) principles subject to the transitional arrangements set out below and other relevant provisions of this Agreement.
8. Details of the payment arrangements are contained in Appendix B to this Agreement.

Transitional Arrangements

9. In each of the transitional years following the introduction of the GST, the Commonwealth guarantees that the budgetary position of each individual State and Territory will be no worse off than it would have been had the reforms set out in this Agreement not been implemented.
10. The Commonwealth will extend the transitional period by Regulation (as provided for in the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*) to give effect to the commitments in clause 9 in the event that transitional assistance is required by any State or Territory after 30 June 2003.
11. To meet this guarantee, the Commonwealth will make transitional assistance payments to each State and Territory, as necessary, over this period. These payments will take the form of interest free loans in July 2000-01 and grants paid quarterly in subsequent years and will be freely available for use by the States and Territories for any purpose. Any payments or repayments made by way of loans or grants under the Commonwealth's guarantee will be excluded from assessments of per capita relativities recommended by the Commonwealth Grants Commission (CGC).
12. The amounts of any additional assistance under the guarantee will be determined in accordance with the processes set out in Appendix C to this Agreement.
13. After the second year following the introduction of the GST, GST revenue grants will be determined on the basis of HFE principles. That is, after the first two years, any State or Territory which is receiving more than would have been received under the current arrangements will retain that excess.

Local Government Finances

14. The States and the Northern Territory will provide ongoing financial assistance grants to local government from 1 July 2000.
15. The States and the Northern Territory will make these payments in accordance with Appendix D to this Agreement. The Australian Capital Territory will continue to fund services for local government purpose analogous to those funded by the States and the Northern Territory.

First Home Owners Scheme

16. To offset the impact of the introduction of a GST, the States and Territories will assist first homebuyers through the funding and administration of a new uniform First Home Owners Scheme.
17. This assistance will be provided to first home owners consistent with Appendix E to this Agreement.

Application of the GST to Government

18. The Parties intend that the Commonwealth, States, Territories and local government and their statutory corporations and authorities will operate as if they were subject to the GST legislation. They will be entitled to register, will pay GST or make voluntary or notional payments where necessary and will be entitled to claim input tax credits in the same way as non-Government organisations. All such payments will be included in GST revenue.

Government Taxes and Charges

19. The Commonwealth, States and Territories agree that the GST does not apply to the payment of some taxes and compulsory charges.
20. The Parties will agree a list of taxes and compulsory charges that are outside the scope of the GST. This list will be promulgated by a determination by the Commonwealth Treasurer as set out in Division 81-5 of the *A New Tax System (Goods and Services Tax) Act 1999* (the GST Act).
21. In agreeing the list, the Commonwealth, States and Territories will have regard to the following principles:
 - (i) taxes that are in the nature of a compulsory impost for general purposes and compulsory charges by the way of fines or penalties should not be subject to GST as these will not relate to any specific supply of goods or services;

- (ii) similarly, those regulatory charges that do not relate to particular goods or services should be outside the scope of the GST; and
 - (iii) the inclusion of any other charge in the Commonwealth Treasurer's determination notwithstanding that it may relate to the supply of a particular good or service will require the unanimous agreement of the Commonwealth, States and Territories.
22. The agreed list of taxes and other compulsory charges that are outside the scope of the GST will be subject to on-going review and adjustment as necessary in consultation with the Ministerial Council. The Parties will notify any objections to changes to the list within a period to be specified by the Ministerial Council.

Reciprocal Taxation

23. Reciprocal taxation will be progressed on a revenue neutral basis, through the negotiation of a Reciprocal Taxation Agreement with the objectives of:
- (i) improving the transparency of tax arrangements between all levels of government;
 - (ii) ensuring tax neutrality; and
 - (iii) replacing the Statement of Policy Intent (SOPI) for the taxation treatment of Government Business Enterprises with tax arrangements which are broader in scope.
24. It is the intention of the Parties to this Agreement that a National Tax Equivalent Regime (NTER) for income tax will be operational for State and Territory government business enterprises from 1 July 2000. It is also intended that the reciprocal application of other Commonwealth, State and Territory taxes will be subsequently implemented as soon as practicable.
25. Local government organisations will be consulted with a view to making the NTER for income tax operational for wholly owned local government business enterprises from 1 July 2000 and including local government in the Reciprocal Tax Agreement at a later date.
26. Where the application of full indirect reciprocal tax arrangements is prevented by the Constitution, jurisdictions have agreed to work cooperatively to introduce voluntary payment arrangements in these circumstances.
27. All governments have agreed that no further compensation payments will be payable by any jurisdiction under the SOPI.

