



# COMMONWEALTH FINANCIAL RELATIONS WITH OTHER LEVELS OF GOVERNMENT 1994-95

CIRCULATED BY  
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FOR THE INFORMATION OF  
HONOURABLE MEMBERS ON THE OCCASION  
OF THE BUDGET 1994-95

**BUDGET PAPER No. 3**

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## **PREFACE**

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

With the earlier date for the Commonwealth Budget some changes have been necessary to the format of this paper compared with past years. The main reason for the changes is the non-availability of figures for actual payments to the States in 1993-94. This has prevented the detailed analysis of financial developments in the State/local sector on the same basis as that which appeared in Chapter II of the 1993-94 publication and some of the analysis of specific purpose payments on the same basis as that in Chapter V of that publication.

Information on actual payments to the States in 1993-94 will be published when it is available in the new financial year.

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

In examining government finances, the most relevant aggregates for economic analysis are usually those relating to payments on a net basis — that is, after repayments of Commonwealth government loans and sinking fund contributions by the States in respect of borrowings by the Commonwealth on their account. In Budget Paper No 1, this distinction is evident in the use of the term 'payment' as a gross measure and the term 'outlay' as a net measure, an approach that is also adopted in other budget papers and the national accounts. However, repayments lag the initial advances and, in many cases, are made in respect of programs which have already terminated. Moreover, the direct relationship between payments and the programs to which they nominally relate is not always clear. Largely for these reasons, this paper focuses on payments on a gross basis, although tables showing repayments are included.

In this paper, 'payment' is also used as a generic term to describe both grants and advances (loans) from the Commonwealth to the States and local government authorities. The use of the term 'payment' in this manner is consistent with this paper's emphasis on gross flows and with its use in Budget Paper No 1. In instances where the net measure is more appropriate, the term 'net payment' is used.

Statement 6 of Budget Paper No 1 examines developments in public sector finances over the past decade. Trends in outlays, revenue and net borrowing of the general government and public trading enterprise sectors are examined, in addition to a brief discussion of the structure of the public sector and the financial relations between the three tiers of government.

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

The population series (reproduced in Table 1) underlying per capita estimates in this paper are, for 1993-94, the Treasury estimates of population at 31 December 1993, and

for 1994-95, population estimates as at 31 December 1994, prepared in consultation with the ABS.

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

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
1993-94	6027	4471	3156	1688	1467	472	300	168	17750
1994-95	6079	4490	3228	1711	1474	474	305	170	17931

### Further Information

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

- *Government Financial Estimates, Australia* (5501.0);
- *Government Finance Statistics, Australia* (5512.0);
- *Taxation Revenue, Australia* (5506.0);
- *30 June 1992 and 1993 Public Sector Financial Assets and Liabilities, Australia* (5513.0); and
- *Classification Manual for Government Finance Statistics, Australia* (1217.0).

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

### Style Conventions

The following style conventions are employed in this paper:

- the ACT and the NT are referred to as the 'Territories'. References to the 'States' or 'each State' include the Territories;
- the State and local government sector is denoted as the 'State/local sector'. References to the 'State/local sector' and the 'State government sector' include the ACT and the NT unless otherwise stated;
- figures in tables, and generally in the text, have been rounded. Discrepancies in tables between totals and sums of components reflect rounding. Percentage changes in all tables are based on the underlying unrounded amounts and not the rounded amounts;



- the following notations are used in the tables:

na not available

.. zero, or rounded to zero

- indicating negative amounts; and

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

NSW New South Wales

VIC Victoria

QLD Queensland

WA Western Australia

SA South Australia

TAS Tasmania

ACT Australian Capital Territory

NT Northern Territory

## **CHAPTER 1: OUTCOME OF THE 1994 PREMIERS' CONFERENCE AND LOAN COUNCIL MEETING**

This chapter provides a summary of the decisions taken by the Premiers' Conference and Loan Council Meeting on 25 March 1994.

### **PREMIERS' CONFERENCE**

The centre-piece of the agreement reached at the Premiers' Conference was the decision that financial assistance grants (FAGs) to the States will be maintained in real per capita terms over the next three years. That is, FAGs will be adjusted each year not only for inflation as has been recent practice, but also for total population growth in Australia. This will provide greater assurance that the level of general purpose funding will keep pace with the demands on State budgets over the medium term and provide an opportunity to focus on addressing longer term impediments to higher living standards.

The level of general purpose payments to the States will be significantly higher than they would have received, over the three years to 1996-97, if the real terms guarantee that applied from 1991-92 to 1993-94 had been extended.

The provision of a real per capita guarantee by the Commonwealth reflects the expectation that the States will make credible progress in microeconomic reform, including implementation of the Hilmer Report considered by the Council of Australian Governments at its meeting on 25 February 1994. All parties considered that credible progress must be made on microeconomic reform in order to achieve the maximum possible sustainable economic growth and thereby to improve the living standards of all Australians.

It was also recognised at the Premiers' Conference that all levels of government should make further progress in reducing their deficits over the medium term in order to augment the public sector's contribution to national savings.

### **National Fiscal Outlook**

Deliberations at the Premiers' Conference were assisted by the availability of the *National Fiscal Outlook* (NFO) for 1994. The NFO provides an assessment of the medium-term fiscal outlook on the basis of current policy settings.

- This year's report notes that there is a large projected improvement in the national fiscal outlook, largely due to the decisions by the Commonwealth Government in the 1993-94 Budget to unwind its deficit more quickly.
- Net debt is projected to remain significantly higher than in the early 1980s and ongoing fiscal consolidation is required if net debt is to be reduced as a share of GDP.

The conclusions of the 1994 NFO are included in Statement 6 of Budget Paper No 1. Another report will be produced before the 1995 Premiers' Conference.

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

On the basis of current estimates, Commonwealth total general purpose payments to the States are expected to be \$14,998.2m in 1994-95, an increase of 2.1 per cent on the previous year as shown in Table 2. As a result of discussions at the Premiers' Conference, this expected outcome is \$158.6m higher than the initial offer provided to the States.

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

- The per capita relativities recommended by the Commonwealth Grants Commission in its *Report on General Revenue Grant Relativities 1994 Update* were adopted to determine the distribution of the pool of FAGs and unquarantined hospital funding grants.
- Medicare guarantee payments of \$138.7m and \$194.4m are to be made to NSW and VIC respectively. As was the case in 1993-94, these payments are higher than the net benefit to those States because of the partial self-funding of these payments from within the FAGs pool. At the 1993 Premiers' Conference it was decided that the Commonwealth would fund about one quarter of the net benefit for the years 1994-95 to 1997-98. However, the 1994 Premiers' Conference decided that for 1994-95 only, the Commonwealth will fund about half instead of one quarter of the net benefit. The cost of this decision is \$55.5m, and results in a total contribution from the Commonwealth of \$111.1m in 1994-95. Further details are provided in Chapter II.
- Once-off special revenue assistance will be distributed among all States of which \$158.6m will be funded by the Commonwealth. (Of this amount, \$55.5m reflects the altered arrangements for the Medicare guarantee payments.) A further amount of \$79.9m will be funded from within the FAGs pool. Part of this assistance will be provided to QLD and WA in light of the unanticipated movement in per capita relativities against these States, and the balance will be provided to the NT and ACT.
- The Loan Council capital grants program, which will total \$330.3m in 1993-94, is to be abolished from 1 July 1994. This program is a remnant of the time when the Commonwealth borrowed on behalf of the States and on-lent funds to them for capital purposes. The distribution of capital grants is based on a system of

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<sup>1</sup> The numbers included in this section take account of revisions since the Premiers' Conference to the Consumer Price Index for the year to the March quarter 1994 and to the estimate for the year to the March quarter 1995.

relativities established in the 1920s and accordingly has no relationship to the States' current infrastructure or fiscal needs.

On the basis of the agreed levels of general purpose payments and indicative estimates of specific purpose payments, total net payments to the State/local sector are estimated to amount to \$30,523.7m in 1994-95. Total net payments are estimated to increase by 3.6 per cent in 1994-95 excluding TAFE payments (owing to new funding arrangements involving the Australian National Training Authority) and special debt repayments.

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

Estimated payments by the Commonwealth to the States and local government authorities in 1994-95 are shown in Table 3 and shown on a per capita basis in Table 4.

### **Taxation of State Trading Enterprises**

The Premiers' Conference agreed on new taxation arrangements for government trading enterprises which represent a further step towards microeconomic reform in the public sector. This agreement is described in a *Statement of Policy Intent* which establishes a process for achieving tax uniformity and competitive neutrality between activities undertaken by trading enterprises in the public sector and those in the private sector. The amendments to the income tax and wholesale sales tax (WST) legislation which this will involve will maintain a cost to the Commonwealth revenue of at least \$680m per annum.

In accordance with the agreed arrangements, the States will collect tax equivalent payments directly from their wholly-owned trading enterprises, while the Commonwealth will continue to collect tax from partially privatised State trading enterprises (STEs) and will comprehensively apply income tax and WST to its own trading enterprises. Key elements of the agreement are that:

- the Commonwealth intends to amend, with effect from 1 July 1994, the income tax and WST legislation to ensure that wholly-owned STEs will be exempt from Commonwealth income tax and WST;
- the States intend to apply to their wholly-owned STEs, within three years, a tax equivalent regime (TER) that is uniform among States and matches the Commonwealth taxation system;
- compensation will be provided on a case-by-case basis by either the Commonwealth or the States to ensure that the arrangements do not result in a financial advantage or disadvantage to the other party. For that reason, the Commonwealth does not expect compensation from the States in relation to those wholly-owned STEs that are presently not subject to Commonwealth taxation; and

- the effectiveness, coverage and uniformity of the TERs will be reviewed jointly by the Commonwealth and the States after a period of five years.

## LOAN COUNCIL

The Loan Council reached agreement on the Loan Council Allocations (LCAs) nominated for 1994-95 by the Commonwealth and each State under the new Loan Council arrangements adopted from 1993-94. These new arrangements are set out in the July 1993 report, *Future Arrangements for Loan Council Monitoring and Reporting*. In aggregate, the LCAs agreed for 1994-95 represent a substantial reduction on those agreed by Loan Council for 1993-94.

Loan Council also endorsed two reports by Heads of Treasuries on classification issues, with the agreed treatment in each case being reflected in 1994-95 LCAs.

- Guidelines were adopted for the implementation of the risk weighting approach for the Loan Council classification of infrastructure projects with private sector involvement.
- There was agreement on the future Loan Council treatment of over-funding or under-funding by governments of the employer component of emerging annual obligations of public sector superannuation schemes.

Loan Council issues are discussed further in Chapter IV.

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

	Financial Assistance Grants	Special Revenue Assistance	Identified Road Grants (a)	Total General Revenue Assistance	General Purpose Capital Assistance (b)	General Purpose Payments (c)	Change on previous year	
							\$m	per cent
1993-94								
NSW	3777.3	134.4	51.8	3963.5	79.8	4043.3	345.7	9.3
VIC	2720.2	188.5	51.6	2960.3	68.3	3028.6	180.6	6.3
QLD	2736.5	..	31.5	2768.0	16.1	2784.1	-9.1	-0.3
WA	1514.8	..	21.7	1536.5	22.4	1558.9	-50.4	-3.1
SA	1429.9	0.1	11.4	1441.4	39.0	1480.4	-88.5	-5.6
TAS	584.0	..	4.4	588.4	27.5	615.9	10.1	1.7
ACT	203.4	100.8	0.7	304.9	33.5	338.4	-82.2	-19.5
NT	761.3	29.7	1.9	792.9	43.8	836.7	-37.4	-4.3
Total	13727.3	453.5	175.0	14355.8	330.3	14686.1	268.7	1.9
1994-95								
NSW	3994.0	163.6	103.6	4261.2	..	4261.2	218.0	5.4
VIC	2786.1	214.4	103.2	3103.7	..	3103.7	75.1	2.5
QLD	2685.5	39.9	63.0	2788.5	..	2788.5	4.4	0.2
WA	1501.7	15.0	43.4	1560.1	..	1560.1	1.1	0.1
SA	1455.0	5.0	22.8	1482.8	..	1482.8	2.4	0.2
TAS	611.4	8.0	8.8	628.2	..	628.2	12.3	2.0
ACT	219.1	107.1	1.4	327.6	..	327.6	-10.8	-3.2
NT	813.4	28.9	3.8	846.2	..	846.2	9.5	1.1
Total	14066.2	582.0	350.0	14998.2	..	14998.2	312.0	2.1

(a) Additional funds to States related to the untying of arterial road funding from 1 January 1994.

(b) Comprises only the Loan Council capital grants program. Estimates for Building Better Cities are given in Table 3 and Chapter II.

(c) Excludes Building Better Cities.

**Table 3: Commonwealth Payments to the States and Direct to Local Government Authorities (\$m), 1994-95 (Estimates)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
General Revenue Assistance	4261.2	3103.7	2788.5	1560.1	1482.8	628.2	327.6	846.2	14998.2
General Purpose Capital Assistance (a)	107.8	64.0	26.3	22.1	22.3	6.0	5.7	5.2	259.5
<b>Total General Purpose Payments</b>	<b>4369.0</b>	<b>3167.7</b>	<b>2814.8</b>	<b>1582.2</b>	<b>1505.1</b>	<b>634.2</b>	<b>333.3</b>	<b>851.4</b>	<b>15257.6</b>
Specific Purpose Payments 'to' the States	3351.1	2301.1	1895.6	1081.8	1182.2	329.5	171.2	211.9	10524.5
Specific Purpose Payments 'through' the States	2171.7	1761.8	1119.0	626.6	536.4	172.5	61.3	69.3	6518.4
<b>Total Specific Purpose Payments</b>	<b>5522.8</b>	<b>4062.9</b>	<b>3014.6</b>	<b>1708.4</b>	<b>1718.6</b>	<b>502.0</b>	<b>232.5</b>	<b>281.1</b>	<b>17042.9</b>
<b>Total Payments to the States</b>	<b>9891.8</b>	<b>7230.6</b>	<b>5829.4</b>	<b>3290.6</b>	<b>3223.7</b>	<b>1136.2</b>	<b>565.8</b>	<b>1132.5</b>	<b>32300.5</b>
Payments Direct to Local Government Authorities	87.9	95.5	22.0	19.3	4.9	9.1	..	2.9	241.8
<b>Total Payments (Gross)</b>	<b>9979.7</b>	<b>7326.1</b>	<b>5851.4</b>	<b>3309.9</b>	<b>3228.6</b>	<b>1145.3</b>	<b>565.8</b>	<b>1135.4</b>	<b>32542.4</b>
Repayments by States/Local Government Authorities	674.5	473.2	237.8	179.6	223.2	143.7	17.6	69.1	2018.6
<b>Total Payments to States and Local Government Authorities (Net)</b>	<b>9305.3</b>	<b>6852.9</b>	<b>5613.6</b>	<b>3130.3</b>	<b>3005.5</b>	<b>1001.6</b>	<b>548.2</b>	<b>1066.4</b>	<b>30523.7</b>

(a) Comprises only Building Better Cities funding following the decision to abolish the Loan Council capital grants program from 1 July 1994.

**Table 4: Commonwealth Payments to the States and Direct to Local Government Authorities (\$ per capita), 1994-95 (Estimates) (a)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
General Revenue Assistance	701.0	691.3	863.9	911.6	1005.8	1325.8	1073.7	4974.8	836.4
General Purpose Capital Assistance (b)	17.7	14.3	8.1	12.9	15.1	12.7	18.7	30.6	14.5
<b>Total General Purpose Payments</b>	<b>718.7</b>	<b>705.5</b>	<b>872.0</b>	<b>924.5</b>	<b>1020.9</b>	<b>1338.4</b>	<b>1092.4</b>	<b>5005.3</b>	<b>850.9</b>
Specific Purpose Payments 'to' the States	551.3	512.5	587.3	632.1	801.9	695.4	561.1	1245.8	586.9
Specific Purpose Payments 'through' the States	357.3	392.4	346.7	366.1	363.8	364.0	200.9	407.4	363.5
<b>Total Specific Purpose Payments</b>	<b>908.5</b>	<b>904.9</b>	<b>933.9</b>	<b>998.3</b>	<b>1165.7</b>	<b>1059.4</b>	<b>762.0</b>	<b>1653.2</b>	<b>950.5</b>
<b>Total Payments to States and Local Government Authorities (Net)</b>	<b>1530.8</b>	<b>1526.3</b>	<b>1739.1</b>	<b>1829.1</b>	<b>2038.6</b>	<b>2113.8</b>	<b>1796.7</b>	<b>6269.3</b>	<b>1702.3</b>

(a) Population figures used in the table are Treasury projections (prepared in consultation with the ABS) as at 31 December 1994. These are given in Table 1.

(b) Comprises only Building Better Cities funding following the decision to abolish the Loan Council capital grants program from 1 July 1994.



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

This chapter summarises budgetary and financial developments in the States and outlines the arrangements for payment of general revenue assistance and general purpose capital payments to the States and to local government authorities in 1993-94 and 1994-95.

### BUDGETARY AND FINANCIAL DEVELOPMENTS IN THE STATES

The financial position of most States deteriorated in the late 1980s and early 1990s. This reflected a combination of factors, including the impact of the recession on State revenues, restrained growth in Commonwealth funding, and the financial problems of some State-owned financial and commercial enterprises. Most States have now begun to undertake budgetary repair over the medium term. The 1993 *National Fiscal Outlook* (NFO) concluded that structural repair of both Commonwealth and State budgets was needed to lift national savings in the medium term. As noted in the 1994 NFO, States with relatively high debt burdens are implementing medium-term fiscal strategies.

