

2005-06 BUDGET PAPER No. 3

**FEDERAL  
FINANCIAL RELATIONS  
2005-06**

CIRCULATED BY  
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FOR THE INFORMATION OF HONOURABLE MEMBERS  
ON THE OCCASION OF THE BUDGET 2005-06  
10 MAY 2005

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ISBN 1 741 61438 4

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Printed by Canprint Communications Pty Ltd

# FOREWORD

Budget Paper No. 3 is one of a series of Budget Papers that provides information to supplement the Budget Speech. A full list of the series is printed on the inside cover of this paper.

This Budget Paper presents information on the Australian Government's financial relations with state, territory and local governments. This includes information on revenue provision and payments, as well as an overview of fiscal developments in the states and territories.

## Notes

This paper uses the following style conventions.

The Australian Capital Territory Government and the Northern Territory Government are referred to as 'the territories'. References to the 'states' or 'each state' include the state governments and territory governments.

The state and local government sector is denoted as the 'state/local sector'. References to the 'state/local sector' include the Territory governments unless otherwise stated.

Budget year refers to 2005-06, while the forward years refer to 2006-07, 2007-08 and 2008-09.

Figures in tables, and generally in the text, have been rounded. Discrepancies in tables between totals and sums of components reflect rounding unless otherwise noted. Percentage changes in tables are based on the underlying unrounded amounts.

One billion is equal to one thousand million.

Estimates of \$100,000 and over are generally rounded to the nearest tenth of a million.

Estimates midway between rounding points are rounded up.

Tables use the following notations:

na	not applicable
0	zero
-	nil
*	unquantifiable
..	not zero, but rounded to zero
\$m	millions of dollars

The following abbreviations are used, 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

In this paper the term Commonwealth refers to the Commonwealth of Australia. The term is used when referring to the legal entity of the Commonwealth of Australia.

The term Australian Government is used when referring to the Government and the decisions and activities made by the Government on behalf of the Commonwealth of Australia.

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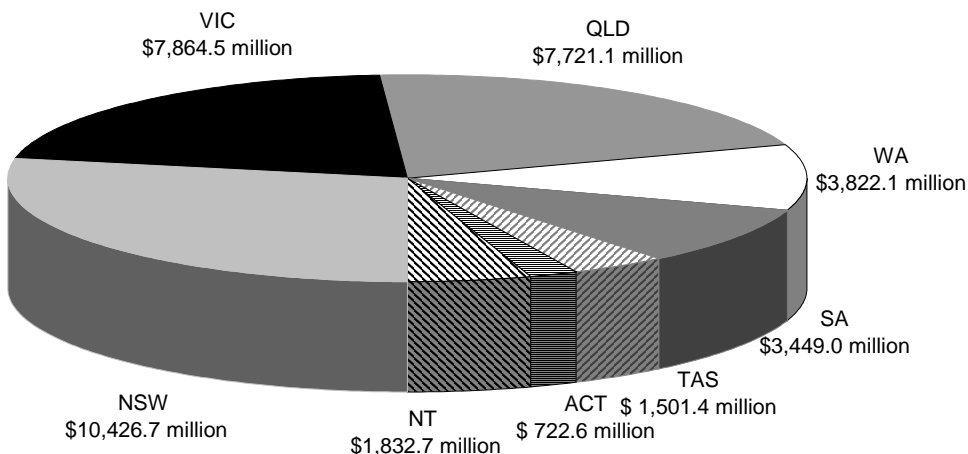




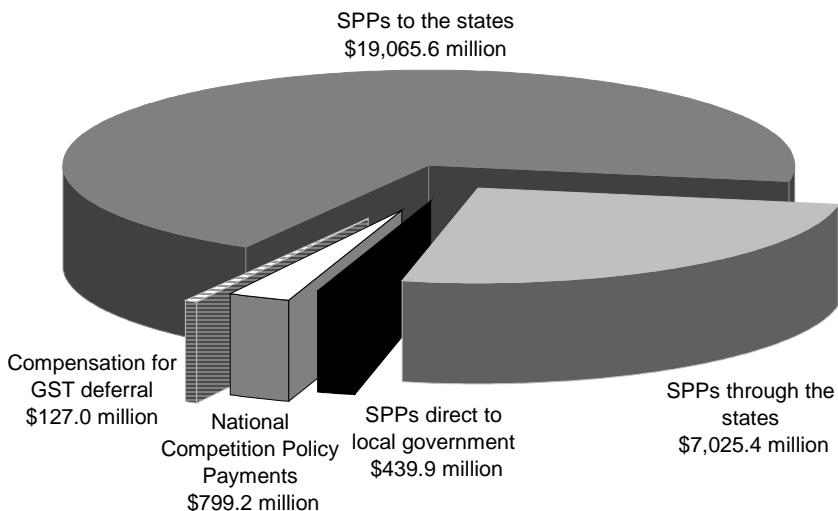
## EXECUTIVE SUMMARY

- In 2005-06, each of the states and territories (the states) will receive more revenue from the GST than they would have received under the previous system of Financial Assistance Grants and the state taxes that were abolished under *The New Tax System*. In 2005-06, the states will be better off by a total of over \$1.5 billion due to the Australian Government's tax reforms.
- Tax reform has delivered to the states a secure, growing and broad-based revenue source that has more than replaced the revenue from various narrow and inefficient state taxes.
- In 2005-06, the states will receive GST revenue totalling an estimated \$37.3 billion (Chart 1). This amount will be distributed among the states in accordance with the recommendations of the Commonwealth Grants Commission (CGC) which are set out in its *Report on State Revenue Sharing Relativities 2005 Update* of 2 March 2005.
- In addition, the Australian Government will provide the states with Specific Purpose Payments (SPPs), National Competition Policy Payments and compensation payments for GST deferred totalling an estimated \$27.5 billion in 2005-06. Specific Purpose Payments comprise the overwhelming majority of these funds (Chart 2).
- Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), the states have agreed to abolish bank account debits tax by 1 July 2005. Further, as required by the IGA, a range of business stamp duties have been reviewed and as GST revenues are now sufficient to fund the abolition of these taxes, the Australian Government has proposed a timetable for their abolition. To ensure that no state is worse off due to the abolition of these inefficient state taxes, the Australian Government has offered an additional \$563.1 million in financial assistance over three years, if the states agree to the Australian Government's proposed timetable. This financial assistance and the significant GST windfall gains make the proposal affordable for all states.
- The Australian Government and the states have agreed to terms of reference for the CGC to undertake a methodology review by 2010, which will include a programme of simplification consistent with the principles of Horizontal Fiscal Equalisation.
- Most states are expected to record operating surpluses in 2005-06, although smaller than in 2004-05, reflecting the downturn in revenue from property-related taxes and higher than anticipated expenses. Most states are also set to continue the trend of reducing or maintaining low levels of public net debt.