Monitoring of Prices

28. In accordance with the *Trade Practices Act 1974*, as amended, the Australian Competition and Consumer Commission will formally monitor prices and take action against businesses that take pricing decisions in a manner inconsistent with tax reform.
29. In order to ensure that these measures apply to the whole economy, the States and Territories will adopt the Schedule version of Part VB of the *Trade Practices Act 1974* (part XIAA of the *New Tax System Price Exploitation Code*) to extend the measures in Part VB to cover those areas outside the Commonwealth's constitutional power. All Parties will work towards having any necessary legislation in place by 1 July 1999.
30. The monitoring and prohibition on unreasonable pricing decisions will commence on 1 July 1999 and continue until 30 June 2002.

PART 3 – ADMINISTRATION OF THE GST

Management of the GST Rate

31. After the introduction of the GST, a proposal to vary the 10 per cent rate of the GST will require:
 - (i) the unanimous support of the State and Territory Governments;
 - (ii) the endorsement by the Commonwealth Government of the day; and
 - (iii) the passage of relevant legislation by both Houses of the Commonwealth Parliament.

Management of the GST Base

32. Subject to clauses 34, 35 and 36 of this Agreement, after the introduction of the GST, any proposal to vary the GST base will require:
 - (i) the unanimous support of the State and Territory Governments;
 - (ii) the endorsement by the Commonwealth Government of the day; and
 - (iii) the passage of relevant legislation by both Houses of the Commonwealth Parliament.
33. All future changes to the GST base should be consistent with:
 - (i) the maintenance of the integrity of the tax base;

- (ii) simplicity of administration; and
 - (iii) minimising compliance costs for taxpayers.
34. A proposal to vary the GST base by way of a Ministerial determination under the GST Act will require the unanimous agreement of the Ministerial Council established under clause 40. The Ministerial Council will develop practical arrangements to ensure timely consideration of proposed Ministerial determinations.
35. During the first 12 months following the implementation of the GST, the Commonwealth Government will retain the discretion to make changes unilaterally to the GST base where such changes:
- (i) are of an administrative nature (as defined in Appendix F to this Agreement);
 - (ii) are necessary to facilitate the implementation of the new tax; and
 - (iii) have regard to the need to protect the revenue of the States and Territories.
36. From July 2001, changes to the GST base of an administrative nature (as defined in Appendix F) would require the majority support of the Commonwealth, the States and the Territories.

Australian Taxation Office

37. The States and Territories will compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office (ATO) in administering the GST.
38. Accountability and performance arrangements will be established between the ATO and the State and Territory Governments consistent with Appendix G to this Agreement. These arrangements will include maximising compliance, cost efficiency, simplicity for taxpayers and administrative transparency.
39. The ATO and State and Territory Governments will collaborate to explore options for the States and Territories to benefit from the use of the Australian Business Number system.

PART 4 – INSTITUTIONAL ARRANGEMENTS

Establishment of Ministerial Council

40. A Ministerial Council comprising the Commonwealth, the States and the Territories will be established from 1 July 1999 to oversee the operation of this Agreement.

41. The membership of the Ministerial Council will comprise the Treasurer of the Commonwealth and the Treasurers of the States and Territories (or designated representatives).
42. The functions of the Ministerial Council will include:
- (i) the oversight of the operation of the GST;
 - (ii) the oversight and coordination of the implementation of this Agreement;
 - (iii) the review of matters of operational significance raised through the GST Administration Sub-Committee;
 - (iv) discussion of CGC recommendations regarding relativities prior to the Commonwealth Treasurer making a determination;
 - (v) monitoring compliance with the conditions governing the provision of local government financial assistance set out in Appendix D to this Agreement;
 - (vi) monitoring compliance with the conditions governing the provision of assistance to first home owners set out in Appendix E to this Agreement;
 - (vii) monitoring compliance with the Commonwealth's undertaking with respect to SPPs;
 - (viii) considering reports of the GST Administration Sub-Committee on the performance of the ATO in GST administration;
 - (ix) reviewing the operation of the Agreement over time and considering any amendments which may be proposed as a consequence of such review;
 - (x) making recommendations to the Commonwealth Treasurer on the Guaranteed Minimum Amount applying to each State and Territory under the Transitional Arrangements;
 - (xi) approving changes to the GST base which require the support of a majority of Commonwealth, State and Territory Governments;
 - (xii) considering on-going reform of Commonwealth-State financial relations; and
 - (xiii) considering other matters covered in this Agreement.
43. The Treasurer of the Commonwealth will convene the Ministerial Council in consultation with the other members of the Council not less than once each financial year. If the Commonwealth Treasurer receives a request from a member of the Council, he will consult with the other members concerning convening a meeting. The Treasurer of the Commonwealth will be the chair of the Council. The Council may also conduct its business by correspondence.