Since the 1993-94 State budgets were brought down, economic conditions in most jurisdictions have been more favourable than were expected. The improvement in economic conditions has resulted in most States experiencing stronger than anticipated own-source revenue growth in the first half of 1993-94. Together with the receipt of some large once-off capital payments in some States (that were not factored into budget forecasts), this has generated an expectation that most States' 1993-94 budget outcomes will be better than originally forecast. The State/local sector's net borrowing requirement (NBR) is currently projected to decline slightly in 1993-94 from around \$2 billion (or 0.5 per cent of GDP) in 1992-93. While the budgetary outlook for the State sector as a whole appears to have improved during the course of 1993-94, most jurisdictions remain constrained by the need to address their relatively high debt burdens.

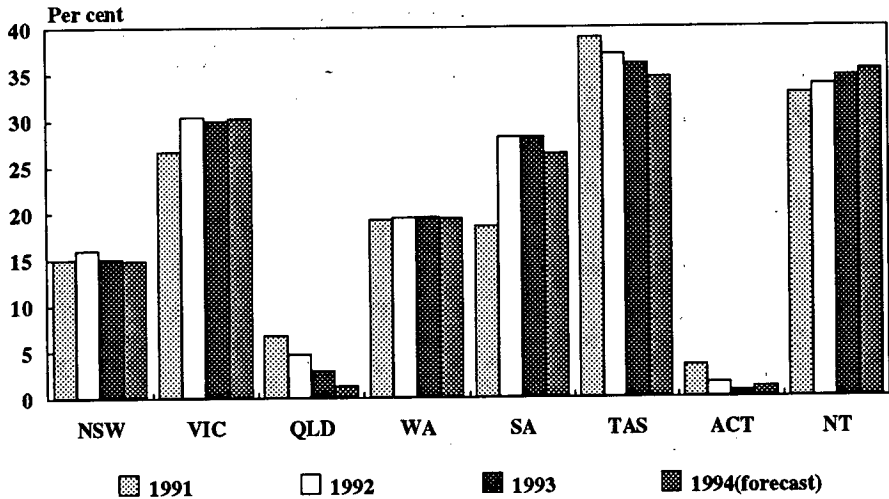
All jurisdictions have come under closer scrutiny by financial markets in recent years, and prospective debt levels and debt servicing capacities are important elements in assessing overall financial positions. Charts 1 and 2 compare the relative net public sector debt and debt servicing burdens faced by individual States.<sup>1</sup> Several jurisdictions

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1 Charts 1 and 2 result in different State rankings in terms of debt burden. This is mainly because the debt burden indicators used in the two charts depend on the denominators of Gross State Product (GSP) and total revenue respectively. These denominators have a relationship that varies widely between States. The relationship between total revenue and GSP for individual States is significantly influenced by the relative proportion of net Commonwealth payments in total State revenue. For example, the NT has relatively high total revenue compared to its GSP, largely as a result of receiving relatively high net Commonwealth payments. This results in the NT's debt servicing ratio being significantly lower than might be expected from its net debt to GSP ratio.

experienced an increasing debt burden in the early 1990s and most jurisdictions also had their budgetary flexibility reduced by the need to allocate a high proportion of revenue to service their debt. A lower interest rate environment since the early 1990s has ameliorated the debt servicing burden on State budgets.

**CHART 1: STATE SECTOR NET DEBT AS A PERCENTAGE OF GROSS STATE PRODUCT — AS AT 30 JUNE, 1991 TO 1994 (a)**



(a) Adjustments have been made to take account of data provided (on an ABS classification basis) in VIC's *Autumn Economic Statement, April 1994*.

Source: 30 June 1992 and 1993 Public Sector Financial Assets and Liabilities, Australia, ABS Catalogue No 5513.

**CHART 2: STATE SECTOR NET INTEREST OUTLAYS AS A PERCENTAGE OF TOTAL REVENUE (a)**



(a) Total revenue excludes interest received. Adjustments have been made to take account of data provided (on an ABS classification basis) in VIC's *Autumn Economic Statement, April 1994*.

Source: ABS data, government financial statistics (preliminary).

Charts 1 and 2 highlight the considerable diversity in the financial position of the individual States. The 1993-94 forecasts contained in these charts are based on ABS forecasts that were released following State budgets. These forecasts do not include the above-mentioned factors (with the exception of VIC<sup>2</sup>) that have led to the expectation that most States' 1993-94 budget outcomes will be better than originally forecast.

NSW has maintained a relatively sound financial position in recent years and has made gains in lifting public sector efficiency and reducing outlays growth. Partly as a result of efforts to improve the efficiency of the public trading enterprise sector, the NSW budget has benefited from significantly higher dividend and tax equivalent payments over the past five years. NSW's net public sector debt and debt servicing ratios are below the State average. NSW has set the medium-term fiscal objective of capping budget sector net debt in real terms over the three years to 1995-96 and thereafter seeking to achieve a balanced budget.

VIC has implemented significant budgetary reforms in order to address its relatively high net public sector debt to Gross State Product (GSP) ratio and debt servicing burden. Corrective budget measures have included a public sector redundancy program, revenue raising initiatives (including asset sales) and expenditure reductions. The Victorian Government's *Autumn Economic Statement, April 1994* indicated that the target of transforming the current account budget deficit into a sustainable surplus is expected to be achieved in 1994-95.

QLD is in a strong financial position. Both the net public sector debt to GSP and debt servicing ratios are substantially below the State average. QLD's strong financial position can be partly attributed to the policies of: maintaining sufficient financial assets to cover future liabilities (including superannuation); restricting borrowings to projects which are able to generate sufficient income to service the resulting debt; and funding social infrastructure from recurrent revenue. If current budgetary trends continue, QLD's financial assets are expected to exceed its liabilities by 1995-96.

WA's net public sector debt to GSP ratio and debt servicing ratio are both slightly above the State average. The WA economy has grown by more than the national average throughout the recovery period and this growth is expected to provide a cyclical improvement to WA's revenue and budgetary position. The WA Government has the objective of eliminating the deficit on the consolidated fund by the end of its first term in office (due in early 1997) and reducing WA's debt over the medium term.

SA's financial position deteriorated in the early 1990s with the need to provide financial support to its State-owned financial institutions (the State Bank of South Australia and the State Government Insurance Commission). As a result, SA's net debt to GSP ratio increased significantly and is now well above the State average. In response to these difficulties, the Commonwealth is providing SA with a special

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2 The ABS 1993-94 forecasts used in Charts 1 and 2 have been adjusted to take account of data provided (on an ABS classification basis) in VIC's *Autumn Economic Statement, April 1994*.

assistance package of \$600m in present value terms (as at 31 March 1993). The provision of the Commonwealth special assistance is contingent upon a number of factors, including that SA implement a debt management strategy designed to reduce significantly net debt as a proportion of GSP. The SA Government has announced that it intends to exceed the existing debt reduction targets, largely through an asset sales program.

TAS has made significant progress in improving its fiscal and financial position since the early 1990s. TAS's heavy reliance on borrowings through the 1980s (largely associated with the capital intensive nature of the hydro-electric scheme) was reflected in a high level of debt relative to the other States. To address TAS's structural budgetary problems and its high debt burden, TAS initiated a five-year financial strategy in 1990-91. This strategy was assisted by the Commonwealth through the provision of \$40m in special assistance in 1990-91. The strategy aimed to reduce the consolidated fund NBR to \$40m in 1994-95. This strategy has subsequently been extended to achieve a zero consolidated fund NBR in 1996-97.

The ACT is in a relatively sound financial position as it makes the transition to State-like levels of Commonwealth funding. The ACT budget has been fairly close to balance since self-government commenced and this has enabled the ACT to maintain a relatively low debt burden. The ACT's strategy is to maintain a recurrent budget balance by reducing expenditure in real terms and by ensuring that its overall revenue effort is equivalent to that of the other States.

The NT's financial position is characterised by a relatively high and increasing net debt to GSP ratio. Nevertheless, the NT's debt servicing ratio is about average when measured on a total revenue basis, largely as the result of the relatively high level of Commonwealth payments received by the Territory. The NT has undertaken to cap nominal interest expenses at the 1992-93 level.

Based on current budgetary and economic trends, it is likely that the State/local sector NBR will continue to decline in 1994-95. This outlook reflects:

- the States' pursuit of their medium-term fiscal goals;
- improving economic conditions;
- the unwinding of large once-off expenditures associated with public sector redundancies;
- expected large assets sales; and
- ongoing budgetary savings from efficiency measures.

## GENERAL REVENUE ASSISTANCE TO THE STATES IN 1993-94 AND 1994-95<sup>3</sup>

General revenue assistance provides the majority of untied funding to the States. In 1994-95 it is estimated that general revenue assistance will amount to \$14998.2m, an increase of 4.5 per cent on the previous year, and will account for 49.5 per cent of total net payments to the States. General revenue assistance payments are not required to be spent in a specified area.

- **Financial assistance grants (FAGs)** account for the great majority of general revenue assistance.
- **Special revenue assistance** can be funded from within the pool of FAGs or directly by the Commonwealth. Payments funded from within the pool require an equal reduction in the level of FAGs and hence are effectively funded by the States in line with their weighted population shares (see below). These payments are added back to the pool when determining the base level of FAGs for the next year.
  - For 1994-95, special revenue assistance can be broken down into the following payments which are described in greater detail later in this chapter
    - : Medicare guarantee payments;
    - : transitional allowances and special fiscal needs for the ACT; and
    - : once-off special revenue assistance paid to all States.
- **Identified road grants** are a result of the untying of specific purpose payments relating to arterial roads from 1 January 1994 (and prior to that, local roads), and are distributed on the basis of the average arterial roads allocations to each State for the three years to 1991-92 (inclusive).

Table 5 sets out the payments of general revenue assistance by type of payment and State for the period 1990-91 to 1994-95.

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<sup>3</sup> The numbers included in this section differ from those presented at the Premiers' Conference due to the release of the 1994 March quarter CPI and revisions to the CPI estimate for the year to the March quarter 1995.

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

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Financial Assistance Grants (a)									
1990-91	3702	2712	2521	1548	1435	522	434	679	13551
1991-92	3606	2645	2627	1557	1474	558	358	750	13573
1992-93	3613	2639	2771	1587	1521	578	372	782	13864
1993-94 (b) (c)	3777	2720	2736	1515	1430	584	203	761	13727
1994-95 (c) (d)	3994	2786	2686	1502	1455	611	219	813	14066
Identified Road Grants (e)									
1991-92	5	3	6	..	9	5	..	12	39
1992-93	5	3	6	..	9	..	..	8	31
1993-94	52	52	32	22	11	4	1	2	175
1994-95	104	103	63	43	23	9	1	4	350
Special Revenue Assistance									
1990-91	..	..	..	..	..	..	..	50	50
1991-92 (f)	..	..	..	..	..	..	53	40	92
1992-93 (g)	..	138	..	..	..	..	15	40	192
1993-94	134	188	..	..	..	..	101	30	454
1994-95 (h)	164	214	40	15	5	8	107	29	582
Total General Revenue Assistance									
1990-91	3702	2712	2521	1548	1435	522	434	729	13601
1991-92	3610	2647	2633	1557	1482	563	410	801	13704
1992-93	3618	2780	2777	1587	1530	578	387	830	14087
1993-94 (b)	3963	2960	2768	1537	1441	588	305	793	14356
1994-95 (d)	4261	3104	2788	1560	1483	628	328	846	14998

- (a) Consists of FAGs to the six States, the NT and (for 1993-94 and 1994-95) the ACT. The amounts shown for the ACT prior to 1993-94 are general revenue grants and include non State-like funding components.
- (b) Estimates — actual outcomes will depend on final figures for the new nurse education arrangements (see footnote (e) Table 7), unquarantined Hospital Funding Grants and the determination of the Statistician as to the population at 31 December 1993.
- (c) The ACT estimates for 1993-94 and 1994-95 are not comparable with earlier years, owing to a change in treatment of transitional allowances and special fiscal needs. As from 1993-94 these payments are treated as special revenue assistance.
- (d) Estimates — final figures will depend on the actual increase in the Consumer Price Index (CPI) for the four quarters to March 1995 over the previous four quarters, the determination of the Statistician as to the population at 31 December 1994 and final figures for unquarantined Hospital Funding Grants.
- (e) Prior to 1991-92 local road funding was paid to the States under the *Australian Land Transport Development Act 1988*. Since 1991-92 the bulk of these funds have been paid under the *Local Government (Financial Assistance) Act 1986*. However, in 1991-92 and 1992-93 a small proportion was paid to State Governments for local roads which were their direct responsibility. This portion was absorbed into FAGs in 1993-94. The \$175m and \$350m identified for 1993-94 and 1994-95 are for arterial road funding, which was untied from 1 January 1994.
- (f) The \$53m for the ACT consists of payments made to the ACT from the Australian Capital Territory Transitional Funding Trust Account.
- (g) The \$138m for VIC was compensation for the Commonwealth's decision not to share Petroleum Resource Rent Tax revenue.
- (h) Estimates — final figures (except for \$65.9m in transitional allowances and special fiscal needs for the ACT) will depend on the actual increase in the CPI for the four quarters to March 1995 over the previous four quarters and the determination of the Statistician as to the population at 31 December 1994.

## DERIVATION OF LEVEL AND DISTRIBUTION OF GENERAL REVENUE ASSISTANCE

### Level of Financial Assistance Grants

1993-94 was the final year of the real terms guarantee provided by the Commonwealth at the 1990 Premiers' Conference in respect of FAGs for 1991-92 to 1993-94. As a result of the Commonwealth having honoured this commitment FAGs to the States in

1993-94 are expected to total \$13727.3m. This is \$198.8m less than estimated at the time of the 1993 Premiers' Conference, owing to a lower than expected outcome for the Consumer Price Index (CPI) and the transfer of responsibility for basic nurse education from the States to the Commonwealth.

The Premiers' Conference agreed that the pool of FAGs would be maintained in real per capita terms for the next three years. It is estimated that this will result in FAGs payments of the order of \$454.8m higher in 1996-97 than they would have been had the previous real terms guarantee been continued. Table 6 shows the calculation of the level of FAGs in 1994-95.

**Table 6: The Level of Financial Assistance Grants (FAGs), 1994-95 (\$m)**

(1) 1993-94 base FAGs (a)	13926.1
(2) Less adjustment for CPI outcome (b)	134.9
(3) Less part year effect of nurse education transfer (c)	63.9
(4) Equals 1993-94 FAGs	13727.3
(5) Plus 1993-94 ACT pool funded special revenue assistance (d)	19.8
(6) Plus 1993-94 NT pool funded special revenue assistance	29.7
(7) Plus 1993-94 pool funded Medicare guarantee payments	215.2
(8) Plus SA transfer program assistance (e)	0.1
(9) Less full year effect of nurse education transfer (c)	63.9
(10) Equals base to calculate 1994-95 pool of FAGs	13928.3
(11) Plus real terms adjustment (f)	294.7
(12) Plus per capita terms adjustment (g)	145.0
(13) Equals estimate of 1994-95 pool of FAGs	14368.1
(14) Less pool funded special revenue assistance to QLD (h)	29.9
(15) Less pool funded special revenue assistance to WA (h)	10.0
(16) Less pool funded special revenue assistance for the ACT (h)	20.0
(17) Less pool funded special revenue assistance for the NT (h)	20.0
(18) Less pool funded Medicare guarantee payments (h)	222.0
(19) Equals estimate of 1994-95 FAGs	14066.2

- (a) This is the amount set by the *States Grants (General Purposes) Act 1993* (the Act), as base assistance for 1993-94.
- (b) Based on an index factor calculated by dividing the sum of CPI index numbers for the four quarters to the March quarter 1994, 439.5, by 443.8, which is the index estimate specified in the Act.
- (c) Responsibility for basic nurse education was transferred from the States to the Commonwealth from 1 January 1994. As shown in row 3, this is expected to reduce FAGs in 1993-94 by \$63.9m (see Table 7). To account for the full-year effect of the new arrangements, in 1994-95 the pool of FAGs is reduced by a further \$63.9m before indexation, as shown in row 8.
- (d) \$19.8m is the amount of special revenue assistance the ACT is expected to receive in 1993-94 funded from within the pool of FAGs. The ACT is expected to receive further special revenue assistance of \$19.8m, funded directly by the Commonwealth from outside the pool.
- (e) In 1993-94 a payment, classified as special revenue assistance, was made to SA for the transfer from the Commonwealth to SA of funding previously provided to the Adelaide Central Mission as part of the Disability Services Program. For 1994-95, this payment has been absorbed into the pool of FAGs.
- (f) Assumes an increase in the CPI for the four quarters to March 1995 over the previous four quarters of around 2.1 per cent.
- (g) Based on an estimate (prepared in consultation with the ABS) used at the Premiers' Conference of an increase in the Australian population between 31 December 1993 and 31 December 1994 of around 1.02 per cent. The final figure will depend on the determinations of the Statistician as to the population at those dates.
- (h) Estimates — final figures will depend on the actual increase in the CPI for the four quarters to March 1995 over the previous four quarters and the determination of the Statistician as to the population at 31 December 1993 and 1994.

The estimate of FAGs in 1994-95 of \$14066.2m differs from the estimate of \$14100.8m presented at the Premiers' Conference. This is due to a reduction of \$9.8m arising from the difference between the CPI estimate for the four quarters to the March quarter 1994 at the time of the Premiers' Conference and the actual figure, and a reduction of \$24.9m arising from subsequent revisions to the CPI estimate for the four quarters to the March quarter 1995.

### **Distribution of Financial Assistance Grants**

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

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

Tables 7 and 8 set out the estimated distribution of FAGs in 1993-94 and 1994-95 respectively.