**Chart 1: GST revenue provision to the states in 2005-06 (estimated)**



**Chart 2: Australian Government payments to the state/local sector in 2005-06 (estimated)**



Note: SPPs through the states are payments to state governments to be passed on to local governments and others.

# COMMONWEALTH-STATE FINANCIAL RELATIONS

The states will receive GST revenue and payments from the Australian Government totalling an estimated \$61.4 billion in 2004-05 (Table 1) and \$64.8 billion in 2005-06 (Table 2).

All GST revenue is paid to the states under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA). The GST revenue pool is distributed among the states on the basis of relativities recommended by the independent and expert arbiter, the Commonwealth Grants Commission (CGC). The CGC's recommendations are based on the principles of Horizontal Fiscal Equalisation (HFE).

In 2004-05 and 2005-06, each state and territory is estimated to receive more revenue from GST than they would have received from Australian Government Financial Assistance Grants (FAGs) and their own inefficient taxes abolished under tax reform. In the absence of the abolition of further inefficient state taxes, it is estimated that the states would enjoy a cumulative GST windfall of \$17.2 billion from 2004-05 to 2009-10.

A report on business stamp duties was prepared by Australian Government and state officials and, as required by the IGA, was considered by the Ministerial Council for Commonwealth-State Financial Relations at its meeting on 23 March 2005. As GST revenues are now sufficient to fund the abolition of these taxes, the Australian Government has proposed a timetable for these taxes to be abolished to reduce the tax burden on Australian businesses and families.

If still imposed in all jurisdictions, these taxes would represent a burden of \$8.8 billion over the four years from 1 July 2006. As some states have already abolished some of these taxes, the Australian Government's proposal involves the abolition of \$7.4 billion in stamp duties still imposed by the states over the four years.

The significant GST windfall gains the states are receiving make this proposal affordable for all states. Even after the proposed tax cuts, it is estimated that the states will receive a GST windfall of approximately \$9 billion over the period of 2004-05 to 2009-10.

As provided under the IGA, the Australian Government has paid Budget Balancing Assistance (BBA) to the states to cover any shortfall between GST revenue and a state's Guaranteed Minimum Amount (GMA). This has ensured that no state is worse off during the transitional period after the changes made to Commonwealth-State financial relations as part of the Australian Government's *The New Tax System*. The transitional period ceases on 30 June 2006. However, as part of the Australian Government's proposal on the abolition of further taxes, it has offered to guarantee that no state will be worse off over the three years from 2006-07, resulting in an estimated payment of BBA of \$563.1 million to the states.

The Australian Government will also provide the states with National Competition Policy Payments to implement National Competition Policy and related reforms, residual adjustment amounts, payments to compensate for GST revenue deferred as a result of allowing certain small businesses and non-profit organisations to pay their GST on an annual basis, as well as Specific Purpose Payments, including FAGs to local government, to contribute towards meeting the costs of state and local government responsibilities.

Other features of Commonwealth-State financial relations include the First Home Owners Scheme, which provides compensation to first home buyers for the one-off increase in housing prices associated with indirect tax reform, and mirror tax arrangements, which provide for the collection of certain state taxes on activities in or on Commonwealth places, to ensure competitive neutrality for businesses operating from Commonwealth places.

**Table 1: GST revenue provision and total Australian Government payments to the state/local sector in 2004-05 (estimated)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
(1) Provision of GST revenue to the states(a)	9,937.5	7,374.4	7,374.2	3,643.6	3,307.6	1,441.3	683.2	1,743.2	35,505.0
(2) Budget Balancing Assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(3) Compensation for GST deferral	63.7	47.0	44.9	22.3	20.1	8.2	4.0	9.2	219.4
(4) Residual adjustment amounts	35.0	11.1	38.8	-0.5	1.4	2.9	0.7	11.0	100.4
(5) National Competition Policy Payments	233.5	201.6	143.3	53.6	50.4	19.7	13.6	8.5	724.3
(6) Total Specific Purpose Payments (6.1)+(6.2)+(6.3)	8,212.9	5,758.9	4,663.0	2,847.8	1,963.8	603.7	412.0	396.8	24,859.0
(6.1) Specific Purpose Payments to the states	5,962.1	4,021.4	3,371.1	2,142.7	1,429.9	436.2	275.6	321.5	17,960.5
(6.2) Specific Purpose Payments through the states	2,157.1	1,663.0	1,232.0	663.8	510.5	153.6	132.0	68.4	6,580.5
(6.3) Specific Purpose Payments direct to local government	93.8	74.5	59.8	41.3	23.4	13.9	4.4	6.9	318.0
(7) Total Australian Government payments to the state/local sector (2)+(3)+(4)+(5)+(6)	8,545.2	6,018.6	4,890.1	2,923.2	2,035.7	634.5	430.2	425.5	25,903.1
(8) GST revenue and total Australian Government payments (1)+(7)	18,482.7	13,393.0	12,264.3	6,566.8	5,343.2	2,075.9	1,113.4	2,168.7	61,408.0

(a) The GST estimate has been adjusted to account for the final 2003-04 outcome, reflecting that payments in 2003-04 exceeded final collections in that year. (Further details are provided in Table 14.)