44. All questions arising in the Ministerial Council will be determined by unanimous agreement unless otherwise specified in this Agreement.
45. While it is envisaged that the Ministerial Council will take decisions on most business arising from the operation of this Agreement, major issues will be referred by the Ministerial Council to Heads of Government for consideration, including under the auspices of the Council of Australian Governments.
46. The Ministerial Council will establish a GST Administration Sub-Committee comprised of Commonwealth, State and Territory officials to monitor the operation of the GST, make recommendations regarding possible changes to the GST base and rate and to monitor the ATO's performance in GST administration. The GST Administration Sub-Committee will function in accordance with the arrangements set out in Appendix F to this Agreement.

SIGNED for and on behalf of the Parties by:

The Honourable John Winston Howard,
Prime Minister of the Commonwealth of Australia,
on the 9th day of April 1999
in the presence of:

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The Honourable Robert John Carr,
Premier of the State of New South Wales,
on the 9th day of April 1999
in the presence of:

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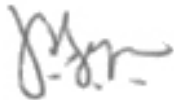
The Honourable Jeffrey Gibb Kennett,
Premier of the State of Victoria,
on the 9th day of April 1999
in the presence of:

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The Honourable Peter Douglas Beattie,
Premier of the State of Queensland,
on the 9th day of April 1999
in the presence of:

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The Honourable Richard Fairfax Court,
Premier of the State of Western Australia,
on the 9th day of April 1999
in the presence of:

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The Honourable John Wayne Olsen,
Premier of the State of South Australia,
on the 9th day of April 1999
in the presence of:

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The Honourable James Alexander Bacon,
Premier of the State of Tasmania,
on the 9th day of April 1999
in the presence of:

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Kate Carnell,
Chief Minister of the Australian Capital Territory,
on the 9th day of April 1999
in the presence of:

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)



The Honourable Denis Gabriel Burke,
Chief Minister of the Northern Territory of Australia,
on the 9th day of April 1999
in the presence of:

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APPENDICES

- A: Taxes Subject to Reform
- B: Payment of GST Revenues to the States and Territories
- C: Transitional Arrangements
- D: Conditions Governing Local Government Financial Assistance
- E: First Home Owners Scheme
- F: GST Administration
- G: GST Administration Performance Agreement — Guiding Principles

Taxes Subject To Reform

The taxes which will cease to apply in accordance with paragraph 5 of this Agreement are set out below and in the relevant Commonwealth, State and Territory statutes as at 13 November 1998.

A1. The following taxes will cease to apply from 1 July 2000:

(i) *Wholesale Sales Tax*

Sales tax levied on the value of the last wholesale sale of goods sold or otherwise dealt with as imposed by the Commonwealth's Sales Tax (Imposition) Acts.

(ii) *Bed Taxes*

Accommodation taxes levied on the cost of temporary residential accommodation.

A2. The following State and Territory taxes will cease to apply from 1 January 2001:

(i) *Financial Institutions Duty*

Financial Institutions Duty levied on the value of receipts (credits) at financial institutions and on the average daily liabilities and/or investments of short term money market dealers.

(ii) *Debits Tax*

Debits tax levied on the value of withdrawals (debits) from accounts with financial institutions with cheque drawing facilities.

Debits duty levied on transactions, including credit card transactions. This does not include stamp duty on electronic debits (refer A3 (vi) below).

A3. The following State and Territory taxes will cease to apply from 1 July 2001:

(i) *Stamp Duty on Marketable Securities*

Stamp duty levied on turnover (ie sale price times quantity traded) on the transfer of listed and unlisted marketable securities.

(ii) *Stamp Duty on Business Conveyances (other than real property)*

Stamp duty levied on the value of the following components of business conveyances:

- goodwill (except site goodwill);
- trading stock;
- work in progress;
- chattels (except when in connection with a realty conveyance);
- book debts;
- statutory licences or permissions (Commonwealth);
- statutory licences or permissions (State or Territory);
- contractual licences;
- right to use business name/trademark;
- right to use thing, system, process;
- right to use information, knowledge;
- intellectual property (patents etc);
- partnership interest;
- grants of contractual rights;
- transfer of contractual rights; and
- interest in any of the above.

(iii) *Stamp Duty on Leases*

Stamp duty levied on the rental payable under tenancy agreements.

(iv) *Stamp Duty on Mortgages, Bonds, Debentures and Other Loan Securities*

Stamp duty levied on the value of a secured loan property.

(v) *Stamp Duty on Credit Arrangements, Instalment Purchase Arrangements and Rental Arrangements*

Stamp duty levied on the value of the loan under credit arrangements.

Stamp duty levied on credit business in respect of loans made, discount transactions and credit arrangements.

Stamp duty levied on the price of goods purchased under instalment purchase arrangements.

Stamp duty levied on the rent paid in respect of the hire of goods, including consumer and producer goods.

(vi) *Stamp Duty on Cheques, Bills of Exchange and Promissory Notes*

Stamp duty levied on cheques, bills of exchange, promissory notes, or other types of payment orders, promises to pay or acknowledgment of debts, including duty on electronic debits.