**Table 7: Financial Assistance Grants (FAGs) to the States, 1993-94**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Population as at 31 December 1993 (000's) (a)	6026.8	4471.4	3156.1	1688.2	1467.1	472.2	300.1	168.2	17750.1
(2) Per capita relativities (b)	0.854	0.835	1.093	1.117	1.221	1.480	0.865	4.784	na
(3) Weighted populations (000's) - (1) times (2)	5146.9	3733.6	3449.6	1885.8	1791.3	698.8	259.6	804.9	17770.4
(4) Share of each State in weighted population (per cent) (c)	29.0	21.0	19.4	10.6	10.1	3.9	1.5	4.5	100.0
(5) Pool of FAGs and HFGs distributed according to (4) (\$m)	5015.2	3638.1	3361.4	1837.5	1745.4	681.0	252.9	784.3	17315.7
(6) Unquarantined HFGs (\$m) (d)	1219.8	899.4	612.6	316.9	308.9	95.5	48.9	22.6	3524.5
(7) Amount of FAGs, base - (5) less (6) (\$m)	3795.4	2738.6	2748.7	1520.6	1436.5	585.5	204.1	761.7	13791.2
(8) Less adjustment for nurse education (\$m) (e)	18.1	18.4	12.3	5.8	6.7	1.5	0.7	0.5	63.9
<b>Total FAGs - (7) less (8) (\$m)</b>	<b>3777.3</b>	<b>2720.2</b>	<b>2736.5</b>	<b>1514.8</b>	<b>1429.9</b>	<b>584.0</b>	<b>203.4</b>	<b>761.3</b>	<b>13727.3</b>

- (a) The population as at 31 December 1993 will be that determined by the Statistician in accordance with the *States Grants (General Purposes) Act 1993* (the Act). As the Statistician has yet to make a final determination, the figures shown are estimates.
- (b) The per capita relativities adopted at the 1993 Premiers' Conference were specified in the Act and hence apply in 1993-94.
- (c) For ease of presentation weighted population shares rounded to only one decimal place are shown. However, in calculating row 5 unrounded shares are used in accordance with the Act.
- (d) Unquarantined HFGs — that is, total HFGs less the incentives package, the bonus pools, Medicare benefit adjustments and the other health services component (estimates only).
- (e) Revised arrangements for the funding of nurse education took effect from 1 January 1994. As a result, in 1993-94 the FAGs each State receives are being reduced by a proportion of the increased funding to be provided to the States under the *Higher Education Funding Act* in line with determinations made by the Minister for Employment, Education and Training.

**Table 8: Financial Assistance Grants (FAGs) to the States, 1994-95**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Estimated population as at 31 December 1994 (000's) (a)	6078.7	4489.8	3227.8	1711.4	1474.3	473.8	305.1	170.1	17931.1
(2) Per capita relativities (b)	0.8756	0.8374	1.0441	1.0839	1.2186	1.5173	0.8968	4.9863	na
(3) Weighted populations (000's) - (1) times (2)	5322.5	3759.8	3370.2	1855.0	1796.6	719.0	273.6	848.2	17944.8
(4) Share of each State in weighted population (per cent) (c)	29.7	21.0	18.8	10.3	10.0	4.0	1.5	4.7	100.0
(5) Pool of FAGs and HFGs distributed according to (4) (\$m)	5251.0	3709.2	3324.8	1830.0	1772.4	709.3	270.0	836.8	17703.5
(6) Unquarantined HFGs (\$m) (d)	1257.0	923.1	639.3	328.3	317.5	97.9	50.9	23.3	3637.3
(7) Amount of FAGs, base - (5) less (6) (\$m)	3994.0	2786.1	2685.5	1501.7	1455.0	611.4	219.1	813.4	14066.2
<b>Total FAGs - (7) (\$m)</b>	<b>3994.0</b>	<b>2786.1</b>	<b>2685.5</b>	<b>1501.7</b>	<b>1455.0</b>	<b>611.4</b>	<b>219.1</b>	<b>813.4</b>	<b>14066.2</b>

- (a) The estimated population as at 31 December 1994, which was prepared in consultation with the ABS, is subject to revision.
- (b) The per capita relativities adopted at the Premiers' Conference are to apply in 1994-95.
- (c) For ease of presentation weighted population shares rounded to only one decimal place are shown. However, in calculating row 5 unrounded shares are used.
- (d) Unquarantined HFGs — that is, total HFGs less the incentives package, the bonus pools, Medicare benefit adjustments and the other health services component (estimates only).

Pursuant to terms of reference provided by the Commonwealth after consultation with the States, the CGC recommends per capita relativities for consideration at the Premiers' Conference for the distribution among the States of the pool of FAGs and HFGs. The per capita relativities are calculated with the aim of allowing all States to provide a comparable level of public services without recourse to appreciably different levels of taxation.

The CGC undertakes a major review of the per capita relativities and the methods used to calculate them every five years, with updates in the intervening years. The most recent review was completed in March 1993 and per capita relativities based on that review were adopted at the 1993 Premiers' Conference. The per capita relativities recommended in the CGC's *Report on General Revenue Grant Relativities 1994 Update* (the 1994 Update Report) were adopted at the Premiers' Conference.

The terms of reference for the 1994 Update Report required the CGC to use generally the same methodology which it employed to calculate the relativities adopted at the 1993 Premiers' Conference. As a result, the recommended per capita relativities incorporate adjustments designed to ensure that the policy intent of the 1993 Medicare Agreements between the Commonwealth and the States is not diluted by the CGC assessments. In addition, the terms of reference required the same treatment of stamp duty from corporate reconstructions as that adopted at the 1992 and 1993 Premiers' Conferences, so that those States which exempted some corporate restructurings from stamp duties would not be discouraged from continuing this practice.

Although there were only minor changes from the methodology used previously, the per capita relativities recommended by the CGC implied a substantial redistribution of grants, in particular, from QLD and WA to NSW and the NT. The main reasons for the changes are listed below and shown in Table 9.

- **The use of previously unavailable 1991 Census data** affected the assessment of a number of factors measuring differences in the relative costs of service provision.

For example, the Census data showed that more of the residents of QLD and WA have become located closer to their State capitals, whereas the residents of other States have become more dispersed. This has resulted in relatively lower funding from the pool of FAGs, for QLD and WA, since a more dispersed population generally increases the cost of providing government services.

- **The updating of the five year review period**, by including 1992-93 data and excluding 1987-88 data, also affected the assessments: the composition of the States' standard budgets changed as a result of differences in the revenue and expenditure patterns between the two years, and there were changes in the demographic and economic influences on the relative revenue raising capacities of the States and the relative costs of their provision of services.

For instance, an increased share of total expenditure on law and order, welfare and Aboriginal community services, where numbers of Aboriginals had a strong

influence on the CGC assessments, resulted in a higher per capita relativity for the NT.

- There were some **corrections for errors** in the way the 1993 per capita relativities were calculated. The most significant error concerned QLD's input cost factors, which were overstated in the 1993 methodology review and hence incorrectly inflated the per capita relativity for QLD adopted at the 1993 Premiers' Conference and, therefore, QLD's share of FAGs.
- There were also some **data revisions** (other than for the 1991 Census) and **changes in State responsibilities**.

**Table 9: Effects of Commonwealth Grants Commission's Recommendations on Distribution (\$m)**

	Use of Detailed 1991 Census Data	Update of the Period of Review	Corrections to 1993 Assessments	Use of Revised Data and Changes in State Responsibilities	Changes in Method	Total
NSW	38.5	-4.7	52.2	54.1	-4.3	135.9
VIC	45.5	33.4	-8.8	-56.4	0.0	13.8
QLD	-46.1	-25.8	-70.9	-14.7	1.9	-155.6
WA	-35.6	-5.2	-3.1	-9.5	-1.9	-55.3
SA	-4.1	-16.2	12.1	8.3	-2.2	-2.1
TAS	2.1	3.6	0.7	13.4	-1.4	18.3
ACT	12.8	-8.3	2.3	2.7	0.3	9.9
NT	-13.0	23.2	15.4	2.0	7.6	35.2
Total	..	..	..	..	..	..

Further information is provided in the CGC's 1994 Update Report.

### Horizontal Fiscal Equalisation

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

Distributing FAGs in accordance with CGC per capita relativities calculated on the basis of horizontal fiscal equalisation means that NSW, VIC and the ACT receive less than an equal per capita share, and the other States receive more. NSW, VIC and the ACT also receive less than they would have if the distribution had been based on personal income tax collections. This is shown by Table 10. The alternative distributions used in Table 10 are simply arbitrary benchmarks.

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

	Distribution of the Pool Using Relativities (b)	Distribution of the Pool on an Equal Per Capita Basis (c)	Difference in Distribution (1) - (2)	Distribution of the Pool on the Basis of Income Tax Paid (d)	Difference in Distribution (1) - (4)
	(1)	(2)	(3)	(4)	(5)
NSW	5251	6002	-751	6501	-1250
VIC	3709	4433	-724	4589	-880
QLD	3325	3187	138	2641	684
WA	1830	1690	140	1630	200
SA	1772	1456	317	1316	457
TAS	709	468	241	402	308
ACT	270	301	-31	465	-195
NT	837	168	669	159	678
Total	17704	17704	..	17704	..

(a) The pool used consists of \$14066.2m in FAGs and \$3637.3m in HFGs, as in Table 8. As such it makes no allowance for special revenue assistance.

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

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

(d) Based on each State's contribution to total net tax paid by individuals for 1991-92, as shown in Table 1.1 of Australian Taxation Office, *Taxation Statistics 1991-92*.

At the 1992 Premiers' Conference it was acknowledged that a number of issues needed to be addressed to ensure the sustainability of horizontal fiscal equalisation in the long term. Accordingly, it was agreed that a Heads of Treasuries working party should examine the adequacy of the current fiscal equalisation scope and methodology and the principles upon which it is based. The report of the working party was presented to the Premiers' Conference.

The report found that, by international standards, Australia practises a complex and comprehensive form of fiscal equalisation, particularly since it seeks to take account of the different expenditure requirements of the States in addition to differences in revenue raising capacities. The CGC plays an independent and central advisory role in this process.

The report recognised that fiscal equalisation is justified on equity grounds, which are primarily addressed at the political level and about which economic theory can provide little guidance. In this context, equity is determined by political consensus. Given the objective of fiscal equalisation, the report considered, inter alia, some of the possible implications for economic efficiency arising from the practical operation of the fiscal equalisation process.

A number of factors that might impact on fiscal equalisation were considered in the report, including the use of judgement by the CGC, the policy neutral basis of assessments, the scope of fiscal equalisation and the timeliness (contemporaneity) of the

CGC's assessments. The report noted that the potential for the fiscal equalisation process to create an incentive for a State to alter its revenue raising and expenditure decisions (grant design inefficiency) is difficult to assess but is probably minor.

Some options for changing existing arrangements were considered. A number of these (for example, distributing a proportion of grants on an equal per capita basis) focussed on alternative distributional arrangements, whereas others concerned modifications to existing CGC processes. The report made no recommendations, reflecting the fact that the large distributional consequences of most options for change inevitably led to an absence of consensus among the States as to their desirability. Those options of a technical nature canvassed in the report, as well as issues of a similar nature raised by the CGC in its 1994 Update Report, will be considered further by the Commonwealth, in consultation with the States, in developing the terms of reference for the CGC's 1995 update of the per capita relativities and for its next major review.

### **Special Revenue Assistance**

Prior to the Premiers' Conference the Commonwealth in its offer document proposed to provide pool funded special revenue assistance of \$29.9m to QLD and \$10m to WA in recognition of their reduced share of FAGs which would flow from the use of the per capita relativities recommended in the CGC's 1994 Update Report.

In addition, pool funded special revenue assistance of \$20m each for the ACT and the NT was proposed. These amounts compare with equivalent payments of \$39.6m (half funded directly by the Commonwealth) to the ACT and \$29.7m to the NT in 1993-94 on current estimates.

At the Premiers' Conference it was further agreed that the Commonwealth would directly fund additional special revenue assistance on a once-off basis. These amounts are shown in column 2 of Table 11. In addition, the Commonwealth agreed to defer for a year the reduction in its contribution to funding the Medicare guarantee payments (discussed further below).

Table 11 provides a breakdown of the special revenue assistance agreed to at the Premiers' Conference for 1994-95.

**Table 11: Special Revenue Assistance, 1994-95 (\$m) (a)**

	Once-off Transitional Special Revenue Assistance		Medicare Guarantee Payments		Transitional Allowances and Special Fiscal Needs	Total
	Pool funded	Non Pool Funded	Pool funded	Non Pool Funded		
	(1)	(2)	(3)	(4)	(5)	(6)
NSW	..	25.0	74.3	64.4	..	163.6
VIC	..	20.0	147.7	46.7	..	214.4
QLD	29.9	10.0	..	..	..	39.9
WA	10.0	5.0	..	..	..	15.0
SA	..	5.0	..	..	..	5.0
TAS	..	8.0	..	..	..	8.0
ACT	20.0	21.3	..	..	65.9	107.1
NT	20.0	9.0	..	..	..	28.9
Total	79.9	103.1	222.0	111.1	65.9	582.0

(a) Estimates — final figures (except for the \$65.9m in transitional allowances and special fiscal needs for the ACT) will depend on the actual increase in the CPI for the four quarters to March 1995 over the previous four quarters and the determination of the Statistician as to the population at 31 December 1993 and 1994.

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

The ACT receives funding not available to the other States in the form of transitional allowances and special fiscal needs, which are classified as special revenue assistance. The level of payments for 1994-95 will be as recommended by the CGC in its 1994 Update Report, but with an adjustment of around \$2.2m resulting from changes in policing responsibilities between the ACT and the Commonwealth. This adjustment has been agreed in-principle with the ACT; a similar adjustment was made in 1992-93 and will be made for 1993-94.

Transitional allowances are designed to assist with the ACT's transition from the generous levels of Commonwealth funding which existed before self-government. In 1994-95 transitional allowances will amount to \$48.6m (\$50.8m as recommended by the CGC less \$2.2m), an increase of \$5.3m over 1993-94. The increase is likely to be a once-only event, and is attributable to the CGC correcting an error in its 1993 methodology review which lowered 1993-94 payments by about \$5.1m, and a change in methodology to make its assessment of transitional allowances consistent with adjustments made to the per capita relativities to take account of the Medicare Agreements (worth an additional \$8.3m). Payments of transitional allowances can be expected to decline in future years.

Special fiscal needs are payments to the ACT in recognition of the fact that certain functions (for example, the Family Court) are not funded by the Commonwealth, whereas in other States funding arrangements exist between the Commonwealth and the State. In 1994-95 special fiscal needs will amount to \$17.3m, a decrease of \$0.6m. The reduction is a result of the fact that the Commonwealth will directly fund (through the Australian National University) the higher education functions of the Canberra Institute of the Arts from 1 January 1995.

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

It is estimated that in 1993-94 NSW will receive Medicare guarantee payments of \$134.4m, of which \$72.0m will be funded from the pool of FAGs, and that VIC will receive \$188.5m, of which \$143.2m will be funded from the pool.

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

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

At the 1993 Premiers' Conference it was also decided that the Commonwealth's contribution to funding the payments (an estimated \$107.7m in 1993-94) would be halved in 1994-95. At the Premiers' Conference it was decided to defer this change in the funding arrangements to 1995-96, at a cost to the Commonwealth of \$55.5m. Consequently, it is estimated that in 1994-95 NSW will receive Medicare guarantee payments of \$138.7m, of which \$74.3m will be funded from the pool, and VIC will receive \$194.4m, of which \$147.7m will be funded from the pool.

### **Identified Road Grants**

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

The Prime Minister also indicated that in 1995-96 and 1996-97 the aggregate level of funds (that is, starting from a base of \$350m) will be indexed to the movements in FAGs, and that in 1997-98 the funds will be absorbed into FAGs.

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

Table 12 sets out the impact on the distribution of general revenue assistance, other than identified road grants, of using revised population figures for 1994-95, the new per capita relativities, special revenue assistance, and changes in the distribution of HFGs.



**Table 12: Distribution of the Pool of Financial Assistance Grants and Special Revenue Assistance, 1994-95 (\$m)**

	Distribution of 1994-95 Pool Using 1993-94 Relativities and Population (a)	Effect of New Population Estimates	Effect of New Relativities (b)	Effect of Change in Distribution of Unquarantined Hospital Funding Grants	Net Impact of Medicare Guarantee Payments (c)	Net Impact of Other Pool Funded Special Revenue Assistance (d)	Net Impact of Other Non Pool Funded Special Revenue Assistance (e)	1994-95 Estimated Outcome: sum of (1) to (7) (f)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
NSW	3956.1	-10.3	135.9	1.8	72.8	-23.7	25.0	4157.6
VIC	2854.8	-24.3	13.8	5.1	147.9	-16.7	20.0	3000.5
QLD	2863.0	41.9	-155.6	-7.1	-41.7	14.9	10.0	2725.5
WA	1583.7	5.9	-55.3	-1.3	-23.0	1.7	5.0	1516.7
SA	1496.2	-10.2	-2.1	1.3	-22.2	-8.0	5.0	1460.0
TAS	609.6	-5.0	18.3	0.6	-8.9	-3.2	8.0	619.4
ACT	212.6	1.6	9.9	-0.4	-3.4	18.7	87.1	326.2
NT	792.2	0.3	35.2	-0.1	-10.5	16.2	9.0	842.4
Total	14368.1	..	..	..	111.1	..	169.0	14648.2

- (a) Column 1 was calculated using the 1994-95 level of unquarantined HFGs, \$3637.3m, but distributed between the States using 1993-94 unquarantined HFG shares.
- (b) The effect of using the CGC's 1994 Update relativities as adopted at the Premiers' Conference as against those used for 1993-94. This column is the same as the final column of Table 9.
- (c) Shows the net impact of Medicare guarantee payments of \$138.7m to NSW and \$194.4m to VIC, of which \$64.4m and \$46.7m respectively are funded directly by the Commonwealth (see columns 3 and 4 of Table 11) — which account for the total net benefit of \$111.1m. The net benefit to NSW and VIC is less than the Medicare guarantee payments as funding part of the payments from the pool of FAGs in turn reduces FAGs to NSW and VIC.
- (d) Column 1 of Table 11 shows the values of the SRAs funded from the pool of FAGs to each State. The net benefit to each State differs as funding the payments from the pool in turn reduces the FAGs to all States.
- (e) See columns 2 and 5 of Table 11.
- (f) Equal to the sum of row 7 of Table 8 and column 6 of Table 11.