**Table 2: GST revenue provision and total Australian Government payments to the state/local sector in 2005-06 (estimated)**

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
(1) Provision of GST revenue to the states	10,426.7	7,864.5	7,721.1	3,822.1	3,449.0	1,501.4	722.6	1,832.7	37,340.0
(2) Budget Balancing Assistance	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(3) Compensation for GST deferral(a)	36.7	27.4	25.9	12.9	11.5	4.7	2.3	5.5	127.0
(4) National Competition Policy Payments	266.2	197.3	156.3	79.3	60.3	19.0	12.7	7.9	799.2
(5) Total Specific Purpose Payments (5.1)+(5.2)+(5.3)	8,640.4	6,277.7	4,916.0	3,071.4	2,111.2	660.3	423.4	430.5	26,530.9
(5.1) Specific Purpose Payments to the states	6,215.1	4,417.9	3,509.2	2,310.5	1,528.3	468.9	274.0	341.7	19,065.6
(5.2) Specific Purpose Payments through the states	2,300.5	1,765.3	1,325.8	707.3	551.1	162.8	139.9	72.8	7,025.4
(5.3) Specific Purpose Payments direct to local government	124.9	94.5	81.0	53.5	31.8	28.7	9.4	16.0	439.9
(6) Total Australian Government payments to the state/local sector (2)+(3)+(4)+(5)	8,943.3	6,502.5	5,098.3	3,163.6	2,183.1	684.0	438.4	443.9	27,457.1
(7) GST revenue and total Australian Government payments (1)+(6)	19,370.0	14,367.0	12,819.4	6,985.8	5,632.0	2,185.4	1,160.9	2,276.6	64,797.1

(a) Consistent with the A New Tax System (Commonwealth-State Financial Arrangements) Act 1999, \$219.4 million in compensation paid to the states in 2004-05 as an advance from their 2005-06 GST entitlement will be deducted from GST payments to the states in 2005-06. This amount will be repaid to the states in 2005-06 in addition to the \$127 million it is estimated the states will require to compensate for lower GST revenue in 2005-06 as a result of allowing certain taxpayers to pay GST annually.

## GST REVENUE PROVISION TO THE STATES

All GST revenue collected is received by the states. Consequently, they have a secure, growing and broad-based revenue source. Subject to the IGA, states can spend their GST revenue according to their own budgetary priorities. The states' GST revenue has grown significantly since its introduction in 2000-01 (Table 3).

**Table 3: GST revenue provision to the states (cash), 2000-01 to 2005-06**

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	Increase from 2000-01 to 2005-06	Average annual increase
	\$m	\$m	\$m	\$m	(e) \$m	(e) \$m	\$m	%
NSW	7,257.6	8,132.0	9,080.2	9,667.1	9,937.5	10,426.7	3,169.1	43.7
VIC	5,099.3	5,593.1	6,365.1	6,961.0	7,374.4	7,864.5	2,765.2	54.2
QLD	4,658.2	5,018.6	5,887.6	6,552.8	7,374.2	7,721.1	3,062.9	65.8
WA	2,374.6	2,518.1	2,910.2	3,157.9	3,643.6	3,822.1	1,447.5	61.0
SA	2,278.9	2,476.6	2,859.1	3,146.4	3,307.6	3,449.0	1,170.1	51.3
TAS	988.1	1,059.8	1,246.7	1,394.5	1,441.3	1,501.4	513.2	51.9
ACT	472.6	543.9	615.7	658.1	683.2	722.6	250.0	52.9
NT	1,225.6	1,289.8	1,514.5	1,680.9	1,743.2	1,832.7	607.1	49.5
Total	24,354.9	26,632.0	30,479.1	33,218.7	35,505.0	37,340.0	12,985.1	53.3

(e) Estimates.

## GST revenue

Estimates of GST revenue in accrual terms for the years 2004-05 to 2007-08 are shown in Table 4. These estimates have been revised since the 2004-05 Budget and the *Mid-Year Economic and Fiscal Outlook 2004-05* (MYEFO) to account for policy decisions and parameter variations.

**Table 4: Reconciliation of GST revenue (accrual), 2004-05 to 2007-08 (estimated)**

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
<b>GST revenue at 2004-05 Budget</b>	35,190	37,370	39,530	41,710
<i>Changes from 2004-05 Budget to MYEFO</i>				
Effect of policy decisions	218	40	151	161
Effect of parameter and other variations	632	510	409	419
Total variations	850	550	560	580
<b>GST revenue at 2004-05 MYEFO</b>	36,040	37,920	40,090	42,290
<i>Changes from MYEFO to 2005-06 Budget</i>				
Effect of policy decisions	0	6	9	10
Effect of parameter and other variations	260	74	-39	-30
Total variations	260	80	-30	-20
<b>GST Revenue at 2005-06 Budget</b>	36,300	38,000	40,060	42,270

Estimated GST revenue in 2004-05 has been revised up by \$260 million since MYEFO. The GST revenue estimate for 2005-06 has been revised up since MYEFO by \$80 million, reflecting the flow-on effect of an expected stronger outcome in 2004-05,

dampened by expected weaker growth in consumption in 2005-06. Estimates of GST receipts in cash terms are shown in Table 5.

**Table 5: GST receipts (cash), 2005-06 to 2008-09 (estimated)**

	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
GST receipts	37,340	39,200	41,320	43,480

### GST revenue measures

Policy decisions affecting GST revenue estimates include: taxing offshore supplies of options or rights where they relate to goods, services and other things that are consumed or used in Australia; removing the GST-free status of supplies made to offshore owners in relation to their residential property in Australia; allowing GST-free supplies of certain care services and accommodation to residents of serviced apartments in retirement villages; ensuring that the GST vouchers provisions apply appropriately to pre-paid phone products; providing a further optional methodology for compulsory third party insurers to calculate decreasing adjustments; providing additional compliance funding for the Australian Customs Service; and deferring the commencement date of the measure to allow certain taxpayers to report and pay their GST on an annual basis.

The revenue effect of these GST measures is estimated for 2005-06 to 2008-09 (Table 6). Detailed information on each measure is in Appendix A.