A4. The following State and Territory taxes will cease to apply from a date to be determined:

(i) *Stamp Duty on Non-residential Conveyances (real property)*

Stamp duty levied on the value of other than residential property conveyances.

Payment of GST Revenues to the States and Territories

- B1. Subject to the transitional arrangements and other relevant provisions in this Agreement, the Commonwealth will distribute GST revenue grants among the States and Territories in accordance with horizontal fiscal equalisation (HFE) principles.
- B2. The pool of funding to be distributed according to HFE principles in a financial year will comprise GST revenue grants and health care grants as defined under an Australian Health Care Agreement between the Commonwealth and the States and Territories. A State or Territory's share of the pool will be based on its population share, adjusted by a relativity factor which embodies per capita financial needs based on recommendations of the Commonwealth Grants Commission. The relativity factor for a State or Territory will be determined by the Commonwealth Treasurer after he has consulted with each State and Territory.
- B3. The total amount of GST revenue to be provided to the States and Territories in a financial year will be defined as:
- (i) the sum of GST collections, diesel fuel excise credits, and voluntary and notional payments made by government bodies; reduced by
 - (ii) the amounts paid or applied under Division 35 of the GST Act and under section 39 of the *Taxation Administration Act 1953*.
- B4. The total amount of GST revenue in a financial year will be determined by the Commissioner of Taxation in the following way:
- (i) actual outcomes for the items listed in paragraph B3 for the period 1 July to 31 May; plus
 - (ii) estimated outcomes for the items listed in paragraph B3 for the month of June; plus
 - (iii) an adjustment amount (which may be positive or negative) to account for any difference between the estimated and actual outcome for the items listed in paragraph B3 for the month of June in the previous year.
- B5. GST revenue grants will be paid by the Commonwealth on the twenty-seventh day of each month. Where the scheduled payment day is a Saturday, Sunday or public holiday in Canberra, the payment will be made on the next business day of the Reserve Bank of Australia in Canberra.
- B6. The States and Territories shall be informed of the quantum of each monthly payment by close of business Canberra time on the twenty-sixth day of each

month. Where the day is a Saturday, Sunday or public holiday in Canberra, the States and Territories shall be informed of the quantum of the payment on the last business day of the Reserve Bank of Australia in Canberra prior to payment day.

- B7. The distribution between the States and Territories of the payments of GST revenue grants up to 15 June in each year will be based on:
- (i) the Treasurer's determination of per capita relativities;
 - (ii) the latest available Australian Bureau of Statistics' projections, or estimates, of State and Territory populations as at 31 December;
 - (iii) the latest available Department of Health and Aged Care estimates of health care grants to be provided to a State or Territory; and
 - (iv) the latest available estimates of the guaranteed minimum amount for each State and Territory to be calculated under Appendix C of this Agreement.

The Commonwealth will inform the States and Territories of any changes to the estimates as part of the advice to be provided to the States and Territories under paragraph B6.

- B8. The payments of GST revenue grants after 15 June in each year will take into account the determinations of:
- (i) per capita relativities and Guaranteed Minimum Amounts by the Treasurer;
 - (ii) populations by the Statistician;
 - (iii) health care grants by the Minister administering the *National Health Act 1953*; and
 - (iv) GST revenues by the Commissioner of Taxation.

For this purpose, the final payment will be made no later than the seventeenth day of June in each year. Where the seventeenth day of June is a Saturday, Sunday or public holiday in Canberra, the payment will be made on the next business day of the Reserve Bank of Australia in Canberra.

- B9. States shall be informed of the quantum of the final monthly payment of GST revenues grants by close of business Canberra time on the sixteenth day of June. Where the sixteenth day of June is a Saturday, Sunday or public holiday in Canberra, the Commonwealth shall inform the States of the quantum of the final payment on the last business day of the Reserve Bank of Australia in Canberra prior to the thirteenth.
- B10. The timing of payments of GST revenue grants may be varied by agreement between the Parties to this Agreement.

Transitional Arrangements

Guarantee in Legislation

- C1. Commonwealth legislation will provide a State or Territory with an entitlement to an additional amount of funding from the Commonwealth to offset any shortfall between its entitlement to GST revenue grants and the total amount of funding which would ensure that the budgetary position of a State or Territory is not worse off during the transition period.
- (i) In 2000-01, transitional assistance will be provided to a State or Territory as an interest free loan to be repaid to the Commonwealth in full in 2001-02.
 - (ii) In subsequent transitional years, transitional assistance will be provided to a State or Territory as a grant.