## GENERAL PURPOSE CAPITAL ASSISTANCE

Prior to 1987-88 capital payments were paid in the form of both loans and grants under the States' Loan Council program. General purpose capital payments have been provided entirely by way of grants since 1989-90. Payments under the Loan Council capital grants program — and the analogous payments to the Territories — have remained almost unchanged in nominal terms since 1989-90. Table 13 shows the history of these payments since 1990-91. (Chapter IV of 1991-92 Budget Paper No 4 provides greater detail of developments in general purpose capital assistance in recent years.)

**Table 13: General Purpose Capital Payments to the States (\$m)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Loan Council Capital Grants Program</b>									
1990-91 (a)	79.8	68.3	16.1	22.4	39.0	27.5	33.4	43.8	330.2
1991-92	79.8	68.3	16.1	22.4	39.0	27.5	33.4	43.8	330.2
1992-93	79.8	68.3	16.1	22.4	39.0	27.5	33.5	43.8	330.3
1993-94	79.8	68.3	16.1	22.4	39.0	27.5	33.5	43.8	330.3
1994-95	..	..	..	..	..	..	..	..	..
<b>Building Better Cities</b>									
1991-92	..	17.0	15.0	7.5	..	2.0	..	..	41.5
1992-93	46.7	36.6	36.8	22.5	18.7	2.9	3.0	0.5	167.7
1993-94 (b)	60.0	68.7	45.5	20.3	8.3	8.0	1.3	0.5	212.6
1994-95 (c)	107.8	64.0	26.3	22.1	22.3	6.0	5.7	5.2	259.5
<b>Total</b>									
1990-91(a)	79.8	68.3	16.1	22.4	39.0	27.5	33.4	43.8	330.2
1991-92	79.8	85.3	31.1	29.9	39.0	29.5	33.4	43.8	371.7
1992-93	126.4	104.9	52.9	45.0	57.7	30.3	36.5	44.3	498.0
1993-94 (b)	139.8	137.0	61.6	42.7	47.2	35.5	34.9	44.3	542.9
1994-95 (c)	107.8	64.0	26.3	22.1	22.3	6.0	5.7	5.2	259.5

(a) Includes a recoupment of 90 per cent of motor vehicle registration fees paid by Telecom and Australia Post.

(b) Current estimates.

(c) The level and allocation of grants between States has yet to be finalised. A notional distribution is used in this table.

The Premiers' Conference decided to abolish the Loan Council capital grants program from 1 July 1994. This decision reflected the fact that the program has become an anachronism given that the Loan Council arrangements no longer involve the Commonwealth borrowing on behalf of the States and that the distribution of funds under the program is rooted in history rather than the capital expenditure needs of the States. This is illustrated by the fact that QLD, which has the fastest growing population, with attendant infrastructure needs, will in 1993-94 receive a payment under the program of around \$5 per capita, whereas TAS will receive \$58 per capita, the ACT \$112 per capita, and the NT \$260 per capita.

The Commonwealth will provide \$259.5m under the fourth year of the 'Building Better Cities' program, an increase of \$46.8m on 1993-94. As in 1993-94, the distribution of this grant will be determined on the basis of an assessment of States' relative needs following consultations with the States.

## GENERAL PURPOSE ASSISTANCE FOR LOCAL GOVERNMENT

General purpose assistance has been paid to local government authorities since 1974-75. Arrangements since 1986-87 have been embodied in the *Local Government (Financial Assistance) Act 1986*, with the NT included with the States under the Act. The ACT Government has responsibility for both State-like and municipal functions and since 1988-89 has received payments in respect of general purpose assistance for local government functions analogous to those paid to local governments through the States.

In June 1991, changes were made to the *Local Government (Financial Assistance) Act 1986* in response to the October 1990 Special Premiers' Conference agreement to untie local roads funding. These amendments provide for local roads funding previously paid under the *Australian Land Transport Development Act 1988* to be added to local government general purpose grants. While the local roads funding is still separately identified, there are no longer any conditions applying to these roads grants.

Local government financial assistance grants (including the analogous payment to the ACT) are increased each year on the basis of an escalation factor which is determined by the Treasurer in the light of the underlying movement in general purpose payments to the States (excluding the ACT).

Payments in 1993-94 will be based upon the estimated factor of 1.94 per cent determined by the Treasurer in August 1993. The final entitlement will be dependent upon the Treasurer's determination of the escalation factor to be made in June 1994 based on actual payments made to the States in 1993-94. Current estimates, included in Appendix Table 20, assume there will be an overpayment in 1993-94 mainly owing to a lower than expected CPI outcome. In line with the provisions of the Local Government Act this likely overpayment will be recovered in 1994-95. Full details of the final estimates for 1993-94 will be published when they are available in the new financial year.

The 1994-95 entitlement will be determined by applying an escalation factor to the final 1993-94 entitlement, which is currently estimated at \$1059.2m (excluding the ACT).

In accordance with the Local Government Act, the interstate distribution of local government financial assistance grants for 1994-95 will be on an equal per capita basis, using the populations at 31 December 1993. Changes in the distribution of these grants between 1993-94 and 1994-95 will therefore reflect different population growth rates among the States over the year to 31 December. Untied local roads funding continues to be distributed between the States on the basis of the criteria established under the *Australian Land Transport Development Act 1988*. In both cases, the intrastate distribution of these payments to local governments is determined by State Grants Commissions on the basis of fiscal equalisation.

In June 1993, the Commonwealth and State Local Government Ministers agreed to a review of the *Local Government (Financial Assistance) Act 1986* to ensure an efficient and effective use of resources under the legislation, given the current level and distribution of funds among the States. A discussion paper *Financing local government* has been released and is forming the basis for full national consultations. The Government will consider what action is to be taken following these consultations.

## CHAPTER III: SPECIFIC PURPOSE PAYMENTS

This chapter discusses broad trends in specific purpose payments (SPPs) and a number of related policy issues. Detailed information concerning payments to the States for the period from 1990-91 to 1993-94 will be published in the new financial year when data on the level of actual payments for 1993-94 are available.<sup>1</sup>

### THE NATURE AND PURPOSE OF SPECIFIC PURPOSE PAYMENTS

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

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

Most SPPs are paid to the States on the basis that policy objectives set by the Commonwealth, or national policy objectives agreed between the Commonwealth and the States, are met. It is because of the conditions attached to SPPs that they are sometimes called 'tied grants'. SPPs that are not subject to conditions are largely payments related to the transfer of revenue collected under various regulatory arrangements. Payments in this latter category are expected to total \$231m in 1994-95.

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

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

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

Tied grants offer a means of satisfying broader community demands for minimum national standards in program areas such as health and education and, where the Commonwealth has a role in determining strategic goals, of fostering the optimal provision of public services by States from the available resources. At the same time, the benefits from conditions attached to SPPs have to be weighed against concerns that they limit State budgetary flexibility.

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

SPPs that are paid through the States account for around 38 per cent of total SPPs. These SPPs have a minimal impact on State budgets as they are essentially Commonwealth own purpose outlays in respect of which the States act as the Commonwealth's agent.

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

The Council of Australian Governments (COAG) has established a working group on Commonwealth and State Roles and Responsibilities which is examining SPPs, among other things, with a view to reducing their incidence. The overriding objective is to improve outcomes for clients and value for money for taxpayers. It was agreed at the COAG meeting in February 1994 that the issue of roles and responsibilities would be the main topic at the COAG meeting in August 1994.

## TRENDS IN SPECIFIC PURPOSE PAYMENTS

Table 14 summarises total general purpose and specific purpose payments to the States on the basis of the functional classifications used in Budget Paper No 1.

**Table 14: Net Commonwealth Payments to the State/Local Government Sector by Function (\$m), (a) (b)**

	1990-91	1991-92	1992-93	1993-94 (Est)	1994-95 (Est)
Defence	-2	-1	-1	-1	-1
Education	5388	5800	6395	6540	6524
Health	3973	4207	4422	4879	5158
Social Security and Welfare	467	574	735	1084	1185
Housing and Community Amenities	788	935	1217	966	967
Culture and Recreation	17	44	33	26	39
Economic Services-					
Transport and Communications	1628	1418	1902	1056	838
Industry Assistance and Development	155	302	248	57	181
Labour and Employment	36	82	101	49	46
Other Economic Services	..	..	..	..	..
<b>Total Economic Services</b>	<b>1820</b>	<b>1802</b>	<b>2251</b>	<b>1162</b>	<b>1065</b>
General Public Services	274	347	377	405	429
Not Allocated to Function-					
General Revenue Funds	13601	13704	14087	14356	14998
State Governments' Loan Council Programs	-1263	-2219	-2038	-514	-1629
Assistance Related to State Debts	54	257	160	113	145
Assistance for Local Government (c)	711	1040	1080	1084	1095
Natural Disaster Relief	139	28	-14	36	35
Other	724	307	884	404	515
<b>Total Not Allocated to Function</b>	<b>13966</b>	<b>13116</b>	<b>14161</b>	<b>15479</b>	<b>15160</b>
<b>Grand Total (Net Basis)</b>	<b>26693</b>	<b>26824</b>	<b>29590</b>	<b>30542</b>	<b>30524</b>

- (a) Net of repayments of Commonwealth advances, sinking fund contributions on State Governments' Loan Council programs and of general purpose capital assistance to the NT.
- (b) The ACT became a self-governing Territory on 11 May 1989. The process of aligning payments to the ACT as far as possible with State arrangements commenced prior to introduction of self-government. Some SPPs have been phased in since self-government with offsetting adjustments to the ACT's general purpose assistance. For 1990-91 the data include net payments for specific purposes made to the ACT but do not include payments into the Australian Capital Territory Transitional Funding Trust Account.
- (c) Comprises grants through the States to local government authorities as general purpose assistance. From 1991-92 includes untied funds for local government roads.

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

In 1994-95, SPPs are estimated to total \$17.0 billion or 52.8 per cent of total gross payments to the States. Payments 'to' (as opposed to 'through') the States are expected to total \$10.5 billion in 1994-95.

Chart 3 provides details of trends in SPPs as a proportion of total gross payments to the States since 1980-81, including trends in payments 'to' and 'through' the States. The

Chart abstracts from a number of classification changes which would otherwise complicate the analysis.<sup>2</sup>

**CHART 3: SPECIFIC PURPOSE PAYMENTS AS A PERCENTAGE OF TOTAL GROSS PAYMENTS TO THE STATES  
1980-81 TO 1994-95**

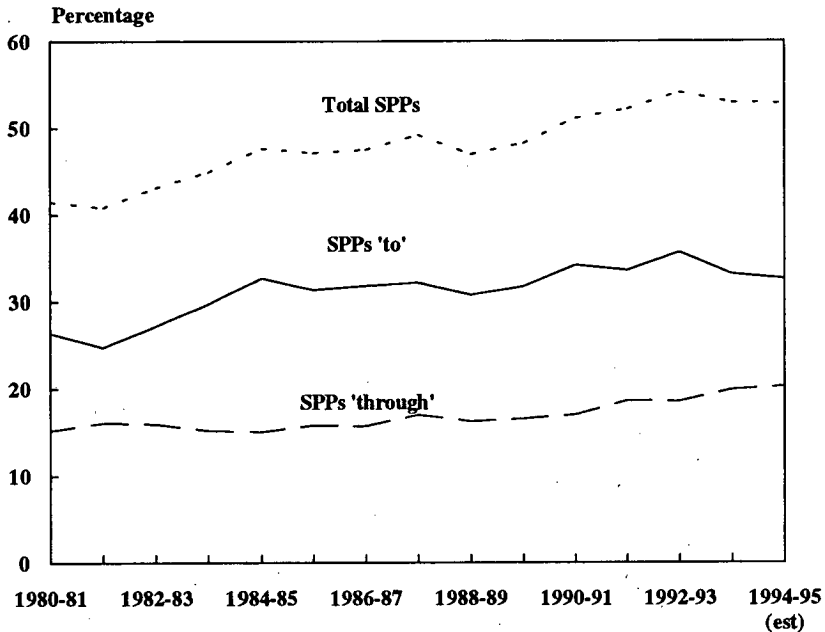


Chart 3 shows that SPPs have increased as a percentage of total Commonwealth payments to the States by around 11 percentage points since the early 1980s. This reflects, in part:

- the relatively generous escalation arrangements which have applied to SPPs compared to general purpose payments. Although the escalation arrangements for SPPs are diverse a number have agreed escalation formulae based, for example, on population growth and price movements;
- changes to the level of general purpose payments reflecting Commonwealth policy decisions. These have included reductions in general purpose payments of around \$600m in total largely to offset the gain to State own-source revenue from the transfer of taxing powers to the States (the Commonwealth allowed the States to

2 Chart 3 abstracts from the reclassification of existing programs, such as the transfer in 1989-90 of nominated housing advances, provided under States' Loan Council programs, into Commonwealth-State Housing Agreement grants; and significant changes in the structure of Commonwealth hospital funding (in particular the absorption of Hospital Cost Sharing grants within general revenue assistance in 1981-82 in the form of identified health grants, and the subsequent 1988 decision to combine States' Medicare compensation grants (introduced in 1984) and identified health grants into a single new SPP — hospital funding grants).



subject Commonwealth government business enterprises to payroll tax from 1988-89 and other taxes and charges from 1989-90, and transferred bank accounts debits tax to the States from 1990-91); and

- changes in Commonwealth policy in relation to major programs. For example, the termination of the Community Employment Program (consisting primarily of housing and labour market programs) in 1987-88, together with subsequent restraint in housing, road and local government grants, contributed to a decline in the level of SPPs in real terms from 1984-85 to 1989-90, notwithstanding their increasing share of total Commonwealth payments.

**CHART 4: COMPOSITION OF SPECIFIC PURPOSE PAYMENTS 'TO' AND 'THROUGH' THE STATES, 1994-95**

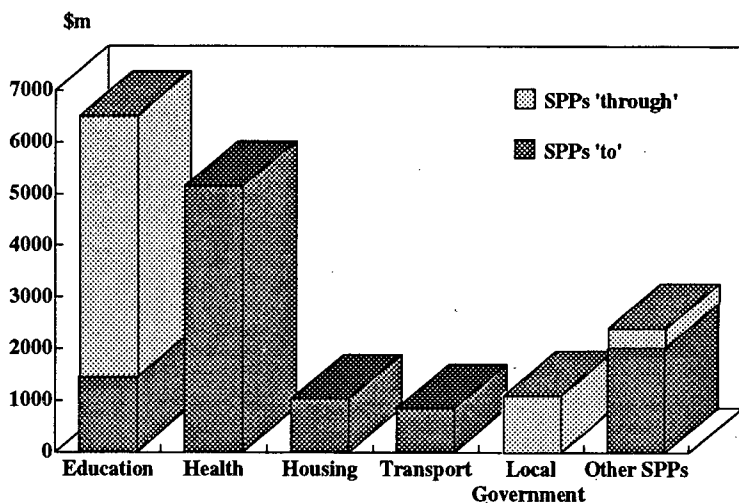


Chart 4 illustrates the composition of major specific purpose programs ('to' and 'through' the States) in 1994-95.

In 1994-95, total SPPs are expected to increase by 2.0 per cent, in part reflecting the reclassification of payments relating to the Australian National Training Authority (from an SPP to a Commonwealth own purpose outlay) and the untying of road grants.

## **Fiscal Equalisation and Specific Purpose Payments**

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

- **Inclusion** is used for SPPs which are considered to meet in part the CGC's assessment of State expenditure needs (for example, SPPs for funding government schools). In essence, this assumes that the provision of funding through SPPs is no different in effect from the provision of general revenue assistance.
- **Absorption** is a variant of the inclusion approach with the main difference being that SPPs treated by this method are added to the pool of financial assistance grants (FAGs) and the CGC's recommended per capita relativities are determined with regard to the combined pool in that year. Unquarantined hospital funding grants (HFGs) are treated in this manner.
- **Deduction** is used where the SPP is considered to finance expenditure in addition to that which the States would otherwise have undertaken or where the SPP is distributed in accordance with the CGC's assessment of State needs. Under this approach only the State-funded portion of expenditure is included in the CGC's assessments. A number of health SPPs — including the incentives package, the bonus pools, Medicare benefit adjustments and the other health services component — are treated by deduction. The deduction approach seeks to quarantine the distribution of FAGs from the interstate distribution of SPPs.
- **Exclusion** is used for SPPs which are directed to areas in which the Commonwealth has largely accepted financial responsibility (for example, most SPPs 'through' the States) or which are outside the scope of the CGC's assessment. Under this method all expenditure in the particular area is excluded from the assessments.

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

The Commonwealth attempts to balance the objectives of SPPs with the objectives of fiscal equalisation. Accordingly, the Commonwealth has sometimes instructed the CGC to treat certain SPPs in a different way from how the CGC may otherwise have treated them. For example, the financial assistance provided under the South

Australian Assistance Package is excluded from the CGC's assessments to ensure that the benefit of the assistance is not clawed back through lower FAGs.