**Table 6: GST revenue measures since the 2004-05 Budget (estimated)**

	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
Additional customs compliance activities	2.4	5.7	6.3	6.7
Annual private use apportionment option – change to the start date	-	-	-	-
Annual reporting and payment option – change to the start date	-110.6	-	-	-
Asian Development Bank – GST concession	..	..	..	..
Changes to the vouchers provisions	10.0	10.0	10.0	10.0
Compulsory third party schemes – alternative global decreasing adjustment methodology	-6.7	-6.7	-6.7	-6.7
GST and the sale of real property	*	*	*	*
GST-free supplies – charitable retirement villages	..	..	..	..
GST-free supplies – residents of serviced apartments in retirement villages	-11.0	-12.0	-13.0	-14.0
GST treatment of the Military Rehabilitation and Compensation Scheme	-	-	-	-
Indirect Tax Concession Scheme – GST concessions for diplomats and consular missions	*	*	*	*
Supplies of rights offshore – taxing consumption in Australia	140.0	140.0	150.0	150.0
Supplies to offshore owners of Australian real property	22.0	23.0	24.0	25.0
<b>Total impact of GST revenue measures</b>	<b>46.1</b>	<b>160.0</b>	<b>170.6</b>	<b>171.0</b>



## GST revenue provision

The Australian Government distributes GST revenue among the states in accordance with the recommendations of the Commonwealth Grants Commission.

The CGC recommends relativities to calculate each state's share of GST by applying the principles of Horizontal Fiscal Equalisation. GST relativities are shown for 2004-05 and 2005-06 (Table 7).

The CGC also recommends Financial Assistance Grants forgone relativities (Table 7), which are used for the calculation of each state's Guaranteed Minimum Amounts (Tables 11 and 12).

**Table 7: GST relativities and Financial Assistance Grants forgone relativities, 2004-05 and 2005-06**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
GST relativities								
2004-05	0.86750	0.86534	1.05504	1.03054	1.20407	1.55939	1.12930	4.26538
<b>2005-06</b>	<b>0.86846</b>	<b>0.87552</b>	<b>1.04389</b>	<b>1.02500</b>	<b>1.20325</b>	<b>1.55299</b>	<b>1.14300</b>	<b>4.26682</b>
FAGs relativities								
2004-05	0.80363	0.83480	1.10104	1.00781	1.30402	1.74908	1.16529	5.22707
<b>2005-06</b>	<b>0.80494</b>	<b>0.84699</b>	<b>1.08397</b>	<b>0.99807</b>	<b>1.30342</b>	<b>1.75127</b>	<b>1.17714</b>	<b>5.30427</b>

Source: CGC Report on State Revenue Sharing Relativities 2005 Update.

The GST relativities are applied to state populations to determine a weighted population for each state. The Australian Government uses the weighted populations to distribute the GST revenue pool. Each state receives a share of the GST revenue pool equal to its weighted population share of a combined pool of GST revenue and unquarantined Health Care Grants, less its unquarantined Health Care Grants. This calculation determines the distribution of GST revenue in 2004-05 and 2005-06 (Tables 8 and 9).

**Table 8: Distribution of GST revenue in 2004-05 (estimated)**

	Projected population as at 31 December 2004	Per capita relativities	Weighted population (1)X(2) (a)	Share of weighted population (%) (4)	GST revenue/HCGs pool according to (4) (\$m) (5)	Unquarantined HCGs (\$m) (6)	Distribution of GST revenue (5)-(6) (\$m) (7)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	6,766,613	0.86750	5,870,037	29.0	12,471.8	2,534.3	9,937.5
VIC	5,000,970	0.86534	4,327,539	21.4	9,194.5	1,820.1	7,374.4
QLD	3,926,824	1.05504	4,142,956	20.5	8,802.3	1,428.1	7,374.2
WA	2,000,810	1.03054	2,061,915	10.2	4,380.8	737.2	3,643.6
SA	1,538,402	1.20407	1,852,344	9.2	3,935.6	628.0	3,307.6
TAS	484,122	1.55939	754,935	3.7	1,604.0	162.6	1,441.3
ACT	324,345	1.12930	366,283	1.8	778.2	95.0	683.2
NT	201,540	4.26538	859,645	4.2	1,826.4	83.3	1,743.2
Total	20,243,626	na	20,235,653	100.0	42,993.6	7,488.6	35,505.0

(a) Total weighted population differs from the total population in column (1) as the CGC calculates the per capita relativities using population numbers for 1998-99 to 2002-03, then rounds these figures.

Note: HCGs means Health Care Grants.

**Table 9: Distribution of GST revenue in 2005-06 (estimated)**

	Projected population as at 31 December 2005	Per capita relativities	Weighted population (1)×(2)	Share of weighted population (%)	GST revenue/HCGs pool according to (4)	Unquarantined HCGs	Distribution of GST revenue (5)-(6) (\$m)
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	6,823,074	0.86846	5,925,567	28.9	13,090.3	2,663.6	10,426.7
VIC	5,057,845	0.87552	4,428,244	21.6	9,782.5	1,918.0	7,864.5
QLD	4,006,784	1.04389	4,182,642	20.4	9,240.0	1,518.9	7,721.1
WA	2,033,048	1.02500	2,083,874	10.2	4,603.5	781.4	3,822.1
SA	1,545,119	1.20325	1,859,164	9.1	4,107.1	658.1	3,449.0
TAS	487,377	1.55299	756,892	3.7	1,672.1	170.7	1,501.4
ACT	325,748	1.14300	372,330	1.8	822.5	100.0	722.6
NT	203,744	4.26682	869,339	4.2	1,920.5	87.8	1,832.7
Total	20,482,739	na	20,478,052	100.0	45,238.5	7,898.5	37,340.0

(a) Total weighted population differs from the total population in column (1) as the CGC calculates the per capita relativities using population numbers for 1999-00 to 2003-04, then rounds these figures.

Note: HCGs means Health Care Grants.

## The Effect of Horizontal Fiscal Equalisation

One way to view the effect of the Commonwealth Grants Commission's (CGC's) application of Horizontal Fiscal Equalisation (HFE) is to compare each state's distribution of the GST revenue/Health Care Grants pool using the CGC's relativities with a notional distribution on an equal per capita basis. In 2005-06, approximately \$3.4 billion (7.4 per cent) of the total GST revenue/Health Care Grants pool will be redistributed among the states, compared with an equal per capita distribution (Table 10).