Guaranteed Minimum Amount

- C2. The amount of a State or Territory's entitlement to transitional assistance in a financial year will be calculated by subtracting its entitlement to GST revenue grants from a 'Guaranteed Minimum Amount' constructed in the following way:

State revenues forgone: financial assistance grants, revenue replacement payments and State and Territory taxes as defined in Appendix A of this Agreement.

plus

Revenue impact of delayed transactions: in 2000-01 only, the effect on a State or Territory's revenue of transactions that have been delayed to avoid liability for a tax that is defined in Appendix A of this Agreement.

plus

Reduced revenues: the amount by which States and Territories adjust gambling taxation arrangements to take account of the impact of the GST on gambling operators.

plus

Interest costs on cash flow shortfalls: the interest cost incurred by States and Territories as a result of the change to cash flows arising from the replacement of weekly financial assistance grants, revenue replacements and State and Territory taxes with monthly GST revenue grants.

plus

Loan Repayments: in 2001-02 only, the repayment of a guarantee loan by a State or Territory.

plus

Additional expenditures: general purpose payments to local government in accordance with Appendix D of this Agreement, payments to first home owners in accordance with Appendix E of this Agreement and the amount of the agreed GST administration costs payable to the ATO by a State or Territory.

plus

Other items: \$338 million spread evenly over three years starting in 2000-01 in respect of the claim by States and Territories in relation to revenue forgone from the abolition of the Wholesale Sales Tax (WST) Tax Equivalent Regimes (with the distribution to be agreed among the States and Territories).

minus

Reduced expenditures: off-road diesel subsidies and reduced costs from the removal of embedded WST and excises on purchases by a State or Territory excluding \$210 million over three years in relation to local government.

minus

Growth dividend: the increase in revenue to a State or Territory (not including GST revenue payments) that is attributable to the impact of the Commonwealth's taxation reform measures on economic growth.

plus

Adjustments: from 2001-02, the net difference between preliminary estimates and outcomes or final estimates for items that were taken into account in the previous year's Guaranteed Minimum Amount.

In addition, \$269 million in total, spread evenly over three years, will be included in the new Commonwealth State Housing Agreement starting in 2000-01 in respect of the net increased public housing costs as a result of tax reform (with the distribution to be agreed among the States and Territories).

Heads of Treasuries' Advice to Ministerial Council

- C3. The Guaranteed Minimum Amount for a State or Territory will be determined by the Commonwealth Treasurer by 10 June of each year of the transition period. The Ministerial Council will make recommendations to the Treasurer on the Guaranteed Minimum Amount for each State and Territory.

- C4. The Heads of Treasuries will provide written advice to the Ministerial Council on the following issues by the indicated dates.
- (i) By 1 March 2000, advice on the estimated loans to be provided to each State and Territory in 2000-01 and the amounts which the Commonwealth should provide to each State and Territory on Tuesday 4 July 2000.
 - (ii) By 1 November 2000 advice on the most recent estimates of transitional assistance for the year and any adjustment that may need to be made to the amount of the loans made to each State and Territory.
 - (iii) By 1 September of each subsequent year of the transition period, advice on the most recent estimates of the transitional assistance to be provided to each State and Territory in the financial year and the instalment amounts which the Commonwealth should provide to each State and Territory on the first Tuesday of the following October and January. This advice should identify the adjustments for the net difference between preliminary estimates and outcomes or final estimates for items that were taken into account in the previous year's Guaranteed Minimum Amount for a State or Territory.
 - (iv) By 1 March of each subsequent year of the transition period, advice on the most recent estimates of the transitional assistance to be provided to each State and Territory in both the current financial year and the next financial year, and the instalment amounts which the Commonwealth should provide to each State and Territory on the first Tuesday of the following April and July.
 - (v) By 1 June of each year of the transition period, advice on the Guaranteed Minimum Amount for each State and Territory in the current financial year.

Frequency and Amounts of Payments and Repayments

- C5. In each year of the transitional period after 2000-01, the Commonwealth will provide an installment of the guarantee payment to a State or Territory on the first Tuesday (or the first business day thereafter) of January, April, July and October. The installment amounts will reflect the advice to be provided to the Ministerial Council by the Heads of Treasuries under paragraph C4.
- C6. Adjustments to the total amount of additional assistance to a State or Territory in light of actual GST collections and the Treasurer's determination of the Guaranteed Minimum Amount will be made in conjunction with the payments of GST revenue grants after 10 June in each year.
- C7. A State or Territory will repay a loan which it receives from the Commonwealth in 2000-01 in quarterly installments in 2001-02. These installments will be paid to the Commonwealth on the same day on which a State or Territory receives an amount of GST revenue grants in the months of July, October, January and April.

- C8. The methodology for calculating the amounts of particular components of the Guaranteed Minimum Amount for a State or Territory has been agreed by the Heads of Treasuries and is set out in the document titled *Methodology for Estimation of Components of the Guaranteed Minimum Amount*.