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

## RECENT DEVELOPMENTS IN SELECTED COMMONWEALTH PROGRAMS

The remainder of this chapter provides details of Commonwealth/State funding arrangements for key program areas which have been the subject of recent initiatives. Further details of SPPs are presented in Statement 3 of Budget Paper No 1, and the *Catalogue of Specific Purpose Payments to the States and Territories 1993-94*, produced by the Commonwealth-State Relations Secretariat in the Department of the Prime Minister and Cabinet.

### EDUCATION

#### Technical and Further Education (TAFE)

Until 31 December 1993, the Commonwealth provided current and capital assistance to the States to support the operations of their TAFE systems under the *States Grants (TAFE Assistance) Act 1989*. This Act has been overtaken by the *Vocational Education and Training Funding Act 1992* and, from 1 January 1994, all Commonwealth payments to the State TAFE systems have been made through the Australian National Training Authority (ANTA).

It is estimated that the Commonwealth will provide \$733m to ANTA for TAFE in 1994-95. Payments made after 1 January 1994 are classified as payments to a non-budget agency rather than as payments to the States.

### HEALTH

#### Hospital Funding

Hospital funding grants (HFGs) are the main form of Commonwealth assistance to the States for health purposes. From 1988-89, they replaced identified health grants (which had been a component of general revenue assistance) and Medicare compensation grants. HFGs to the States will total \$4487.8m in 1994-95 and are indexed each year for changes in award wages, growth in the CPI and age/sex weighted population growth.

During 1992-93 the Commonwealth completed negotiations with the States on new five year Medicare Agreements. These agreements are aimed at promoting further reform of the public hospital system and ensuring that levels of public patient access are

maintained and improved. To facilitate this a mechanism of bonus pools will distribute \$636.5m to the States in 1994-95 to encourage greater access of public patients to the public hospital system. The amount of the bonus available for each State in any year is based on its relative level of public provision above a base threshold. Penalty provisions operate to reduce payments to those States where levels of public patient access are less than the base threshold.

HFGs include a specific contribution for the treatment of AIDS patients in public hospitals (\$58.5m in 1994-95). This component is indexed to the actual growth in AIDS cases treated in the public hospital system.

A range of payments are also available under the Medicare Agreements with specific objectives such as promoting continued efficiency in public hospitals. In 1994-95 these include:

- \$46.2m for capital investment planning and capital outlays on the upgrading of the public hospital system;
- \$33.8m for expansion of post-acute and palliative care services to promote continued reductions in the length of stay in hospital;
- \$13.5m for continued expansion of day only treatment as a substitute for overnight hospital stays and to allow for increased throughput with a view to reducing waiting times for longer stay procedures; and
- \$10.1m for the continued development of cost-based casemix systems to allow more informed resource management in the hospital system and assist meaningful comparisons of hospital performance.

Under separate arrangements, an amount of \$37.9m has been allocated for reducing excessive waiting times for elective surgery in 1994-95.

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

## **Mental Health**

Under the National Mental Health Strategy introduced in the 1992-93 Budget, \$110m is being provided to the States over six years to facilitate the transfer of mental health services out of stand alone psychiatric institutions into the acute hospital and community care systems. Additional funding of \$83.8m over 4 years has been allocated in the 1994-95 Budget to accelerate this process and address areas of concern identified

by the Report of the *National Inquiry into the Human Rights of People with Mental Illness*.

## **COMMUNITY SERVICE PROGRAMS**

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

The HACC program provides support services to enable frail aged and younger disabled persons at risk of institutionalisation to remain at home. In 1994-95, \$398.6m is to be provided to the States for this purpose.

SAAP provides accommodation and support services for homeless people and people in crisis. The current five year agreements with the States expire in June 1994. The Commonwealth and the States are involved in negotiations towards further 5 year agreements. In 1994-95, it is anticipated that \$105.1m will be provided to the States.

In addition to SAAP funding, \$5.5m will be provided on a matched basis to the States for the continuation of innovative service development projects focussed on priorities for homeless youth.

## **HOUSING**

In 1994-95 the Commonwealth will provide a total of \$1077.0m to the States for housing under the Commonwealth State Housing Agreement (CSHA).

Funding earmarked for the Mortgage and Rent Assistance Program and the Crisis Accommodation Program component of the CSHA is classified to the 'Social Security and Welfare' function.

Some of the assistance available under the CSHA is earmarked for pensioner housing and Aboriginal housing and this is classified to the 'Housing and Community Amenities nec' function.

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

**Table 15: Details of Payments to be Made Under the Commonwealth-State Housing Agreement, 1994-95 (\$m) (estimated)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Pensioner Housing	18.8	11.4	9.5	4.1	3.8	1.2	0.5	0.5	49.9
Aboriginal Housing	21.1	3.6	34.2	15.9	8.3	0.7	..	19.5	103.4
Community Housing Program	22.0	15.7	13.0	5.9	6.1	2.1	1.0	0.6	66.4
CSHA Block Assistance	267.0	201.4	130.9	70.1	51.0	24.6	18.2	13.5	776.7
Mortgage and Rent Relief (a)	10.5	7.8	5.4	2.9	2.6	0.8	0.5	0.3	30.9
Crisis Accommodation (a)	20.0	10.1	8.8	3.8	4.1	1.9	0.7	0.4	49.7
<b>Total</b>	<b>359.6</b>	<b>250.0</b>	<b>201.8</b>	<b>102.6</b>	<b>75.9</b>	<b>31.3</b>	<b>20.9</b>	<b>34.7</b>	<b>1077.0</b>

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

## ROADS

In keeping with decisions to give greater clarity to the role and responsibilities of each level of government, the Commonwealth withdrew from the funding of arterial roads from 31 December 1993. The Commonwealth's responsibilities are confined to the construction and maintenance of the National Highway System (NHS), which was expanded to include routes linking Sydney to Adelaide and Melbourne to Brisbane, and urban roads linking the former points of termination of the NHS in Sydney, Melbourne, Brisbane, Perth and Adelaide. The rationalisation of responsibility resulted in a \$350m per annum transfer of annual funding from 1 January 1994 from specific purpose funding for roads to identified general revenue assistance to the States. The impact in 1993-94 will be \$175m, half of the annual amount, reflecting the 1 January 1994 commencement date. New administrative arrangements will be put in place by 30 June 1994 to improve program efficiency.

The decrease in total funding for 1993-94 and 1994-95 reflects the transfer of \$350m annual funding outlined above together with the cessation of the Black Spots, Provincial Cities and Rural Highways and Urban Public Transport programs, and reduced funding from *One Nation*.

## SPORT AND RECREATION

The Commonwealth is providing \$150m towards capital facilities at Homebush Bay for the Sydney 2000 Olympic Games. In 1993-94 \$50m was provided and a further \$50m is to be provided in each of 1994-95 and 1995-96.

## NATURAL DISASTERS

Commonwealth payments under the Natural Disaster Relief Arrangements (NDRA) assist the States to meet the cost of providing relief and restoration following natural disasters. The NDRA recognise the States' primary responsibility for the administration, provision and financing of relief measures.

In 1993-94 estimated payments include an allowance for substantial payments to NSW in respect of the NSW bushfires including the Commonwealth's commitment to fund half the cost of the firefighting effort.

The estimated payments of \$45m for 1994-95 reflect States' estimates of further expenditure on recent disasters, including payments to NSW in respect of the January 1994 bushfires, and an allowance for the cost of any disasters which may occur in 1994-95.

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

This chapter outlines the changes to Loan Council arrangements agreed since August 1993, sets out the Loan Council Allocations (LCAs) for 1994-95 endorsed by Loan Council at its meeting on 25 March 1994, and provides a budget time LCA for the Commonwealth.

### LOAN COUNCIL ALLOCATIONS FOR 1994-95

1994-95 is the second year Loan Council has considered LCAs nominated by the Commonwealth and each State under the new Loan Council arrangements. The new arrangements were described in detail in Budget Paper No 3 in 1993-94. In brief, under the new arrangements, each jurisdiction nominates an LCA comprising its estimated general government deficit/surplus (based on its *National Fiscal Outlook* projections), public trading enterprise (PTE) sector net financing requirement and certain memorandum items. These nominations are considered by Loan Council having regard to each jurisdiction's fiscal position and reasonable infrastructure requirements, as well as to the macroeconomic implications of the aggregate figure.

The LCAs nominated by the Commonwealth and States for 1994-95 and endorsed by Loan Council at its 25 March meeting are shown in Table 16. In aggregate, they represent a substantial reduction on the LCAs agreed by Loan Council for 1993-94 although present indications are that the LCA outcome for 1993-94 will not be substantially different from the amounts endorsed for 1994-95. The actual outcomes for 1993-94 will be published in the new financial year.

In considering the aggregate of all jurisdictions' nominated LCAs, Loan Council recognised that fiscal policy has an important role to play in addressing the national saving-investment imbalance. Against that background, Loan Council considered that the aggregate of LCA nominations is broadly consistent with macroeconomic policy objectives but noted that further progress in achieving fiscal consolidation is required in future years in order to contribute to improved national savings and economic growth.

LCA nominations for 1994-95 are based on best estimates immediately prior to the Loan Council meeting of 1994-95 deficits/surpluses on a no policy change basis. The nominations thus provide a well defined indication of the public sector's prospective call on financial markets. The actual call on financial markets may vary from this estimate primarily because of changes in economic parameters and policy measures that jurisdictions implement. Updated information will be provided to financial markets through publication by each jurisdiction of a revised estimate of its LCA at the time of its budget.

Loan Council also decided that the tolerance limit of 3 per cent of total public sector revenue that applied to 1993-94 LCAs would be retained for 1994-95. This tolerance limit will apply between the LCA approved by Loan Council and the budget time LCA.



Also as in 1993-94, compliance with the budget time LCA will be subject to a separate 3 per cent of revenue tolerance limit.

If a jurisdiction becomes aware that it has exceeded or is likely to exceed, in either direction, its 3 per cent tolerance limit in respect of the Loan Council endorsed LCA or, following the budget, its budget time LCA, it is obliged to provide an explanation to Loan Council. In line with the emphasis of the new Loan Council arrangements on public disclosure and to facilitate financial market scrutiny, this explanation would be made 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 change in the LCA.

## PROSPECTIVE COMMONWEALTH LCA OUTCOME FOR 1993-94

Statement 6 of 1993-94 Budget Paper No 1 provided a budget time estimate of \$18.5 billion for the Commonwealth's 1993-94 LCA. This incorporated the budget deficit estimate of \$16 billion.

The latest estimate of the 1993-94 budget outcome, shown in Budget Statement 1, is \$13.6 billion. Based on this estimate, and significantly lower estimates of the PTE sector net financing requirement and memorandum items, the 1993-94 LCA outcome for the Commonwealth is now estimated at \$14.3 billion.

Such an outcome would result in the Commonwealth exceeding the lower bound of its 3 per cent of revenue tolerance limit. The lower estimate of the 1993-94 LCA is mostly due to the lower expected deficit outcome which, as noted in Budget Statement 1, reflects the effect of stronger economic activity in increasing tax revenue. The lower expected PTE sector net financing requirement mainly reflects the repayment of debt by some authorities, while the lower estimate for memorandum items incorporates updated and more accurate information on operating lease commitments of Departments and authorities.

## COMMONWEALTH BUDGET TIME LCA FOR 1994-95

In formulating its budget, each jurisdiction is required to take into account its Loan Council approved LCA and to report its budget time LCA and, where relevant, its associated Global Limit Equivalent (GLE), in its budget papers. GLEs are a transitional arrangement to facilitate within year reporting and monitoring of LCAs while jurisdictions develop the capacity to report quarterly against LCAs. Once a jurisdiction is able to report quarterly against its LCA a GLE estimate is no longer necessary.

At its meeting on 25 March, Loan Council approved a 1994-95 LCA for the Commonwealth of \$13.8 billion.

The estimated budget deficit incorporated in the Budget differs from that estimated at the time of the Loan Council meeting, primarily as a result of policy measures adopted in the Budget and parameter changes. This change, together with a revision to the estimates for the non-budget general government and PTE sectors, results in a budget time LCA of \$12.4 billion, compared with the \$13.8 billion figure endorsed by Loan Council. This reduction is well within the tolerance limit of 3 per cent of public sector revenue. The corresponding estimate of the Commonwealth's GLE for 1994-95 is \$12.6 billion.

## LOAN COUNCIL CLASSIFICATION OF INFRASTRUCTURE PROJECTS WITH PRIVATE SECTOR INVOLVEMENT

The 1994-95 LCAs endorsed by Loan Council for NSW and VIC include \$196m and \$69m, respectively, for government exposure to infrastructure projects with private sector involvement. This follows Loan Council's endorsement, at the 25 March meeting, of guidelines for the Loan Council classification of such projects. (Copies of the guidelines are available from the Loan Council Secretariat in the Commonwealth Treasury, or from the State Treasuries.)

The guidelines provide the basis for implementing, for 1994-95, the risk weighting approach agreed by Loan Council and announced by the then Commonwealth Treasurer in October 1993. The new approach involves estimating the degree of public sector risk exposure in an infrastructure project with private sector involvement, and including this estimate in the LCA of the government concerned.

Consistent with the emphasis of the new Loan Council arrangements on public disclosure, the new approach aims to make the underlying financial arrangements and risk allocation as transparent as possible. It also aims to provide consistency across jurisdictions and greater certainty for the private sector, and to remove Loan Council considerations from decisions about the extent of private sector involvement in infrastructure projects.

Under the previous approach, infrastructure projects in which there was private sector participation were assessed to determine whether the risks involved lay predominantly with the public sector or with the private sector. On this basis projects were then classified as either totally within or totally outside Loan Council. This meant that some projects with significant public sector risk were classified as entirely private sector and so outside Loan Council coverage. This provided an incentive to encourage private sector involvement simply to avoid Loan Council coverage, creating the potential for higher financing costs and a less than optimum use of resources. In other cases, projects with significant private sector risk were classified as entirely public sector resulting in the degree of public sector exposure being overstated. By including in the LCA only the estimated public sector risk exposure in a project, decisions on the extent and nature of private sector involvement should have greater regard to the efficiency and other benefits of such involvement, and less to Loan Council classification.

Risk weighting will be applied, for 1994-95, to public infrastructure projects with private sector involvement which:

- operate for 10 years or longer (including options for renewal); and
- involve the provision of services direct to a public sector entity or the underwriting by the public sector (that is, the generation of any financial exposure by the public sector, whether actual or contingent) of services provided directly to consumers.

The LCA impact of such projects is determined by applying a risk weight to the contingent financial liability which a project creates for a government. The risk weight reflects the likelihood that the government's contingent liability will actually need to be called.

The risk weight is a function of:

- project gearing, expressed in terms of the ratio of assets to liabilities — where the asset value is equal to construction cost less government grants (with discounting where appropriate), and project liability is equal to construction cost less equity contribution and government grants;
- project volatility — determined for various classes of infrastructure projects, eg toll roads, hospitals, water treatment plants; and
- project term — the contract period over which the government faces penalty provisions.

The risk weighting approach has been developed with Loan Council requirements in mind — specifically, the need for disclosure, as memorandum items within the LCA, of significant government exposures not reflected in the ABS measure of deficit/surplus. It would be wrong to attach a high order of accuracy to a process which relies on a number of assumptions and judgements in determining asset and liability valuations and measures of volatility. It is sufficient for Loan Council purposes that the broad government exposure be brought to account (without undue administrative burdens on governments) and that there be consistency across governments in the treatment of particular project types.

A review of the infrastructure guidelines is to be undertaken by Heads of Treasuries before the end of 1994-95. This will allow a number of areas to be examined in the light of experience, including the difficult question of how asset values are determined.

## LOAN COUNCIL TREATMENT OF SUPERANNUATION

A second classification issue decided by Loan Council on 25 March was the treatment of over-funding or under-funding by governments of the employer component of emerging annual obligations of public sector superannuation schemes. A Heads of Treasuries paper on the issue, which was endorsed by Loan Council, is available from

the Loan Council Secretariat in the Commonwealth Treasury, or from the State Treasuries.

Briefly, over-funding of the annual emerging employer cost is to be treated for Loan Council purposes as a form of saving and not as an addition to the LCA, even though it may add to the deficit. Under-funding of the emerging cost, whether through utilising employee funds or running down employer balances accumulated through past over-funding, is to be treated as a borrowing and thus as an addition to the LCA, even though it may not add to the deficit.

Memorandum item adjustments to produce these outcomes will be required only for funds constituted outside the general government sector, as government finance statistics principles accord the agreed treatment automatically to transactions of funds held inside that sector. That is, a consistent Loan Council treatment is achieved by treating all superannuation funds as if they were constituted inside the general government sector.

The above approach is reflected in jurisdictions' 1994-95 LCA nominations which reflect employer over-funding of superannuation included in the 1994-95 general government deficits of NSW, WA and SA.

## NEW FINANCIAL AGREEMENT

The Financial Agreement was last amended in 1976 and many of its provisions are now obsolete. At its June 1992 meeting, Loan Council agreed to proceed with amendments to the Financial Agreement to:

- remove the requirement for future Commonwealth and State borrowings to be approved under the Agreement — the States have for many years borrowed through central borrowing authorities outside the Agreement, with Commonwealth and State borrowings being subject to Loan Council monitoring under voluntarily agreed arrangements;
- remove the Commonwealth's explicit power to borrow on the States' behalf — reflecting the States' own borrowing activities outside the Agreement, the Commonwealth has undertaken no new money borrowings on behalf of the States since 1987-88;
- abolish the restriction on States' borrowing by the issue of securities in their own names — the States' extensive borrowing activities through their central borrowing authorities are regarded by the financial markets effectively as sovereign issues and rated accordingly;
- remove references to the National Debt Sinking Fund — a new fund, the Debt Retirement Reserve Trust Account, is to be established to provide a more efficient framework for the redemption of Commonwealth Government securities on issue on behalf of the States; and

- include the ACT and NT as members of Loan Council and as parties to the Financial Agreement.