**Table 10: Effect of Horizontal Fiscal Equalisation 2005-06**

	GST/HCG pool distributed under HFE (\$m)	Equal per capita distribution of GST/HCG pool (\$m)	Difference (1) - (2) (\$m)	Population (million)	Per capita redistribution (3) / (4) (\$)
	(1)	(2)	(3)	(4)	(5)
NSW	13,090.3	15,069.6	-1,979.3	6.8	-290.1
VIC	9,782.5	11,170.8	-1,388.3	5.1	-274.5
QLD	9,240.0	8,849.5	390.5	4.0	97.5
WA	4,603.5	4,490.2	113.3	2.0	55.7
SA	4,107.1	3,412.6	694.5	1.5	449.5
TAS	1,672.1	1,076.4	595.6	0.5	1,222.1
ACT	822.5	719.5	103.1	0.3	316.4
NT	1,920.5	450.0	1,470.5	0.2	7,217.3
Total	45,238.5	45,238.5	0.0	20.5	na

Note: HCG means Health Care Grants.  
HFE means Horizontal Fiscal Equalisation.

## Review of Horizontal Fiscal Equalisation Methodology

At the 2005 meeting of the Ministerial Council for Commonwealth-State Financial Relations, the Australian Government and all the states agreed that a work programme be undertaken to review and simplify the methodology that the CGC uses to determine the GST relativities.

This agreement arises from a review undertaken by the Heads of Treasuries, commissioned at the 2004 Ministerial Council meeting, which examined aspects of the methodology used by the CGC to distribute GST revenue among the states. The review found the CGC's methodology, while generally robust, could be simplified without compromising the underlying principle of HFE.

The CGC will be provided with terms of reference to guide it in simplifying its methodology by 2010 and developing a continuous programme of improvement, building on the work undertaken by the Heads of Treasuries. This work programme will place HFE on a sounder and more sustainable basis.

The CGC will report back to the 2006 and 2007 Ministerial Council meetings on progress in relation to its work programme, ahead of its final reporting date of 2010.

## **DELIVERING MORE FUNDING TO THE STATES**

In 2004-05 and 2005-06, all states will receive a GST windfall over the Guaranteed Minimum Amount (GMA). The states will receive a total gain from tax reform in 2004-05 of approximately \$2.2 billion more than the GMA (Table 13). The GMA is an estimate of funding each state would have had available to it had tax reform not been implemented. Components of the GMA comprise estimates of Australian Government Financial Assistance Grants forgone, state taxes abolished by tax reform and other items. Narrow and inefficient state taxes that have been abolished include financial institutions duty, stamp duty on quoted marketable securities and accommodation taxes (bed taxes). Bank account debits tax will be abolished from 1 July 2005 and estimates of the revenue the states would have received from this tax are included in the GMA from 2005-06. Even after the abolition of debits tax, the states will receive a GST windfall of over \$1.5 billion in 2005-06 (Table 13).

It is estimated that if further inefficient taxes were not abolished under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), the states' gain from tax reform would continue to grow over the forward estimates period, with the states receiving a cumulative gain of \$17.2 billion from 2004-05 to 2009-10. In light of this, the Australian Government has proposed that the states use a proportion of this GST windfall gain to remove more of the inefficient state taxes as outlined under the IGA.

Under the IGA, the Australian Government guaranteed that in the transitional years after the introduction of *The New Tax System* in July 2000, each state's budgetary position would be no worse off than had the reforms to Commonwealth-State financial relations not been implemented. To meet this guarantee, the Australian Government has paid Budget Balancing Assistance (BBA) to any state whose GMA exceeds its GST revenue entitlement. The transitional period ceases on 30 June 2006.

To ensure no financial disadvantage to any state as a result of the Australian Government's proposed timetable for the elimination of further inefficient taxes, the Australian Government will extend the transitional period to 30 June 2009. This will provide compensation through BBA to any state which has a shortfall between its GST revenue and its GMA after the implementation of further tax reform under the IGA. The Australian Government is not proposing to extend the transitional period unless the states agree to its timetable.

### **Compensation payments for GST revenue deferred**

As part of tax reform, the Australian Government is compensating the states for the deferral of GST revenue as a result of the Australian Government's decision to allow certain small businesses and non-profit organisations to pay GST annually. As part of these arrangements, \$219.4 million has been paid to the states in 2004-05 as an advance from their 2005-06 GST entitlements. Consistent with the requirements of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*, the Australian

Government will deduct this advance from GST payments to the states in 2005-06. However, the Australian Government will add this \$219.4 million to the 2005-06 compensation payments. This will ensure that the full financial impact of allowing annual payment of GST is borne by the Australian Government and there will be no impact on state budgets. Compensation payments for each year will be subject to an ex-post adjustment once final tax return data becomes available and the impact of the measure on GST revenue is known.

As the states are already receiving separate payments to compensate for lower GST revenue due to allowing small businesses and non-profit organisations to pay GST annually, the measure should not also result in states receiving increased BBA. To cater for the possibility that a state may require BBA in the future, it is necessary to put in place a mechanism to ensure that double compensation does not occur. The Australian Government is proposing that the compensation amount paid to each state be included in that state's GMA (that is, the GMA will be offset by the amount of compensation). This will allow the existing mechanisms to be used to adjust payments as estimated BBA and compensation entitlements change throughout the year. The Australian Government will consult with the states on this matter.

Tables 11 and 12 show the estimated GMA components, GST revenue entitlement and the BBA calculation for each state in 2004-05 and 2005-06. Table 13 shows the estimated GMA, GST revenue entitlement, BBA and gains from tax reform for each state from 2004-05 to 2008-09.