Conditions Governing Local Government Financial Assistance

- D1. The Commonwealth will repeal the *Local Government (Financial Assistance) Act 1995*. The States and the Northern Territory will enact legislation necessary to give effect to the conditions in this Appendix.
- D2. The level of the Local Government Financial Assistance Grants (LGFAGs) provided to local governing bodies will be maintained in real per capita terms on an ongoing basis. Undertakings in respect of funding levels do not preclude revenue neutral funding adjustments made in consultation with local government to reflect: reciprocal taxation or charging initiatives in a particular State or the Northern Territory; and significant change in the respective roles and responsibilities of the States, the Northern Territory and local governing bodies in a particular State or the Northern Territory. Undertakings in respect of funding levels are contingent upon local government bodies acting in accordance with clause 18 of this Agreement.
- D3. The base level of LGFAGs for a State or the Northern Territory will be the actual grant entitlement provided by the Commonwealth to the State or the Northern Territory in the 1999-2000 financial year for local government general purpose assistance and identified local road funding.
- D4. In subsequent financial years, the entitlement for LGFAGs nationally will be indexed annually in line with the March-on-March national Consumer Price Index increase and the December-on-December national population growth, as calculated by the Australian Bureau of Statistics. The general purpose entitlement for a State or the Northern Territory will be that State's or the Northern Territory's per capita share of the national entitlement. The identified local roads entitlement for a State or the Northern Territory will be that State's or the Northern Territory's share of the national entitlement using the same shares as used in the 1999-2000 financial year. Each State and the Northern Territory will maintain the level of LGFAGs to local governing bodies at a level equal to the entitlement for general purpose and identified local roads for that State or the Northern Territory.
- D5. Local governing bodies are those established by or under a law of a State or the Northern Territory (other than a body whose sole or principal function is to provide a particular service, such as the supply of electricity or water) and those bodies the State or the Northern Territory believes should be a local governing body for the purposes of receiving these grants.
- D6. Each State and the Northern Territory will maintain a Local Government Grants Commission. The Commissions will determine the allocation of LGFAGs between local governing bodies within their jurisdiction. The Commissions shall include two members who are or have been associated with local government. Commissions will be required to hold public meetings and to permit local governing bodies to make submissions to it in connection with their recommendations.

- D7. The Local Government Grants Commissions will determine the allocation of general purpose grants to local governing bodies subject to the following conditions:
- (i) General purpose grants will be allocated to local governing bodies, as far as practicable, on a full horizontal fiscal equalisation (HFE) basis.
 - (ii) An effort or policy neutral approach will be used in assessing the expenditure requirements and revenue raising capacity of each local governing body. This means, as far as practicable, that policies of individual local governing bodies in terms of expenditure and revenue effort will not affect grant determinations.
 - (iii) Subject to the effect on the relative needs on local governing bodies of the factors specified in D2, no local governing body will be allocated an amount that is less than the amount that would be allocated to the body if 30 per cent of general purpose grants were allocated on a per capita basis.
 - (iv) Other relevant grant support to local governing bodies to meet any of the expenditure needs assessed should be taken into account using an inclusion approach.
 - (v) Financial assistance will be allocated to local governing bodies in a way which recognises the needs of Aboriginal and Torres Strait Islanders within their boundaries.
- D8. The Local Government Grants Commissions will determine the allocations of the identified roads funding to local governing bodies subject to the following condition:
- (i) the identified roads component of LGFAGs will be allocated to local governing bodies as far as practicable on the basis of the relative needs of each local governing body for roads expenditure and to preserve its road assets.
- D9. The reference to the allocation of funds on a full HFE basis is a reference to an allocation of funds that:
- (i) ensures that each local governing body in a State or the Northern Territory is able to function, by reasonable effort, at a standard not lower than the average standard of other local governing bodies in the State or the Northern Territory; and
 - (ii) takes account of differences in the expenditure required to be incurred by local governing bodies in the performance of their function and their capacity to raise revenue.

- D10. Subject to D2, the States or the Northern Territory shall make unconditional payments of LGFAGs to local governing bodies which are freely available for use for any purpose. As far as practicable, these payments should be made in equal quarterly instalments.
- D11. Each State and the Northern Territory will provide to the Ministerial Council, as soon as practicable after 30 June each year, a statement setting out the payments made by the State or the Northern Territory to the local governing bodies during the year, the dates of the payments and the methods used by the Local Government Grants Commissions to make their recommendations.
- D12. The effectiveness of the operation of the arrangements for the provision of local government funding by the States or the Northern Territory will be reviewed by the Ministerial Council at least every five years. Local government will be consulted on the terms of reference for the reviews and will be asked to contribute to the reviews. Consistent with existing conditions, these reviews will examine:
- (i) the effectiveness of funding arrangements in ensuring that the allocation of funds for local government purposes is made on a full HFE basis;
 - (ii) the impact of the arrangements on the raising of revenue by local governing bodies and on assistance provided by the States and the Northern Territory to local governing bodies;
 - (iii) the implications of any changes in the functions or responsibilities of local governing bodies; and
 - (iv) any other matters relating to local government including the provisions of this Appendix that the Ministerial Council determines.
- D13. The Commonwealth Grants Commission will be directed to continue to exclude local government funding from its assessments.