Following Loan Council endorsement, the proposed new Financial Agreement was signed by all Heads of Government on 25 February 1994. To become effective, the Agreement requires the passage of complementary legislation in the Commonwealth and all State Parliaments. The Commonwealth's legislation was introduced into the Parliament on 23 March.

**Table 16: Loan Council Allocations and Global Limit Equivalents - 1994-95 Nominations (\$m)(a)**

	NSW <sup>1</sup>	VIC <sup>2</sup>	QLD	WA	SA <sup>3</sup>	TAS <sup>4</sup>	ACT <sup>5</sup>	NT <sup>6</sup>	C/Wealth	Aggregate
1993-94 general government deficit (est)	958	1604	-426	185	-196	-8	41	101	15979	18238
1994-95 general government deficit (nominated to Loan Council)	876	245	-393	178	196	28	75	69	13800	15074
PTE sector net financing requirement	-16	150	68	5	116	-48	4	84	300	663
Public sector deficit	860	395	-325	183	312	-20	79	153	14100	15737
Memo items (b)	7	231	467	-14	-157	29	-49	2	-300	216
<i>University Borrowings (c)</i>	48	66	25	20	20	0	0	0	3	182
<b>Loan Council Allocation</b>	<b>867</b>	<b>626</b>	<b>142</b>	<b>169</b>	<b>155</b>	<b>9</b>	<b>30</b>	<b>155</b>	<b>13800</b>	<b>15953</b>
Global limit equivalent (d)	-	-	-	-	-	-	15	-	13670	-
1993-94 global limit equivalent (d)	-	812	910	400	115	241	0	107	15920	-

- (a) LCA nominations for 1994-95 reflect best estimates, immediately prior to the Premiers' Conference/Loan Council meeting, of 1994-95 public sector deficits/surpluses on a no policy change basis. Updated estimates will be provided through publication by each jurisdiction of its budget time LCA as part of its budget documentation. (As noted in the text, the Commonwealth's budget-time LCA is \$12.4 billion.) The 3 per cent (of public sector revenue) tolerance limits around each jurisdiction's LCA are designed, inter alia, to accommodate changes to the LCA resulting from policy change. This table does not reflect any changes resulting from the Premiers' Conference outcome in respect of the level and distribution of general purpose funding; any such changes in LCAs could be accommodated within the tolerance limits.
- (b) Memo items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions — such as operating leases or governments' risk weighted contingent exposure to infrastructure projects with private sector involvement — that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs — for example, the funding of more than employers' emerging costs under public sector superannuation schemes, the general finance statistics deficit/surplus of States' central borrowing authorities, or borrowings by entities such as statutory marketing authorities.
- (c) University borrowings are included in the general government deficit and are not additive. The inclusion of university borrowings in State/Territory LCAs is subject to review in 1994-95.
- (d) Global limit equivalents are a transitional arrangement to facilitate within year reporting and monitoring of LCAs while jurisdictions develop the capacity to report quarterly against LCAs. They are not shown where jurisdictions expect to be in a position to report quarterly against LCAs for all quarters of 1994-95. NSW is able to report quarterly on an LCA basis from 1993-94.

- 1 NSW's nomination does not include expected proceeds from the sale of the State Bank. Memo items include a risk weighted assessment of \$196m for the Government's exposure to infrastructure projects with private sector involvement. In practice, some of these projects involve construction costs spread over more than one year. If the Government's exposure were apportioned according to the expected timing of construction costs, a figure of \$40m would apply in 1994-95.
- 2 Victoria's nomination includes \$69m in memo items for infrastructure projects with private sector involvement.
- 3 SA's 1993-94 LCA was affected by a number of significant once-off items, including the receipt of \$417m proceeds from the sale of the Government's shareholding in SAGASCO Holdings Ltd and \$160m return of capital from the State Bank.
- 4 Tasmania's 1993-94 general government deficit does not include expected proceeds from the sale of the Tasmanian Development Authority's housing loan portfolio because of uncertainties about the timing of the sale.
- 5 Included in the ACT's general government deficit for 1994-95 is \$49m for funding of its Home Finance Scheme (the corresponding figure for 1993-94 is \$33m). While such schemes are generally excluded from the ABS Government Finance Statistics (GFS) definition of general government, the ACT scheme is caught within the definition because funds for the scheme are raised by a general government body — unlike the States which raise funds through bodies outside the scope of the GFS. To give the ACT scheme comparability with the States' schemes, a negative memo item adjustment has been made to leave the ACT's LCA unaffected by the activities of its scheme.
- 6 The NT's nomination includes \$26m for the McArthur River gas pipeline (delayed from 1993-94), \$6m for the relocation of power generation facilities to McArthur River, \$5m for gas augmentation at Palm Valley and \$35m for the Port of Darwin.

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

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

### **TABLE 17: TOTAL COMMONWEALTH PAYMENTS TO THE STATES, REPAYMENT OF ADVANCES AND INTEREST REPAYMENTS 1990-91 TO 1994-95 (ESTIMATES)**

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

Details are classified as follows:

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

Specific purpose payments are classified on the functional basis used in Budget Paper No 1, which aggregates outlays directed towards like objectives and purposes. The general purpose funds identified in this appendix are classified under the 'Not Allocated to Function' heading in Budget Paper No 1. Specific purpose payments are further divided into those paid to the States (by far the larger group by number) and those judged to be paid through the States to other groups. Programs in the latter group are indicated within the table by (\*) and separate totals are provided in the summary at the end of the table.



**Table 17: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1990-91 to 1994-95 - (\$ 000)**

	1990-91	1991-92	1992-93	1993-94 (estimate)	1994-95 (estimate)
<b>GENERAL REVENUE FUNDS</b>					
Financial Assistance Grants	13,116,998	13,215,022	13,491,793	13,727,307	14,066,199
Identified Road Grants	..	39,131	30,602	175,000	350,000
Special Revenue Assistance	49,955	39,511	192,483	453,523	581,952
General Revenue Grants	434,439	357,639	372,203	..	..
Transitional Funding Payment	..	52,661	..	..	..
<b>TOTAL</b>	<b>13,601,392</b>	<b>13,703,964</b>	<b>14,087,081</b>	<b>14,355,830</b>	<b>14,998,151</b>
<b>GENERAL PURPOSE CAPITAL FUNDS</b>					
Capital Grants	330,207	330,207	330,307	330,307	..
Building Better Cities	..	41,500	167,661	212,617	259,454
<b>TOTAL</b>	<b>330,207</b>	<b>371,707</b>	<b>497,968</b>	<b>542,924</b>	<b>259,454</b>
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<i>Education</i>					
* Higher Education	2,436,286	2,557,444	2,710,148	3,117,610	3,449,444
State Contribution to Higher Education					
Superannuation	-18,862	-48,372	-39,481	-41,477	-48,449
Technical and Further Education (a)	148,982	209,249	315,987	180,903	..
Advanced English for Migrants	4,494	4,691	4,806	4,860	4,927
Government Schools	823,552	950,120	1,004,914	1,024,072	865,905
* Non Government Schools	1,197,788	1,302,473	1,371,105	1,504,807	1,448,153
Joint Schools Programs	42,855	56,842	60,437	68,243	291,614
→ Aboriginal Education	41,600	33,059	50,045	50,046	54,918
National Policy on Language	5,017	..	..	..	..
Cost Escalation Allowance	..	..	..	..	28,679
* Cost Escalation Allowance	..	..	..	..	76,062
<i>Health</i>					
Health Program Grants	30,911	29,704	27,636	32,701	33,405
Transfer Pathology Laboratory	24,674	26,298	27,350	28,061	29,014
Dental Program	..	..	..	17,451	64,395
Hospital Funding/Base Medicare	3,630,337	3,784,036	3,932,722	3,524,524	3,637,308
Other Medicare	..	..	48,339	819,570	850,497
Medicare Related Payments	..	..	..	43,216	105,406
National Mental Health	..	..	2,458	1,242	12,170
Magnetic Resonance Imaging	4,550	5,701	10,379	23,065	21,530
Medical Speciality Centres	1,086	2,341	2,742	2,657	2,696
Veterans Psychiatric Care	..	..	..	2,320	2,750
Nurse Education	30,346	38,707	44,044	23,517	..
Repatriation General Hospitals	..	..	12,679	26,426	12,970
High Cost Drugs	..	36,100	34,544	64,470	78,900
Aged Care Assessment	23,712	24,969	15,999	10,192	11,238
Home and Community Care	78,680	97,525	91,688	99,418	107,866
Cervical Cancer Screening	..	2,000	2,683	5,317	7,146
Immunisation HIB Disease	..	..	..	11,364	9,723
Youth Health Services	1,859	1,912	2,754	1,951	2,668
Breast Cancer	1,045	15,226	14,061	24,600	39,936
Other Health	8,749	10,683	12,690	9,630	17,548
Funds to Combat AIDS	23,045	22,957	25,039	25,526	28,730
Drug Education Campaigns	20,009	21,135	19,200	19,527	20,068

*Table 17: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1990-91 to 1994-95 - (\$000) - continued.*

	1990-91	1991-92	1992-93	1993-94 (estimate)	1994-95 (estimate)
Blood Transfusion Services	26,707	30,527	30,098	40,531	39,546
Asbestos Removal Assistance	11,700	20,829	18,386	1,651	..
<i>Social Security and Welfare</i>					
Aged Care Assessment	1,120	3,654	15,520	24,062	26,611
Home and Community Care	189,340	211,868	244,589	265,162	284,117
Disabilities Services	..	5,000	114,488	250,316	270,379
Children's Services	15,456	24,702	27,808	31,037	35,038
Mortgage and Rent Relief	30,914	30,914	28,555	31,249	30,914
Supported Accommodation Assistance	85,923	95,748	99,852	108,709	110,599
Rural Domestic Violence - Referral	..	..	..	100	1,808
Translating and Interpreting Services	465	92	140	..	..
Unattached Refugee Children	292	336	201	200	374
Extension of Fringe Benefits	..	..	17,500	138,757	130,362
Locational Disadvantage Research	..	..	144	87	..
<i>Housing and Community Amenities nec -</i>					
Home Deposit Assistance	6,600	22,600	..	..	..
Assistance for Housing	5,500	5,500	5,500	5,500	5,500
National Landcare - Urban Water	927	1,658	1,995	3,067	2,762
Assistance for Water and Sewerage	7,274	7,172	7,380	7,322	7,579
Environmental Restoration	1,487	2,993	669	507	226
Rainforest Conservation	2,238	2,521	..	..	..
<i>Culture and Recreation -</i>					
1998 Commonwealth Games Bid	..	200	..	..	..
World Heritage Areas	4,000	11,000	13,000	8,500	9,190
South West TAS - Heritage Area	5,855	6,460	6,668	9,871	3,500
<i>Transport</i>					
Aerodrome Local Ownership Plan	700	1,466	819	..	..
Interstate Road Transport	14,525	15,904	16,983	19,550	20,550
Bass Strait Passenger Service	..	..	..	250	300
<i>Industry Assistance and Development -</i>					
TAS Wheat Freight Subsidy	3,303	3,150	2,925	2,700	2,700
Bovine Brucellosis and Tuberculosis	38,482	26,628	21,311	17,123	13,820
Exotic Disease Eradication	217	227	834	247	242
Sugar Industry	600	..	..	..	..
Rural Adjustment Scheme	62,450	157,327	168,977	58,300	87,626
Agricultural Research	200	..	..	..	..
National Landcare Program	20,559	23,949	27,096	37,669	33,783
Forestry Development	4,158	7,900	12,717	6,021	9,107
Electricity Grid Infrastructure	..	..	..	71	2,750
Assistance to Tin Mining	-5	..	..	..	..
Coal Industry Superannuation	..	..	..	2,617	..
Compensation Gas/RRT	..	60,000	..	..	..
PAWA (NT) Assistance	30,000	20,000	10,000	..	..
WA Steel Project Study	..	..	750	250	..
National Industry Extension Service	10,470	11,788	13,134	18,324	20,026
Other Assistance for Manufacturing	1,078	2,743	1,500	1,650	4,300
<i>Labour and Employment -</i>					
Entry Level Training	10,856	44,058	64,128	35,441	33,000
Forest Industry Package	..	1,209	1,651	1,593	21
Employment Training - Aboriginal	1,983	10,087	8,222	11,275	11,444

*Table 17: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1990-91 to 1994-95 - (\$000) - continued.*

	1990-91	1991-92	1992-93	1993-94 (estimate)	1994-95 (estimate)
<i>* Coal Mining Industry - Long Service</i>					
Leave	23,359	26,592	26,339	-248	..
<i>Other Economic Services -</i>					
ACT Unclaimed Moneys	127	..	..	..	..
<i>General Public Services -</i>					
Sharing of Criminal Asset Recovery	184	50	9	..	..
Legal Aid	105,560	119,969	124,097	129,783	131,301
Aboriginal Deaths in Custody	..	1,385	200	..	..
* Research at Universities	168,566	225,322	252,368	275,332	296,526
Cape York Land Use Strategy	..	..	107	93	700
<i>Not Allocated to Function (b) -</i>					
Debt Redemption Assistance	4,736	211,818	122,512	82,143	117,000
* Financial Assistance - Local Government					
-General Assistance	711,392	726,062	748,295	751,147	758,548
-Identified Road Funding	..	313,569	332,037	333,329	336,629
Compensation - Companies Regulation	68,028	116,099	118,203	124,308	122,618
Natural Disaster Relief	13,242	1,624	331	2,123	2,250
Assistance for South - West TAS	32,689	30,032	29,302	..	..
Royalties	194,225	151,497	30,660	52,390	89,390
Public Sector Restructuring	..	..	17,000	..	..
ACT Public Service Establishment	..	..	460	..	..
SA Assistance Package	..	..	156,000	36,000	22,000
ACT National Capital Influences	18,093	17,839	18,354	18,211	18,851
Assistance Recycled Paper Producers	..	..	5,004	9,230	5,000
<b>TOTAL</b>	<b>10,496,289</b>	<b>11,996,865</b>	<b>12,771,247</b>	<b>13,679,359</b>	<b>14,366,204</b>
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>					
<i>Education -</i>					
* Higher Education	208,307	219,324	313,385	152,254	35,649
Technical and Further Education (a)	220,908	206,623	239,438	110,572	..
Government Schools	197,918	218,265	244,560	235,601	199,553
* Non-Government Schools	73,206	86,447	116,688	129,857	117,419
Aboriginal Education	6,143	3,735	2,905	2,905	..
<i>Health -</i>					
Teaching Hospitals/Enhancement	50,000	23,000	21,050	..	..
Magnetic Resonance Imaging	..	5,699	5,700	..	..
Veterans Psychiatric Care	..	..	..	2,100	2,300
Launceston General Hospital	205	..	..	..	..
Home and Community Care	554	1,156	2,131	2,298	2,538
National Mental Health	..	..	..	..	5,000
Blood Transfusion Services	2,983	2,502	7,141	7,763	7,568
<i>Social Security and Welfare -</i>					
Home and Community Care	8,800	4,873	3,433	3,707	4,083
Children's Services	2,242	7,514	3,145	2,498	16,018
Crisis Accommodation Assistance	39,655	39,655	5,352	33,237	49,729
<i>Housing and Community Amenities nec -</i>					
Pensioner Housing Grants	49,273	49,273	48,229	49,018	49,872
Housing Assistance for Aborigines	91,000	91,000	74,437	95,211	103,352
Social Housing	..	..	..	..	8,000
Community Housing Program	24,403	24,403	8,474	56,213	66,368
CSHA Block Assistance	792,931	792,931	829,527	810,034	776,732

*Table 17: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1990-91 to 1994-95 - (\$000) - continued.*

	1990-91	1991-92	1992-93	1993-94 (estimate)	1994-95 (estimate)
Sewerage	..	500	8,020	8,270	2,710
Urban Infrastructure	..	..	..	1,500	6,500
National Landcare - Urban Water	17,271	16,154	15,653	22,680	24,388
<i>Culture and Recreation -</i>					
Support for 1991 Swimming	3,000	..	..	..	..
National Estate	3,985	4,115	4,246	4,342	4,436
Heritage Restoration	..	20,000	..	..	1,072
World Heritage Assistance	568	2,497	4,500	2,080	10,353
<i>Transport -</i>					
Aerodrome Local Ownership Plan	326	..	..	..	..
Badgery's Creek Road System	11,000	9,000	..	..	..
Road Programs	1,561,210	1,333,018	1,788,029	1,013,638	820,000
Railway Projects	33,996	5,700	59,663	27,550	4,600
Transport Improvement Grant	..	35,000	..	..	..
Port Development	..	..	20,000	..	..
<i>Industry Assistance and Development-</i>					
Bovine Brucellosis and Tuberculosis	117	82	33	..	..
Fisheries Management	960	..	..	..	..
Sugar	..	..	..	3,095	9,095
Meat Inspectors' Superannuation Loan	587	..	..	..	..
National Landcare Program	14,678	12,116	18,211	17,160	16,557
TAS Industrial Development	..	6,000	..	..	..
<i>Not Allocated to Function (b) -</i>					
Sydney 2000 Olympic Games	..	..	..	50,000	50,000
Sinking Fund on State Debt	49,371	45,011	37,957	31,014	28,061
Natural Disaster Relief	149,866	49,531	2,295	43,950	42,750
Assistance for South - West TAS	125	91	..	336	..
SA Assistance Package	..	..	107,000	114,000	212,000
ACT Establishment Assistance	3,000	..	..	..	..
Tax Compensation - Sale of Assets	413,000	14,000	402,256	..	..
Infrastructure Restoration	2,000	2,000	..	..	..
<b>TOTAL</b>	<b>4,033,587</b>	<b>3,331,214</b>	<b>4,393,460</b>	<b>3,032,883</b>	<b>2,676,703</b>
<b>REPAYMENTS</b>					
<i>Payments to National and NT</i>					
Debt Sinking Funds (c)	611,073	182,736	153,659	126,062	114,057
Supplementary Contributions	965,632	2,337,047	2,370,409	926,553	1,760,902
<i>Repayments of Commonwealth Government Loans</i>					
ACT in Lieu of Semi Government Borrowings	..	25,000	..	..	..
ACT Debt Repayments	16,965	70,460	11,721	4,647	13,376
ACT Land Development Costs	6,700	..	..	..	..
Loan Council - Housing Nominations	139,074	11,379	13,844	30,267	15,117
<i>Defence -</i>					
Housing For Servicemen	1,601	769	957	1,004	1,062
<i>Housing and Community Amenities nec -</i>					
CSHA Block Assistance	56,671	56,621	58,918	106,109	63,802
Other Housing	8,151	4,897	5,120	5,353	5,534
Urban Water Supply and Treatment	54	95	133	169	187
Water and Sewerage Assistance	136	136	136	136	136
Growth Centres	6,627	6,641	177	194	204
Urban Rehabilitation	425	205	206	205	205