**Table 11: Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance in 2004-05 (estimated)**

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
<b>State Revenues Forgone</b>									
Financial Assistance Grants	5,188.4	4,108.9	4,712.1	2,126.5	2,221.0	1,039.9	441.7	1,412.8	21,251.4
Revenue Replacement Payments	2,650.5	1,773.4	1,607.1	1,106.6	688.5	233.5	117.9	149.3	8,326.9
Financial Institutions Duty	737.0	410.2	na	155.8	103.7	24.8	20.5	18.2	1,470.2
Marketable Securities Duty	483.0	250.7	28.0	31.1	16.5	0.8	25.4	1.1	836.6
Marketable Securities Duty Needs	-29.1	12.4	13.8	3.9	2.4	2.8	-7.5	1.1	0.0
Accommodation Taxes	88.0	na	na	na	na	na	na	9.5	97.5
<b>plus Reduced Revenues</b>									
Gambling Taxes	621.0	416.7	277.0	64.7	104.7	28.9	24.6	20.4	1,558.0
<b>plus Interest Costs</b>									
Interest Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus Additional Expenditures</b>									
First Home Owners Scheme	271.0	256.6	165.2	124.7	65.1	18.1	13.7	9.2	923.6
GST Administration Costs	196.6	145.3	114.1	58.1	44.7	14.1	9.4	5.9	588.3
<b>plus Other Items</b>									
WST Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>minus Reduced Expenditures</b>									
Off-road Diesel Subsidies	145.2	60.7	143.4	184.5	38.6	2.3	0.0	4.1	578.8
Savings from Tax Reform	191.2	131.5	108.4	64.6	47.1	15.9	10.7	15.7	585.0
Low Alcohol Beer Subsidies	25.9	17.9	5.0	8.2	4.8	1.8	1.0	1.3	66.0
<b>minus Growth Dividend</b>									
Remaining State Taxes	122.9	79.3	41.5	24.7	19.9	5.1	3.9	2.7	300.0
<b>minus Compensation payments</b>									
Compensation for GST deferral	63.7	47.0	44.9	22.3	20.1	8.2	4.0	9.2	219.4
<b>plus Adjustments</b>									
2003-04 GMA Adjustment	22.0	17.1	1.8	5.4	4.4	-0.2	-0.3	0.6	50.7
<b>Total Guaranteed Minimum Amount (1)</b>	9,679.6	7,055.1	6,575.9	3,372.3	3,120.5	1,329.4	625.9	1,595.1	33,353.8
<b>GST revenue provision (2)</b>	9,937.5	7,374.4	7,374.2	3,643.6	3,307.6	1,441.3	683.2	1,743.2	35,505.0
<b>Budget Balancing Assistance (1)-(2)(a)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(a) Where the difference between the GMA and GST revenue is less than zero, the amount is zero.

**Table 12: Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance in 2005-06 (estimated)**

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
<b>State Revenues Forgone</b>									
Financial Assistance Grants	5,378.8	4,355.1	4,841.1	2,189.9	2,290.9	1,079.2	461.5	1,494.7	22,091.3
Revenue Replacement Payments	2,744.7	1,836.2	1,663.3	1,143.7	712.4	241.5	122.1	154.4	8,618.4
Financial Institutions Duty	772.0	422.6	na	161.0	107.4	25.4	21.0	19.8	1,529.2
Debits Tax	323.6	257.8	330.2	114.0	57.7	21.7	17.7	7.7	1,130.3
Marketable Securities Duty	513.0	265.8	29.0	32.9	17.5	0.8	26.0	1.2	886.2
Marketable Securities Duty Needs	-28.2	14.3	13.9	2.6	3.1	2.9	-9.4	0.9	0.0
Accommodation Taxes	96.0	na	na	na	na	na	na	10.0	106.0
<b>plus Reduced Revenues</b>									
Gambling Taxes	643.3	438.3	301.3	66.1	109.2	30.5	25.2	21.3	1,635.2
<b>plus Interest Costs</b>									
Interest Costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus Additional Expenditures</b>									
First Home Owners Scheme	286.9	271.7	174.9	132.1	68.9	19.1	14.5	9.8	977.8
GST Administration Costs	201.0	149.0	118.1	59.9	45.5	14.4	9.6	6.0	603.5
<b>plus Other Items</b>									
WST Payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>minus Reduced Expenditures</b>									
Off-road Diesel Subsidies	148.5	62.2	148.4	190.2	39.3	2.4	0.0	4.2	595.3
Savings from Tax Reform	203.9	140.5	115.6	68.9	50.2	16.9	11.3	16.6	624.0
Low Alcohol Beer Subsidies	26.6	18.4	5.2	8.4	5.0	1.8	1.1	1.3	67.8
<b>minus Growth Dividend</b>									
Remaining State Taxes	149.1	96.2	50.4	30.0	24.2	6.1	4.7	3.3	364.0
<b>minus Compensation payments</b>									
Compensation for GST deferral	36.7	27.4	25.9	12.9	11.5	4.7	2.3	5.5	127.0
<b>Total Guaranteed Minimum Amount (1)</b>	10,366.3	7,666.0	7,126.3	3,591.8	3,282.5	1,403.4	668.9	1,694.7	35,800.0
<b>GST revenue provision (2)</b>	10,426.7	7,864.5	7,721.1	3,822.1	3,449.0	1,501.4	722.6	1,832.7	37,340.0
<b>Budget Balancing Assistance (1)-(2)(a)</b>	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

(a) Where the difference between the GMA and GST revenue is less than zero, the amount is zero.



Table 13: Forward estimates of Budget Balancing Assistance and state and territory gains from tax reform<sup>(a)</sup>