FIRST HOME OWNERS SCHEME

Principles

- E1. The States and Territories will make legislative provision for the First Home Owners Scheme (FHOS) from 1 July 2000 which will incorporate programme criteria consistent with the following principles:
- (i) Eligible applicants will be entitled to \$7,000 assistance (per application) on eligible homes under the FHOS.
 - (ii) Assistance will be available directly as a one off payment. If the recipient expressly consents, it may be available as an offset against statutory levies and charges or some combination of these.
 - (iii) Eligible applicants must be natural persons who are Australian citizens or permanent residents who are buying or building their first home in Australia. An applicant's spouse (or de facto) must be included on the application.
 - (iv) To qualify for assistance, neither the applicant or the applicant's spouse (or de facto) must have previously owned a home, either jointly, separately or with some other person.
 - (v) Entering into a binding contract or commencement of building in the case of owner builders, must have occurred on or after 1 July 2000.
 - (vi) An eligible home will be a new or established house, home unit, flat or other type of self contained fixed dwelling that meets local planning standards. Fixed dwellings will include demountable dwellings where these meet local planning standards.
 - (vii) An eligible home must be intended to be a principal place of residence and occupied within a reasonable period. The home must be located in the State or Territory in which the application is made. Applicants who have entered into a financing mechanism which involves a shared equity arrangement will be eligible.
 - (viii) Assistance will not be means tested.
 - (ix) The relevant State and Territory legislation will contain adequate administrative review and appeal mechanisms, along with provision to prevent abuse of the FHOS. The States and Territories will cooperate in the exchange of information to identify eligible first home owners.

Other Matters

- E2. Funding of grants under the FHOS may not be drawn from Home Purchase Assistance (HPA) funds provided through the Commonwealth State Housing Agreement, including the pool of existing HPA revenues.
- E3. Further details concerning eligibility criteria consistent with the above principles are to be agreed between the Commonwealth and each State and Territory.
- E4. The States and Territories will not introduce or vary any taxes or charges associated with home purchase with the intention of offsetting the benefits of the FHOS for recipients.

GST Administration

- F1. The Commissioner of Taxation has the general administration of the GST law.
- F2. The ATO will arrange for the Australian Customs Service to assist with the collection of the GST on imports.
- F3. During the first 12 months following the implementation of the GST, the Commonwealth will retain the discretion to make changes to the GST base of an administrative nature. For this purpose, changes of an administrative nature involves legislation necessary to:
- (i) protect the integrity of the GST base; or
 - (ii) prevent tax avoidance.
- F4. The Commonwealth will include the definition of change of an administrative nature in the *A New Tax System (Commonwealth-State Financial Arrangements) Bill 1999*.
- F5. From July 2001, changes of an administrative nature as defined in F3 will require the majority support of the Commonwealth, States and Territories.
- F6. The GST Administration Sub-Committee, which will commence operation from 1 July 1999, will monitor the operation and administration of the GST and make recommendations regarding modifications to the GST and the administration of the GST.
- F7. The GST Administration Sub-Committee will comprise officials from each Party to the Agreement including representatives from the ATO as required. The Commonwealth Treasury will chair the GST Administration Sub-Committee.
- F8. The Chair will convene the GST Administration Sub-Committee in consultation with other members of the Sub-Committee as often as may be necessary to conduct its business. If the Chair receives a request from a member of the Sub-Committee, the Chair will consult with the other members concerning convening a meeting.
- F9. The functions of the Sub-Committee will include:
- (i) monitoring the performance of the ATO in the administration of the GST (Appendix G of this Agreement);
 - (ii) the assessment of policy proposals for the modification of the GST rate and base;
 - (iii) making recommendations to the Ministerial Council on the need for legislation which might significantly affect the GST base; and

- (iv) requesting the ATO to produce draft Public Rulings in specified areas.
- F10. The States and Territories will be consulted on draft Public Rulings prior to consideration by the ATO Rulings Panel and before public consultation. There will be a representative from the States and Territories on the ATO Rulings Panel in relation to GST matters.
- F11. Public rulings will not be referred to the Ministerial Council. However, the GST Administration Sub-Committee will refer a proposed GST change to the Ministerial Council for consideration if the Sub-Committee is of the view that the change could have a significant impact on GST revenues and so warrants Ministerial review.
- F12. Draft legislation which might significantly affect the GST base will be forwarded through the GST Administrative Sub-Committee to the Ministerial Council for consideration.

GST ADMINISTRATION PERFORMANCE AGREEMENT — GUIDING PRINCIPLES

Preamble

- G1. This Appendix outlines the principles that will guide the subsequent development of a GST Administration Performance Agreement (the Performance Agreement) between the ATO and its agents, and the States and Territories (the Parties).