*Table 17: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1990-91 to 1994-95 - (\$000) - continued.*

	1990-91	1991-92	1992-93	1993-94 (estimate)	1994-95 (estimate)
Sewerage	1,975	2,173	2,383	2,594	2,849
Community Facilities -Townsville	13	14	15	17	18
Captains Flat Project	22	25	27	31	31
<i>Transport -</i>					
Railway Projects	5,817	5,653	6,131	6,722	7,436
King Island Harbour Works	8	..	..	..	..
Weipa Development	159	167	176	186	196
<i>Industry Assistance and Development -</i>					
Dairy Adjustment Program	791	838	888	940	927
Bovine Brucellosis and Tuberculosis	425	574	572	643	316
Beef Industry Assistance	6	..	..	..	..
Canned Fruit Industry	383	423	423	..	..
Rural Adjustment Scheme	10,351	7,976	9,359	32,648	8,420
Rural Reconstruction	10,433	10,788	8,851	6,255	3,649
Meat Inspectors Superannuation	..	108	117	118	118
War Service Land Settlement	569	590	612	624	5,636
Brigalow Lands Development Scheme	693	693	519	693	554
Irrigation and Other Water Projects	959	850	756	633	493
Dartmouth Dam	1,173	1,173	1,173	1,174	1,173
Softwood Forestry	1,822	1,822	1,822	1,822	2,433
Gladstone Power Station	4,246	4,505	4,779	62,562	..
Exmouth Township-Electricity Services	14	14	14	14	14
<i>Not Allocated to Function (b) -</i>					
Natural Disaster Relief	24,602	23,127	16,259	10,497	9,732
<b>TOTAL</b>	<b>1,877,573</b>	<b>2,757,500</b>	<b>2,670,156</b>	<b>1,328,872</b>	<b>2,018,577</b>
<b>ADVANCES</b>					
<i>Housing and Community Amenities nec -</i>					
Urban Water Supply and Treatment	3,675	2,450	1,260	1,260	1,260
<i>Transport -</i>					
Railway Projects	496	..	..	..	..
<i>Industries Assistance and Development -</i>					
Bovine Brucellosis and Tuberculosis	117	82	33	..	..
Meat Inspectors' Superannuation Loan	587	..	..	..	..
<i>Not Allocated to Function (b)-</i>					
Natural Disaster Relief	14,337	2,149	40	2,400	2,250
<b>TOTAL</b>	<b>19,212</b>	<b>4,681</b>	<b>1,333</b>	<b>3,660</b>	<b>3,510</b>
<b>INTEREST</b>					
<i>Interest on Loan Council and</i>					
NT Govt Borrowings	2,031,607	1,841,676	1,562,125	1,250,000	1,118,000
<i>Interest on Commonwealth Government Loans</i>					
Lieu of Semi Government Borrowings	3,275	1,638	..	..	..
ACT Land Development Costs	2,730	..	..	..	..
ACT Government Debt	31,166	36,869	16,657	15,203	14,669
Housing Nomination	112,488	86,812	98,728	97,454	96,774
<i>Defence -</i>					
Housing for Servicemen	21,295	5,782	6,138	5,663	5,620
<i>Housing and Community Amenities nec -</i>					
CSHA Loans	170,672	165,301	163,003	160,611	158,119
Other Housing	32,295	18,311	18,088	17,854	17,673

*Table 17: Total Commonwealth Payments, Repayments of Advances and Interest Payments 1990-91 to 1994-95 - (\$000) - continued.*

	1990-91	1991-92	1992-93	1993-94 (estimate)	1994-95 (estimate)
Urban Water Supply and Treatment	592	995	1,235	1,315	1,295
Water and Sewerage Assistance	718	712	705	698	691
Growth Centres	463	448	431	413	369
Urban Rehabilitation	231	214	197	178	161
Sewerage	19,046	18,848	18,631	18,363	18,110
Community Facilities - Townsville	33	32	30	29	28
Captains Flat Project	39	36	34	31	31
<i>Transport -</i>					
Railway Projects	9,768	9,034	8,215	7,318	6,322
King Island Harbour Works	1	..	..	..	..
Weipa Development	67	58	49	40	30
<i>Industry Assistance and Development -</i>					
Dairy Adjustment Program	458	410	359	305	228
Bovine Brucellosis and Tuberculosis	56	146	20	90	52
Canned Fruit Industry	40	..	..	..	..
Rural Adjustment Scheme	10,357	11,335	8,973	8,237	5,846
Rural Reconstruction	2,543	1,911	1,293	800	364
Meat Inspectors' Superannuation Loan	..	56	48	34	20
War Service Land Settlement	652	631	609	597	585
Brigalow Lands Development Scheme	426	379	507	287	240
Irrigation and Other Water Projects	282	226	170	122	80
Dartmouth Dam	1,163	1,051	938	827	714
Softwood Forestry	4,246	4,099	3,953	3,807	4,345
Gladstone Power Station	9,003	8,744	8,470	9,790	..
Exmouth Township - Electricity Services	5	5	4	3	2
<i>Not Allocated to Function (b) -</i>					
Asset Sales - Stamp Duty	..	..	2,038	..	..
Natural Disaster Relief	498	647	181	767	765
<b>TOTAL</b>	<b>2,466,214</b>	<b>2,216,405</b>	<b>1,921,830</b>	<b>1,600,836</b>	<b>1,451,133</b>

**SUMMARY OF TOTAL GROSS AND NET PAYMENTS**

For General Purposes	13,931,598	14,075,671	14,585,049	14,898,754	15,257,605
For Specific Purposes	14,529,876	15,328,079	17,164,708	16,712,242	17,042,907
<b>Total Gross Payments</b>	<b>28,461,474</b>	<b>29,403,749</b>	<b>31,749,757</b>	<b>31,610,996</b>	<b>32,300,512</b>
Payments to State	23,642,569	23,946,516	25,879,391	25,346,908	25,782,082
*Payments through State	4,818,905	5,457,233	5,870,366	6,264,088	6,518,430
<b>Total Gross Payments</b>	<b>28,461,474</b>	<b>29,403,749</b>	<b>31,749,757</b>	<b>31,610,996</b>	<b>32,300,512</b>
Repayments	-1,877,573	-2,757,500	-2,670,156	-1,328,872	-2,018,577
<b>Total Net Payments</b>	<b>26,583,901</b>	<b>26,646,249</b>	<b>29,079,601</b>	<b>30,282,124</b>	<b>30,281,935</b>

\*Items so marked are classified as payments made through the State. This is discussed further in Chapter 3.

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

**TABLE 18: COMMONWEALTH PAYMENTS TO THE STATES,  
REPAYMENTS, ADVANCES AND INTEREST PAYMENTS 1994-95  
(ESTIMATES)**

This table provides details of each State's share of the items included in Table 17 as estimated for 1994-95. General purpose assistance and specific purpose payments are discussed in Chapters II and III, respectively.

As in other years, the distribution of assistance for 1994-95 under some programs is dependent upon the recipient government undertaking to participate in programs or approve particular projects. For a few programs, final decisions on the distribution of payments among the States have still to be taken by the Commonwealth; for others, the final distribution for 1994-95 will not be settled until further data becomes available. In such cases, a provisional or notional estimate of the likely distribution is included. This does not commit the Commonwealth to a particular level of funding or indicate that a State has agreed to participate in the program.

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

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

**Table 18: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1994-95 (Estimate)**

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
<b>GENERAL REVENUE FUNDS</b>									
Financial Assistance Grants	3,993,964	2,786,120	2,685,523	1,501,705	1,454,993	611,394	219,090	813,410	14,066,199
Identified Road Funds	103,600	103,200	63,000	43,400	22,800	8,800	1,400	3,800	350,000
Special Revenue Assistance	163,648	214,368	39,929	14,974	4,991	7,986	107,107	28,949	581,952
<b>TOTAL</b>	<b>4,261,212</b>	<b>3,103,688</b>	<b>2,788,452</b>	<b>1,560,079</b>	<b>1,482,784</b>	<b>628,180</b>	<b>327,597</b>	<b>846,159</b>	<b>14,998,151</b>
<b>GENERAL PURPOSE CAPITAL FUNDS</b>									
Building Better Cities	107,790	64,018	26,330	22,135	22,315	6,000	5,666	5,200	259,454
<b>TOTAL</b>	<b>107,790</b>	<b>64,018</b>	<b>26,330</b>	<b>22,135</b>	<b>22,315</b>	<b>6,000</b>	<b>5,666</b>	<b>5,200</b>	<b>259,454</b>
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>									
<i>Education -</i>									
*Higher Education	1,144,879	960,556	588,649	326,347	306,087	86,428	..	36,498	3,449,444
Contribution to Higher Education Superannuation	-20,947	-17,598	..	-3,853	-5,854	-197	..	..	-48,449
Advanced English for Migrants	1,935	1,543	491	398	355	61	83	61	4,927
Government Schools	294,557	206,106	173,622	85,935	54,872	25,294	15,583	9,936	865,905
*Non Government Schools	487,712	404,485	242,888	132,086	100,751	33,696	35,658	10,877	1,448,153
Joint Schools Programs	108,029	83,324	36,205	26,689	21,673	7,178	4,170	4,346	291,614
Aboriginal Education	9,970	4,273	10,328	6,961	9,244	1,289	497	12,356	54,918
Cost Escalation Allowance	9,968	7,156	5,209	2,780	1,926	803	479	358	28,679
*Cost Escalation Allowance	25,403	21,308	12,835	7,043	6,070	1,842	858	703	76,062
<i>Health -</i>									
Health Program Grants	..	2,776	..	8,319	18,295	..	3,192	823	33,405
Transfer Pathology Laboratory	8,516	3,583	15,100	..	..	1,815	..	..	29,014
Dental Program	21,872	14,988	11,440	6,780	6,026	2,064	638	587	64,395
Medicare Base Grant	1,257,008	923,102	639,317	328,319	317,452	97,902	50,861	23,346	3,637,308
Other Medicare	102,054	149,184	191,993	154,374	133,376	37,409	21,893	60,216	850,497
Medicare Related Payments	23,231	36,327	21,168	9,968	9,418	3,301	1,198	795	105,406
National Mental Health	4,130	3,070	2,140	1,160	1,010	330	120	210	12,170
Magnetic Resonance Imaging	4,869	4,157	2,663	4,008	4,112	1,054	667	..	21,530
Medical Specialty Centres	1,256	946	394	100	..	..	..	..	2,696
Veterans Psychiatric Care	..	2,750	..	..	..	..	..	..	2,750
Repatriation General Hospitals	6,169	..	..	..	..	6,801	..	..	12,970
High Cost Drugs	34,021	21,173	10,510	4,613	5,668	623	1,780	512	78,900
Aged Care Assessment	3,478	3,393	1,589	1,174	1,029	498	77	..	11,238
Home and Community Care	23,399	32,649	16,400	16,931	13,629	4,171	572	116	107,866
Cervical Cancer Screening	2,708	1,463	832	805	638	265	234	201	7,146



Table 18: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1994-95 - (Estimate) continued

	New South Wales	Victoria	Queens-land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Immunisation HIB Disease	3,306	2,431	1,653	972	778	292	194	97	9,723
Youth Health Services	750	676	390	403	183	57	107	102	2,668
Breast Cancer	13,179	9,784	6,909	3,754	3,434	1,398	599	879	39,936
Other Health	5,291	3,989	3,247	2,234	1,355	511	538	384	17,548
Funds to Combat AIDS	11,849	5,275	4,503	2,640	1,889	810	1,221	543	28,730
Drug Education Campaigns	6,682	5,058	3,231	1,887	1,826	742	341	301	20,068
Blood Transfusion Services	12,761	10,254	6,582	4,398	3,226	1,135	740	450	39,546
<i>Social Security and Welfare -</i>									
Aged Care Assessment	9,940	7,449	4,064	1,365	2,778	815	200	..	26,611
Home and Community Care	113,185	77,387	39,942	22,077	19,863	6,693	2,928	2,042	284,117
Disabilities Services	91,444	59,477	48,635	18,003	36,058	10,662	3,417	2,683	270,379
Children's Services	2,252	7,374	1,354	944	22,274	435	162	243	35,038
Mortgage and Rent Relief	10,530	7,841	5,399	2,933	2,567	828	520	296	30,914
Supported Accommodation Assistance	38,335	26,103	16,791	9,488	9,840	3,896	3,394	2,752	110,599
Rural Domestic Violence-Referral	128	226	248	225	437	213	..	331	1,808
Unattached Refugee Children	122	112	46	37	57	..	..	..	374
Extension of Fringe Benefits	45,338	32,411	22,631	11,396	12,894	4,141	920	631	130,362
<i>Housing and Community Amenities nec -</i>									
Assistance for Housing	1,848	1,347	424	627	941	313	..	..	5,500
National Landcare - Urban Water	554	487	922	337	248	149	15	50	2,762
Assistance for Water and Sewerage	..	..	..	..	..	..	7,579	..	7,579
Environmental Restoration	..	..	..	..	..	..	..	226	226
<i>Culture and Recreation -</i>									
World Heritage Areas	..	..	9,190	..	..	..	..	..	9,190
South West TAS - Heritage Area	..	..	..	..	..	3,500	..	..	3,500
<i>Transport -</i>									
Interstate Road Transport	9,222	5,504	1,900	794	2,830	100	100	100	20,550
Bass Strait Passenger Service	..	..	..	..	..	300	..	..	300
<i>Industry Assistance and Development -</i>									
TAS Wheat Freight Subsidy	..	..	..	..	..	2,700	..	..	2,700
Bovine Brucellosis and Tuberculosis	150	192	2,806	4,635	160	7	..	5,870	13,820
Exotic Disease Eradication	126	..	63	..	..	..	16	36	242
Rural Adjustment Scheme	37,776	..	27,636	..	19,309	2,906	..	..	87,626
National Landcare Program	7,908	6,470	5,338	5,483	4,978	1,386	155	2,065	33,783
Forestry Development	2,000	..	1,500	..	..	5,607	..	..	9,107
Electricity Grid Infrastructure	1,375	..	1,375	..	..	..	..	..	2,750
National Industry Extension Service	6,433	5,731	3,025	1,757	1,810	674	326	270	20,026

Table 18: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1994-95 - (Estimate) continued

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Other Assistance for Manufacturing	356	321	188	127	3,125	71	57	55	4,300
<i>Labour and Employment -</i>									
Entry Level Training	11,400	8,714	5,800	3,350	2,760	525	296	155	33,000
Forest Industry Package	..	..	..	..	..	21	..	..	21
Employment Training - Aboriginal	2,526	267	4,390	1,418	2,319	331	116	76	11,444
<i>General Public Services -</i>									
Legal Aid	41,522	35,609	19,885	12,604	10,798	5,850	2,567	2,466	131,301
*Research at Universities	107,615	77,177	43,248	27,128	31,631	8,539	..	1,188	296,526
Cape York Land Use Strategy	..	..	700	..	..	..	..	..	700
<i>Not Allocated to Function (a) -</i>									
Debt Redemption Assistance	34,200	27,900	13,200	11,500	13,400	10,000	800	6,000	117,000
*Financial Assistance-Local Government	257,505	191,040	134,878	72,137	62,682	20,175	12,945	7,189	758,548
*Local Government -Identified Road	97,637	69,379	63,053	51,455	18,494	17,834	10,894	7,883	336,629
Compensation -Companies Regulation	40,746	35,621	20,060	12,348	9,184	2,845	..	1,815	122,618
Natural Disaster Relief	1,125	..	1,125	..	..	..	..	..	2,250
Royalties	..	..	..	88,000	..	..	..	1,390	89,390
SA Assistance Package	..	..	..	..	22,000	..	..	..	22,000
ACT National Capital Influences	..	..	..	..	..	..	18,851	..	18,851
Assistance Recycled Paper Producers	..	..	4,000	1,000	..	..	..	..	5,000
<b>TOTAL</b>	<b>4,581,332</b>	<b>3,592,322</b>	<b>2,514,102</b>	<b>1,498,394</b>	<b>1,331,904</b>	<b>429,085</b>	<b>208,557</b>	<b>210,507</b>	<b>14,366,204</b>
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>									
<i>Education -</i>									
*Higher Education	10,744	9,880	11,205	..	..	764	..	3,056	35,649
Government Schools	68,310	47,473	37,738	17,606	18,082	5,513	1,646	3,185	199,553
*Non-Government Schools	40,194	27,934	22,205	10,360	10,640	3,244	968	1,874	117,419
<i>Health -</i>									
Veterans Psychiatric Care	..	2,300	..	..	..	..	..	..	2,300
Home and Community Care	..	1,085	..	200	1,253	..	..	..	2,538
National Mental Health	1,695	1,265	880	475	415	135	50	85	5,000
Blood Transfusion Services	5,066	600	651	510	460	100	31	150	7,568
<i>Social Security and Welfare -</i>									
Home and Community Care	..	1,257	..	2,097	716	2	..	11	4,083
Children's Services	2,623	1,909	4,856	2,922	1,975	843	599	291	16,018
Crisis Accommodation Assistance	20,010	10,058	8,825	3,762	4,093	1,935	667	379	49,729
<i>Housing and Community Amenities nec -</i>									
Pensioner Housing Grants	18,839	11,435	9,504	4,093	3,793	1,162	523	523	49,872