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2004-05 (\$m)</b>									
(1) Guaranteed Minimum Amount	9,679.6	7,055.1	6,575.9	3,372.3	3,120.5	1,329.4	625.9	1,595.1	33,353.8
(2) GST revenue	9,937.5	7,374.4	7,374.2	3,643.6	3,307.6	1,441.3	683.2	1,743.2	35,505.0
(3) Budget Balancing Assistance(b)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(4) State and territory gains from tax reform (2) - (1)(b)	257.8	319.4	798.3	271.3	187.0	111.9	57.3	148.1	2,151.1
<b>2005-06 (\$m)(c)</b>									
(1) Guaranteed Minimum Amount(d)	10,366.3	7,666.0	7,126.3	3,591.8	3,282.5	1,403.4	668.9	1,694.7	35,800.0
(2) GST revenue	10,426.7	7,864.5	7,721.1	3,822.1	3,449.0	1,501.4	722.6	1,832.7	37,340.0
(3) Budget Balancing Assistance(b)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(4) State and territory gains from tax reform (2) - (1)(b)	60.4	198.5	594.8	230.3	166.5	97.9	53.6	137.9	1,540.0
<b>2006-07 (\$m)</b>									
(1) Guaranteed Minimum Amount(e)	11,377.6	8,340.2	7,668.3	3,853.7	3,505.2	1,469.8	712.4	1,808.0	38,735.3
(2) GST revenue	11,136.7	8,397.2	7,957.7	3,925.3	3,574.3	1,535.4	756.8	1,916.6	39,200.0
(3) Budget Balancing Assistance(b)	240.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	240.9
(4) State and territory gains from tax reform (2) - (1)(b)	0.0	57.1	289.4	71.5	69.1	65.6	44.4	108.6	705.7
<b>2007-08 (\$m)</b>									
(1) Guaranteed Minimum Amount(f)	11,977.5	8,660.3	8,092.6	4,097.8	3,656.5	1,519.1	733.7	1,916.5	40,654.0
(2) GST revenue	11,733.5	8,904.8	8,399.7	4,172.9	3,722.0	1,581.4	792.7	2,012.9	41,320.0
(3) Budget Balancing Assistance(b)	244.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	244.0
(4) State and territory gains from tax reform (2) - (1)(b)	0.0	244.5	307.1	75.1	65.5	62.4	59.0	96.4	909.9
<b>2008-09 (\$m)</b>									
(1) Guaranteed Minimum Amount	12,456.7	8,968.8	8,365.6	4,262.0	3,750.6	1,556.7	751.4	2,006.4	42,118.3
(2) GST revenue	12,378.5	9,452.7	8,789.4	4,422.4	3,869.6	1,633.4	825.8	2,108.1	43,480.0
(3) Budget Balancing Assistance(b)	78.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	78.2
(4) State and territory gains from tax reform (2) - (1)(b)	0.0	483.9	423.7	160.4	119.0	76.8	74.4	101.7	1,440.0

(a) Projections from 2004-05 will be affected by variations in Guaranteed Minimum Amount (GMA) components and GST revenue. In addition to these factors, projections from 2006-07 will be affected by recommendations by the Commonwealth Grants Commission on the distribution of GST to each of the states.

(b) Where the difference between the GMA and GST revenue (and vice versa) is less than zero, the amount is zero.

(c) The transitional period in which the Australian Government guarantees that no state will be worse off due to tax reform expires on 30 June 2006. However, if the states agree to the Australian Government's proposal to eliminate IGA taxes (see pages 20-21 for details), the Australian Government will extend the transitional period to 30 June 2009.

(d) As agreed at the 26 March 2004 meeting of the Ministerial Council for Commonwealth-State Financial Relations, bank account debits tax is to be abolished by 1 July 2005. The revenue forgone by the states is included in their GMA from 2005-06 to ensure the states are no worse off. Accordingly, state gains from tax reform decrease in 2005-06 compared to 2004-05.

(e) Consistent with the Australian Government's proposal, GMAs from 2006-07 include estimates of revenue forgone from stamp duties on the following: non-quotable marketable securities; leases; mortgages; bonds; debentures and other loan securities; credit arrangements; instalment purchase arrangements and rental arrangements; and cheques, bills of exchange and promissory notes.

(f) Consistent with the Australian Government's proposal, GMAs from 2007-08 include estimates of revenue forgone from stamp duty on business conveyances other than real property.

## **Adjustments in 2004-05**

GST revenue provision in 2004-05 has been adjusted to account for the final 2003-04 outcome (Table 1). In 2003-04, the final GST cash collections outcome was \$45 million lower than the amount determined by the Commissioner of Taxation in June 2004 and provided to the states in 2003-04 under the terms of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999* (the Act).

Consistent with the provisions of the Act, the amount of GST revenue determined by the Commissioner and provided to the states in 2004-05 will take account of this variation. The residual adjustment amount for New South Wales for 2004-05 has also been calculated to account for this variation (Table 14).

## **Residual adjustments**

The Australian Government introduced residual adjustments to ensure that all states receive their appropriate payments under the Act as they come off BBA. Residual adjustments will offset any underestimate or overestimate of payments in a previous financial year.

Queensland and the Northern Territory ceased to require BBA in 2002-03. The residual adjustment amounts for 2002-03 reflect an underestimate of payments in 2001-02. Victoria, Western Australia, South Australia, Tasmania and the Australian Capital Territory ceased to require BBA in 2003-04. The residual adjustment amounts for 2003-04 reflect an underestimate of payments in 2002-03 for Victoria, South Australia, Tasmania and the Australian Capital Territory and a minor overestimate of payments in 2002-03 for Western Australia.

Current estimates show that New South Wales will not require BBA in 2004-05. Based on current estimates, New South Wales' residual adjustment amount for 2004-05 reflects an underestimate of payments in 2003-04. As final payments for 2004-05 will not be known until the June 2005 determinations, final residual adjustment amounts for 2004-05 will not be known until after that time.

As the Australian Government and the states have not yet agreed, as required by the Act, on the manner in which the determination of each state's residual adjustment is made, it has not been possible to make the adjustments. A draft methodology for the calculation of residual adjustments has been provided to the states for their consideration. If the states agree to this methodology, it will be used to determine and make residual adjustments to payments to the states.

Table 14 shows estimates of the residual adjustment amounts, based on the draft methodology.

**Table 14: Residual adjustment amounts for 2002-03, 2003-04 and 2004-05 (estimated)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2002-03	0.0	0.0	38.8	0.0	0.0	0.0	0.0	11.0	49.8
2003-04	0.0	11.1	0.0	-0.5	1.4	2.9	0.7	0.0	15.5
2004-05	35.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	35.0
Total	35.0	11.1	38.8	-0.5	1.4	2.9	0.7	11.0	100.4

## **DELIVERING FURTHER TAX REFORM**

One of the objectives of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* (the IGA), signed by the Australian Government and all states in 1999, was the achievement of a new national tax system, including the elimination of a number of existing inefficient taxes which were impeding economic activity. As part of this objective, the GST was intended to replace a group of inefficient indirect taxes, one Commonwealth and nine state taxes. The state taxes included in the IGA were identified by the states themselves as undesirable on efficiency and equity grounds.

Under the IGA, wholesale sales tax and accommodation taxes were abolished on 1 July 2000, financial institutions duty and stamp duty on quoted marketable securities were abolished on 1 July 2001 and, after review by the Ministerial Council for Commonwealth-State Financial Relations, bank account debits tax will be abolished in all states by 1 July 2005.