Objectives and Context of the Performance Agreement

- G2. The purpose of the Performance Agreement is to provide accountability between the ATO and the States and Territories on behalf of whom the GST revenue is being collected. It also provides an agreed basis for the GST Administration Sub-Committee to monitor the administration of the GST by the ATO and its agents in return for the agreed GST administration costs being paid by the States and Territories.
- G3. The Performance Agreement will reflect the commitment by the Parties to:
- (i) achieving world's best practice for GST administration in Australia;
 - (ii) a cost-effective and transparent GST administration; and
 - (iii) a cooperative relationship between the Parties.
- G4. The Performance Agreement will recognise that achievement of world's best practice GST administration, including cost-effectiveness, is dependent on the GST policy framework and integrated administrative design.
- G5. The Performance Agreement will be consistent with the arrangements set out in this Intergovernmental Agreement.

Components of Agreement

- G6. The Performance Agreement will include outcomes to be achieved, budgeting arrangements and monitoring and review arrangements for the purposes of maintaining accountability and transparency of operations. The Performance Agreement will also include the process for raising matters of operational significance with the Ministerial Council.

Outcomes

G7. The Performance Agreement will stipulate performance outcomes and appropriate benchmarks to be achieved by the ATO. These outcomes may include, but are not limited to: revenue, taxpayer registration, compliance, reporting, education and legislative review. Consistent with the objectives of the Agreement, the benchmarks are to reflect world best practice in GST administration.

Cost of Administration

G8. The Performance Agreement will outline the Commonwealth administration activities that are GST related for the purposes of agreeing the GST administration costs.

G9. The Performance Agreement will stipulate arrangements for an audit of GST costs and the systems for the control of GST costs.

G10. The Performance Agreement will outline the process and timing of consultation for developing/modifying budgets and business plans for GST administration. These budgets and business plans will be developed, and/or revised, in an appropriate and timely manner so as to broadly accord with Commonwealth arrangements for funding agency operations.

G11. The Performance Agreement will recognise that the States and Territories will fully compensate the Commonwealth for the agreed costs of administering the GST.

Monitoring and Review

G12. The Performance Agreement will stipulate the:

- (i) number and timing of formal reports by the ATO to the Sub-Committee;
- (ii) number and timing of progress reports by the ATO to the Sub-Committee; and
- (iii) arrangements for special briefings on particular issues.

G13. The Parties to the Performance Agreement will ensure appropriate alignment of ATO Parliamentary reporting responsibilities and reporting responsibilities under the Performance Agreement.

G14. The Performance Agreement will stipulate that ATO reports to the Sub-Committee on outcomes will include:

- (i) updates on relevant internal governance arrangements, including appropriate strategic plans and annual and other relevant reports that scrutinise aspects

of GST operations (including annual and other relevant reports from the Australian National Audit Office);

- (ii) accrual-based financial reports;
- (iii) key outcome performance indicators (including, registrations, revenue, refunds, costs, key processing workloads, Taxpayer Charter standards and international benchmark comparisons);
- (iv) litigation and public ruling information;
- (v) updates on relevant compliance and cost-of-compliance research;
- (vi) administrative base issues; and
- (vii) commentary on administrative performance and any key emerging GST compliance issues and related initiatives.

G15. The Performance Agreement will ensure that the States and Territories will have access to GST data held by the ATO subject to statutory limitations.

Matters of Operational Significance

G16. The Performance Agreement will outline arrangements for raising matters of operational significance with the Ministerial Council. Matters of operational significance may include disputes over the interpretation of the Performance Agreement and non-performance by the ATO against agreed targets. The Performance Agreement will ensure that the ATO will have the opportunity to provide direct advice to the Ministerial Council on any matters submitted to the Council.

Development of Agreement

G17. The Performance Agreement will be developed by the GST Administration Sub-Committee and representatives of the ATO. The Performance Agreement is to be developed with reference to both:

- (i) the guiding principles outlined in this Appendix; and
- (ii) actual GST performance data (including revenue) in the Australian context, gathered during the transitional years.

G18. The Performance Agreement is to be finalised by the end of the GST transitional year ending June 2002. The Performance Agreement is to be endorsed by the Ministerial Council prior to being signed.

G19. The Performance Agreement will stipulate the process for its amendment.

Transitional Arrangements

- G20. The ATO and the GST Administration Sub-Committee will discuss key operational issues and costs commencing in October 1999 and on a semiannual basis throughout the GST transitional year ending 30 June 2002.
- G21. The ATO will arrange for an audit of the systems for the control of GST costs and the GST costs incurred during the period from 1 July 1999 to the date of the signing of the Performance Agreement by the Parties.
- G22. The ATO will undertake to establish, by the end of the Transitional year ending 30 June 2002, final GST benchmarking arrangements with relevant overseas administrations, subject to their agreement. The ATO will discuss benchmarking plans with the GST Administration Sub-Committee.