Table 18: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1994-95 - (Estimate) continued

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Housing Assistance for Aborigines	21,129	3,638	34,227	15,862	8,342	696	..	19,458	103,352
Community Housing Program	22,040	15,666	12,987	5,860	6,130	2,055	1,039	591	66,368
CSHA Block Assistance	267,018	201,410	130,866	70,120	51,011	24,640	18,182	13,486	776,732
Social Housing	2,720	2,040	1,380	760	660	220	140	80	8,000
Sewerage	..	..	..	2,710	..	..	..	..	2,710
Urban Infrastructure	..	..	..	6,500	..	..	..	..	6,500
National Landcare - Urban Water	14,071	3,254	4,146	397	2,044	278	..	198	24,388
<i>Culture and Recreation -</i>									
National Estate	667	667	667	667	667	667	111	322	4,436
Heritage Restoration	124	350	146	186	9	257	..	..	1,072
World Heritage Assistance	790	..	7,588	775	..	1,200	..	..	10,353
<i>Transport -</i>									
Roads	361,000	112,000	180,000	58,000	58,000	26,000	..	25,000	820,000
Railway Projects	..	2,500	..	2,100	..	..	..	..	4,600
<i>Industry Assistance and Development -</i>									
Sugar	1,000	..	8,095	..	..	..	..	..	9,095
National Landcare Program	5,651	6,291	1,149	556	2,850	60	..	..	16,557
<i>Not Allocated to Function(a) -</i>									
Sydney 2000 Olympic Games	50,000	..	..	..	..	..	..	..	50,000
Sinking Fund on State Debt	8,892	6,559	4,504	2,493	2,551	2,116	..	946	28,061
Natural Disaster Relief	18,875	1,000	18,875	1,000	1,000	1,000	..	1,000	42,750
SA Assistance Package	..	..	..	..	212,000	..	..	..	212,000
<b>TOTAL</b>	<b>941,458</b>	<b>470,570</b>	<b>500,494</b>	<b>210,011</b>	<b>386,690</b>	<b>72,888</b>	<b>23,956</b>	<b>70,635</b>	<b>2,676,703</b>
<b>REPAYMENTS</b>									
Payments to National Debt Sinking Fund (b)-	36,152	26,668	18,312	10,137	10,370	8,602	..	3,816	114,057
Supplementary Contributions	600,000	414,000	197,000	157,000	202,000	129,000	..	61,902	1,760,902
<i>Repayments of Commonwealth Government Loans-</i>									
ACT Debt Repayments	..	..	..	..	..	..	13,376	..	13,376
Loan Council - Housing Nominations	3,558	3,562	1,309	2,270	2,130	1,104	..	1,184	15,117
<i>Defence -</i>									
Housing For Servicemen	416	286	261	91	7	..	..	..	1,062
<i>Housing and Community Amenities nec -</i>									
CSHA Block Assistance	22,725	18,887	6,142	5,856	6,477	3,386	..	329	63,802
Other Housing	..	..	..	..	..	..	4,179	1,355	5,534
Urban Water Supply and Treatment	..	..	..	52	135	..	..	..	187
Water and Sewerage Assistance	..	..	..	..	..	..	..	136	136

Table 18: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1994-95 - (Estimate) continued

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Growth Centres	129	75	..	..	..	..	..	..	204
Urban Rehabilitation	..	205	..	..	..	..	..	..	205
Sewerage	1,130	1,018	292	409	..	..	..	..	2,849
Community Facilities -Townsville	..	..	18	..	..	..	..	..	18
Captains Flat Project	31	..	..	..	..	..	..	..	31
<i>Transport -</i>									
Railway Projects	1,616	2,424	2,540	856	..	..	..	..	7,436
Weipa Development	..	..	196	..	..	..	..	..	196
<i>Industry Assistance and Development -</i>									
Dairy Adjustment Program	89	285	531	..	..	22	..	..	927
Bovine Brucellosis and Tuberculosis	..	..	91	4	54	..	..	167	316
Rural Adjustment Scheme	2,810	3,001	2,254	..	..	182	..	173	8,420
Rural Reconstruction	1,639	1,080	833	..	..	97	..	..	3,649
Meat Inspectors' Superannuation Loan	..	118	..	..	..	..	..	..	118
War Service Land Settlement	308	328	..	2,000	2,000	1,000	..	..	5,636
Brigalow Lands Development Scheme	..	..	554	..	..	..	..	..	554
Irrigation and Other Water Projects	..	..	..	493	..	..	..	..	493
Dartmouth Dam	587	587	..	..	..	..	..	..	1,173
Softwood Forestry	990	380	730	333	..	..	..	..	2,433
Exmouth Township-Electricity Services	..	..	..	14	..	..	..	..	14
<i>Not Allocated to Function(a) -</i>									
Natural Disaster Relief	2,300	318	6,672	100	..	334	..	8	9,732
<b>TOTAL</b>	<b>674,480</b>	<b>473,222</b>	<b>237,735</b>	<b>179,615</b>	<b>223,173</b>	<b>143,727</b>	<b>17,555</b>	<b>69,070</b>	<b>2,018,577</b>
<b>ADVANCES</b>									
<i>Housing and Community Amenities nec -</i>									
Urban Water Supply and Treatment	..	..	..	..	1,260	..	..	..	1,260
<i>Not Allocated to Function(a) -</i>									
Natural Disaster Relief	1,125	..	1,125	..	..	..	..	..	2,250
<b>TOTAL</b>	<b>1,125</b>	<b>..</b>	<b>1,125</b>	<b>..</b>	<b>1,260</b>	<b>..</b>	<b>..</b>	<b>..</b>	<b>3,510</b>
<b>INTEREST</b>									
<i>Interest on Loan Council &amp; NT Government Borrowings -</i>	369,000	266,000	151,000	101,000	101,000	88,000	..	42,000	1,118,000
<i>Interest on Commonwealth Government Loans -</i>									
ACT Government Debt	..	..	..	..	..	..	14,669	..	14,669
Housing Nomination	22,990	22,364	8,300	14,224	13,889	7,049	..	7,958	96,774

Table 18: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1994-95 - (Estimate) continued

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
<i>Defence -</i>									
Housing for Servicemen	2,668	980	1,528	337	107		..	..	5,620
<i>Housing and Community Amenities nec -</i>									
CSHA Loans	53,987	42,228	14,898	14,263	21,378	9,711	..	1,654	158,119
Other Housing	..	..	..	..	..	..	12,436	5,237	17,673
Urban Water Supply and Treatment	..	..	..	64	1,231	..	..	..	1,295
Water and Sewerage Assistance	..	..	..	..	..	..	..	691	691
Growth Centres	236	133	..	..	..	..	..	..	369
Urban Rehabilitation	..	161	..	..	..	..	..	..	161
Sewerage	7,265	6,374	1,897	2,574	..	..	..	..	18,110
Community Facilities - Townsville	..	..	28	..	..	..	..	..	28
Captains Flat Project	31	..	..	..	..	..	..	..	31
<i>Transport -</i>									
Railway Projects	1,067	2,079	2,236	940	..	..	..	..	6,322
Weipa Development	..	..	30	..	..	..	..	..	30
<i>Industry Assistance and Development -</i>									
Dairy Adjustment Program	18	110	92	..	..	8	..	..	228
Bovine Brucellosis and Tuberculosis	..	..	20	1	5	..	..	26	52
Rural Adjustment Scheme	2,004	1,909	1,637	..	..	132	..	164	5,846
Rural Reconstruction	161	105	90	..	..	8	..	..	364
Meat Inspectors Superannuation Loan	..	20	..	..	..	..	..	..	20
War Service Land Settlement	284	301	..	..	..	..	..	..	585
Brigalow Lands Development Scheme	..	..	240	..	..	..	..	..	240
Irrigation and Other Water Projects	..	..	..	80	..	..	..	..	80
Dartmouth Dam	357	357	..	..	..	..	..	..	714
Softwood Forestry	2,235	435	825	850	..	..	..	..	4,345
Exmouth Township - Electricity Services	..	..	..	2	..	..	..	..	2
<i>Not Allocated to Function (a) -</i>									
Natural Disaster Relief	492	..	228	..	..	45	..	..	765
<b>TOTAL</b>	<b>462,795</b>	<b>343,556</b>	<b>183,049</b>	<b>134,335</b>	<b>137,610</b>	<b>104,953</b>	<b>27,105</b>	<b>57,730</b>	<b>1,451,133</b>
<b>SUMMARY OF TOTAL GROSS AND NET PAYMENTS</b>									
For General Purposes	4,369,002	3,167,706	2,814,782	1,582,214	1,505,099	634,180	333,263	851,359	15,257,605
For Specific Purposes	5,522,791	4,062,892	3,014,597	1,708,405	1,718,594	501,973	232,513	281,142	17,042,907
Total Gross Payments	9,891,792	7,230,599	5,829,379	3,290,618	3,223,693	1,136,153	565,776	1,132,501	32,300,512
Payments to State	7,720,104	5,468,839	4,710,419	2,664,063	2,687,338	963,632	504,453	1,063,234	25,782,082
*Payments through State	2,171,688	1,761,759	1,118,960	626,556	536,355	172,521	61,323	69,268	6,518,430

*Table 18: Commonwealth Payments to States, Repayments of Advances and Interest Payments (\$ 000) - 1994-95 - (Estimate) continued*

	New South Wales	Victoria	Queens- land	Western Australia	South Australia	Tasmania	ACT	Northern Territory	Total
Total Gross Payments	9,891,792	7,230,599	5,829,379	3,290,618	3,223,693	1,136,153	565,776	1,132,501	32,300,512
Repayments	-674,480	-473,222	-237,735	-179,615	-223,173	-143,727	-17,555	-69,070	-2,018,577
Total Net Payments	9,217,313	6,757,377	5,591,644	3,111,003	3,000,520	992,426	548,221	1,063,431	30,281,935

\*Items so marked are classified as payments made through the State. See discussion in Chapter 3.

- (a) This category generally consists of payments relating to specific purposes which, however, are not tied to expenditure on particular functional areas.  
 (b) Includes sinking fund contributions on State debt made by the Commonwealth Government, which are included in this paper as payments for the States.

**TABLE 19 AND 20: PAYMENTS TO OR FOR LOCAL GOVERNMENT AUTHORITIES, 1990-91 TO 1994-95 (ESTIMATES)**

These tables provide details of Commonwealth payments to or for local government authorities in each of the States (excluding the ACT).

Table 19 provides details of total payments for the years 1990-91 to 1994-95 (estimates).

Table 20 provides details of payments to each State for 1994-95.

The payments are classified into two categories:

- general purpose assistance which is initially paid to the States which are required to pass on the entire amount as untied assistance to local government authorities; and
- direct grants paid under a number of specific purpose programs for which local government authorities are eligible and have received assistance.

**Table 19: Commonwealth Government Payments to or for Local Government Authorities in the Six States and the Northern Territory (\$ 000)**

	1990-91	1991-92	1992-93	1993-94 (estimate)	1994-95 (estimate)
<b>Local Government General Purpose Assistance</b>					
General	699,292	713,883	735,842	738,567	745,603
Identified Road Funding	..	303,221	321,470	322,661	325,735
<b>Total General Assistance</b>	<b>699,292</b>	<b>1,017,104</b>	<b>1,057,313</b>	<b>1,061,228</b>	<b>1,071,338</b>
<b>Direct Payments-Current</b>					
Nursing Homes	-13	..	..	..	..
Home and Community Care	..	81	278	770	1,858
Aged and Disabled Persons' Homes and Hostels	10,290	13,161	13,856	14,110	15,869
Handicapped Persons' Assistance	1,532	3,176	4,545	1,575	3,028
Children's Services	72,902	120,953	147,888	169,849	194,969
Aboriginal Advancement	..	..	823	1120	1387
Local Government Development Program	1,847	505	261	190	500
Sydney's Olympic Games Bid	..	..	5,000	..	..
Aerodrome Local Ownership Plan	10,217	17,243	17,643	1,742	..
Exmouth Shire-Defence Changes	..	60	..	..	..
<b>Total Current</b>	<b>96,776</b>	<b>155,179</b>	<b>190,294</b>	<b>189,356</b>	<b>217,611</b>
<b>Direct Payments-Capital</b>					
Aged and Disabled Persons' Homes and Hostels	9,579	14,109	15,358	15,538	10,931
Home and Community Care	..	..	..	259	604
Handicapped Persons' Assistance	237	599	713	242	242
Children's Services	617	824	795	1,068	2,306
Local Capital Works	..	..	297,191	50,339	148
Newcastle Redevelopment	..	..	750	1,450	..
Sydney Customs House	..	..	..	1,600	10,000
Perth Airport Land Aquisition	..	..	156	..	..
Aerodrome Local Ownership Plan	2,425	6,968	5,298	286	..
<b>Total Capital</b>	<b>12,857</b>	<b>22,500</b>	<b>320,261</b>	<b>70,782</b>	<b>24,231</b>
<b>Total Direct Payments</b>	<b>109,633</b>	<b>177,679</b>	<b>510,554</b>	<b>260,138</b>	<b>241,842</b>
<b>Total Direct plus General Assistance</b>	<b>808,925</b>	<b>1,194,782</b>	<b>1,567,867</b>	<b>1,321,366</b>	<b>1,313,180</b>



**Table 20: Commonwealth Government Payments to or for Local Government in the States and Northern Territory (\$ 000) - 1994-95 (estimate)**

	New South Wales	Victoria	Queensland	Western Australia	South Australia	Tasmania	Northern Territory	Total
<b>GENERAL PURPOSE ASSISTANCE (a)</b>								
<b>General</b>								
Estimate 1994-95 Entitlement	259,984	192,886	136,148	72,827	63,286	20,370	7,258	752,759
<i>less recovery estimated 1993-94 overpayment</i>	2,479	1,846	1,271	690	604	195	70	7,155
Estimate 1994-95 Cash payment	257,505	191,040	134,878	72,137	62,682	20,175	7,189	745,603
<b>Identified Road Funding</b>								
Estimate 1994-95 Entitlement	98,574	70,045	63,658	51,949	18,672	18,005	7,959	328,861
<i>less recovery estimated 1993-94 overpayment</i>	937	666	605	494	177	171	76	3,126
Estimate 1994-95 Cash payment	97,637	69,379	63,053	51,455	18,494	17,834	7,883	325,735
<b>Total</b>								
Estimate 1994-95 Entitlement	358,558	262,931	199,806	124,776	81,958	38,375	15,217	1,081,620
<i>less recovery estimated 1993-94 overpayment</i>	3,416	2,512	1,876	1,184	782	366	145	10,281
<b>TOTAL GENERAL ASSISTANCE PAID</b>	<b>355,141</b>	<b>260,419</b>	<b>197,930</b>	<b>123,592</b>	<b>81,176</b>	<b>38,008</b>	<b>15,072</b>	<b>1,071,338</b>
<b>DIRECT PAYMENTS - CURRENT</b>								
Home and Community Care	46	1,036	501	218	25	16	16	1,858
Aged and Disabled Persons' Homes and Hostels	3,279	6,530	1,810	1,501	2,459	269	21	15,869
Handicapped Persons' Assistance	770	1,380	800	..	78	..	..	3,028
Children's Services	65,797	81,452	17,932	16,620	1,993	8,566	2,609	194,969
Aboriginal Advancement	324	405	370	153	43	52	41	1,387
Local Government Development Program	250	125	125	..	..	..	..	500
<b>TOTAL</b>	<b>70,466</b>	<b>90,928</b>	<b>21,538</b>	<b>18,492</b>	<b>4,598</b>	<b>8,903</b>	<b>2,687</b>	<b>217,611</b>
<b>DIRECT PAYMENTS - CAPITAL</b>								
Aged and Disabled Persons' Homes and Hostels	6,380	3,922	41	588	..	..	..	10,931
Home and Community Care	135	101	140	74	81	40	33	604
Handicapped Persons' Assistance	68	92	54	..	28	..	..	242
Children's Services	813	424	250	173	237	190	219	2,306
Local Capital Works	84	64	..	..	..	..	..	148
Sydney Customs House	10,000	..	..	..	..	..	..	10,000
<b>TOTAL</b>	<b>17,480</b>	<b>4,603</b>	<b>485</b>	<b>835</b>	<b>346</b>	<b>230</b>	<b>252</b>	<b>24,231</b>
<b>TOTAL DIRECT</b>	<b>87,946</b>	<b>95,531</b>	<b>22,023</b>	<b>19,327</b>	<b>4,944</b>	<b>9,133</b>	<b>2,939</b>	<b>241,842</b>
<b>TOTAL DIRECT PLUS GENERAL PURPOSE ASSISTANCE</b>	<b>443,087</b>	<b>355,950</b>	<b>219,953</b>	<b>142,918</b>	<b>86,120</b>	<b>47,141</b>	<b>18,010</b>	<b>1,313,180</b>

(a) The ACT Government has responsibilities for municipal functions and receives payments analogous to but separate from those shown in this table. In 1994-95 these are currently estimates to be \$12.945 million for general purposes and \$10.894 million for identified road funding.