

Appendix E: Appropriations and conditions

Funding to state and territory governments (states) is provided through grants of financial assistance pursuant to section 96 of the Constitution which states: 'the Parliament may grant financial assistance to any State on such terms and conditions as Parliament thinks fit'. This is the mechanism used to enable payments under the Federal Financial Relations framework.

Under the *Federal Financial Relations Act 2009 (FFR Act)*, the amount of National Partnership payments and other general revenue assistance in each financial year must not exceed specified debit limits. The limits are deliberately set well above the expected level of expenditure to ensure the Australian Government has sufficient scope not only to deal with existing commitments to the states but also to deal with large-scale natural disasters or unforeseen agreements with the states that require large payments to be made in the current financial year. The debit limits, which are set out in *Appropriation Acts No.2 and No.4*, and *Supply Act No.2* as relevant, do not appropriate amounts to be paid to the states; they only set a limit to the amount that can be paid.

Agreements underpinning Commonwealth-state payments are available on the Federal Financial Relations website, at: www.federalfinancialrelations.gov.au. All legislation is available at: www.legislation.gov.au.

Table E.1: Appropriation mechanisms and terms and conditions for state payments

Payment type	Appropriation mechanism	Terms and conditions
National Partnerships	The FFR Act (section 16) allows the Treasurer to make a determination crediting amounts to the COAG Reform Fund for the purpose of making these payments. ^(a) The <u>COAG Reform Fund Act 2008</u> (section 6) and the <u>Public Governance, Performance and Accountability Act 2013</u> (section 80) provide the appropriation for these amounts.	The <u>COAG Reform Fund Act 2008</u> (section 7) provides that the terms and conditions for National Partnership payments must be set out in a written agreement between the Australian Government and the recipient state. Agreements are signed either at first minister, Treasurer, or portfolio minister level.
National Specific Purpose Payments (SPPs)	National SPPs are made under the FFR Act (section 22). Monthly advance payments throughout the year are made under section 17.	Terms and conditions are set out in the <u>Intergovernmental Agreement on Federal Financial Relations</u> (IGA). Related commitments appear in National Agreements, signed at first minister level.
National Housing and Homelessness Agreement (NHHA)	NHHA payments are made under the FFR Act (section 22). Monthly advance payments throughout the year are made under section 17.	Terms and conditions are set out in the <u>NHHA</u> , signed at first minister level.
National Health Reform (NHR)	NHR payments are made under the FFR Act (section 22). Monthly advance payments throughout the year are made under section 17.	The statutory framework for NHR payments is set out in the <u>National Health Reform Act 2011</u> . Terms and conditions are set out in the <u>National Health Reform Agreement</u> and variations including the <u>National Partnership on COVID-19 Response</u> .
Energy Bill Relief (EBR)	EBR payments are made under the FFR Act (section 22). Advance payments are made under section 17.	Under the FFR Act (section 15E), terms and conditions are set out in the EBR agreements between the Australian Government and the states.
Quality Schools	Payments of recurrent funding are made under the <u>Australian Education Act 2013</u> (AEA) (section 26). Special circumstances funding (section 69), prescribed circumstances funding (section 69A) and funding for non-government representative bodies (section 70) are also made under the AEA, through ministerial determinations.	Terms and conditions are set out in the AEA and the <u>Australian Education Regulation 2013</u> .
Water for the Environment Special Account	Payments are made under the <u>Water Act 2007</u> (section 86AD), through the Water for the Environment Special Account.	Under the <u>Water Act 2007</u> (section 86AF), terms and conditions are set out in a ministerial-level funding agreement between the Australian Government and relevant states.
Sustainable Rural Water Use and Infrastructure	Payments are made under the FFR Act (section 16) in line with payments for National Partnerships.	Terms and conditions are set out in <u>Water Management Partnership Agreements</u> under the Intergovernmental Agreement on Murray-Darling Basin Reform 2008, and other agreements listed on the <u>Federal Financial Relations website</u> .

Table E.1: Appropriation mechanisms and terms and conditions for state payments (continued)

Payment type	Appropriation mechanism	Terms and conditions
Financial Assistance Grants to local governments	Payments are made under the <i>Local Government (Financial Assistance) Act 1995</i> (section 19).	Funding under the Financial Assistance Grant program is allocated in accordance with national principles (<i>Local Government (Financial Assistance) Act 1995</i> , section 6), and available at: regional.gov.au/local .
Sinking Fund on State Debt	Payments are made under the <i>Financial Agreement Act 1994 (FAA Act)</i> (section 5).	The method and rate for determining the value of annual Australian Government contributions to the Debt Retirement Reserve Trust Account are prescribed in the Schedule to the FAA Act.
Payments under Appropriation Acts	Some payments for schools, Roads to Recovery ^(b) , Drought Communities Programme – Extension ^(b) and Local Roads and Community Infrastructure Program ^(b) are made under annual Appropriation Acts.	Terms and conditions are set out in ministerial determinations under the AEA, the Roads to Recovery Funding Conditions 2019, Grant Program Guidelines for the Drought Communities Program – Extension and Local Roads and Community Infrastructure Program Guidelines .
GST payments	GST Payments are made under the FFR Act (section 22). Monthly advance payments throughout the year are made under section 17.	The distribution of the GST among the states is set out in the FFR Act (section 5). Further provisions governing the GST payments are also included in the IGA.
Other general revenue assistance	The FFR Act (section 9) allows the Treasurer to make a determination crediting amounts to the COAG Reform Fund for the purpose of making these payments. The <i>COAG Reform Fund Act 2008</i> (section 6) and the <i>Public Governance, Performance and Accountability Act 2013</i> (section 80) provide the appropriation for these amounts.	Terms and conditions are set out in Schedule D to the IGA. Terms and conditions for the transitional GST top-up payments are set out in bilateral agreements between the Australian Government and the relevant states.

a) In limited circumstances, amounts from other Appropriation Acts can be credited to the COAG Reform Fund for making National Partnership payments.

b) Includes payments made directly to local governments.