The IGA also provided that the Ministerial Council will, by 2005, review the need to retain stamp duty on the following:

- non-residential conveyances;
- non-quotable marketable securities;
- leases;
- mortgages, bonds, debentures and other loan securities;
- credit arrangements, instalment purchase arrangements and rental arrangements; and
- cheques, bills of exchange and promissory notes.

The reason for agreeing to a review of these taxes, rather than setting a firm date for their abolition, reflected uncertainty in 1999 about when GST revenue would be sufficient to fund their abolition. It was understood that if GST revenue proved to be sufficient at the time of the review, the states would abolish these stamp duties.

The GST is now estimated to deliver significant windfall gains to all states and provides the revenue capacity to abolish most of these taxes.

In light of this growing GST windfall, at the Ministerial Council meeting on 23 March 2005, the Australian Government put forward a timetable for the elimination of the majority of the above taxes, with the remaining tax to be reviewed later and a further timetable agreed.

The Australian Government's proposal involves the abolition of the following indirect state taxes by 1 July 2006: stamp duty on non-quotable marketable securities; stamp duty on leases; stamp duty on mortgages, bonds, debentures and other loan securities; stamp duty on credit arrangements, instalment purchase arrangements and rental arrangements; and stamp duty on cheques, bills of exchange and promissory notes.

Further, stamp duty on business conveyances other than real property would be abolished by 1 July 2007. This would include the components of business conveyances (such as goodwill, supply rights of a business and intellectual property) listed at Clause A3 (ii) of the original Intergovernmental Agreement, signed by all states in April 1999.

The Australian Government also proposed that stamp duty on business conveyances of real property cease to apply from a date to be determined by the Ministerial Council on the basis that no state will be worse off in any year.

To ensure no financial disadvantage to any state as a result of the Australian Government's proposed timetable for the elimination of further inefficient taxes, the Australian Government will extend the transitional period to 30 June 2009, subject to the states agreeing to the Australian Government's proposal. This will provide compensation through BBA to any state which has a shortfall between its GST revenue and its GMA after the implementation of further tax reform under the IGA. It is estimated that, as a result of the Australian Government's proposal, BBA of \$563.1 million over the three years from 2006-07 will be provided to the states.

The significant GST windfall gains the states are receiving, along with the Australian Government's provision of BBA where needed, make this proposal affordable for all states. Even after the proposed tax cuts, it is estimated that the states will receive a GST windfall of around \$9 billion over the period 2004-05 to 2009-10.

Under this proposal, the IGA will be upheld and the full benefit of tax reform will be available through the abolition of a range of inefficient business stamp duties listed in the IGA.

Six of the eight jurisdictions have responded to the Australian Government's proposal with their own timetable for the abolition of the taxes, and the Government is considering its response to them.

### **First Home Owners Scheme**

Eligible home buyers have received over \$5.2 billion through original and additional First Home Owners Scheme grants since July 2000.

The First Home Owners Scheme provides eligible first home buyers with a \$7,000 grant. Since its introduction on 1 July 2000, the scheme has provided over 689,000 grants to families and individuals to assist in purchasing their first home. The scheme is administered by the states. The Australian Government guarantees the funding for the scheme through Budget Balancing Assistance by including the cost to the states in the Guaranteed Minimum Amount (Tables 11 and 12).

In March 2001, the Australian Government made an additional \$7,000 grant available to first home buyers contracting to buy or build a new home before 31 December 2001. The Australian Government fully funds the additional First Home Owners Scheme grant with a Specific Purpose Payment through the states to meet the cost of grants. The Australian Government extended the additional First Home Owners Scheme to provide a grant of \$3,000 for first home buyers contracting to buy or build new homes between 1 January 2002 and 30 June 2002. To date, the additional First Home Owners Scheme has provided over 69,000 grants to eligible home buyers.

Although the additional First Home Owners Scheme has ended, grants continue to be paid to eligible applicants due to the time needed to complete construction and the period allowed to lodge an application once construction is complete. Estimates of payments are shown in the Specific Purpose Payments tables (Appendix B).

## NATIONAL COMPETITION POLICY PAYMENTS

The Australian Government makes National Competition Policy Payments (NCPs) to the states for implementing National Competition Policy (NCP) and related reforms. These reforms include a commitment to review legislation that restricts competition, apply competitive neutrality to government business activities and introduce specific reforms in electricity, gas, water and road transport.

NCPs commenced in July 1997 with the first of three tranches of payments. The third tranche commenced in July 2001 at an annual level of \$600 million in 1994-95 prices. The NCP agreements, signed by the Australian Government and all state governments in 1995, provide for the Australian Government to make NCPs to state governments up to and including 2005-06. The future of NCPs beyond 2005-06 is under review. A Council of Australian Governments' review of the terms and operation of the NCP agreements, including an assessment of the future of NCPs, is scheduled to be completed in 2005.

Each state's NCPs are subject to that state making satisfactory progress with the implementation of reform commitments. Prior to the scheduled payment of NCPs in each year, the National Competition Council (NCC) assesses whether each state has met the specified conditions and provides recommendations for consideration by the Australian Government.

Out of an estimated maximum level of payments in 2004-05 of \$777.9 million, the NCC recommended permanent deductions currently estimated to be worth \$26.3 million and suspensions currently estimated to be worth \$114.1 million. The NCC has indicated that it will recommend that suspensions be lifted or reduced and suspended monies released if and when states sufficiently progress reform.

Table 15 shows estimates of NCPs for 2004-05 and 2005-06. Each state's amount for 2004-05 reflects reimbursements for 2003-04 suspensions, permanent deductions for 2004-05 and suspensions for 2004-05 as recommended by the NCC. The amounts reported below for 2005-06 are the current estimates of each state's maximum level of payment (that is, if no reimbursements, permanent deductions or suspensions apply).

**Table 15: National Competition Policy Payments**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2004-05	233.5	201.6	143.3	53.6	50.4	19.7	13.6	8.5	724.3
<b>2005-06</b>	<b>266.2</b>	<b>197.3</b>	<b>156.3</b>	<b>79.3</b>	<b>60.3</b>	<b>19.0</b>	<b>12.7</b>	<b>7.9</b>	<b>799.2</b>

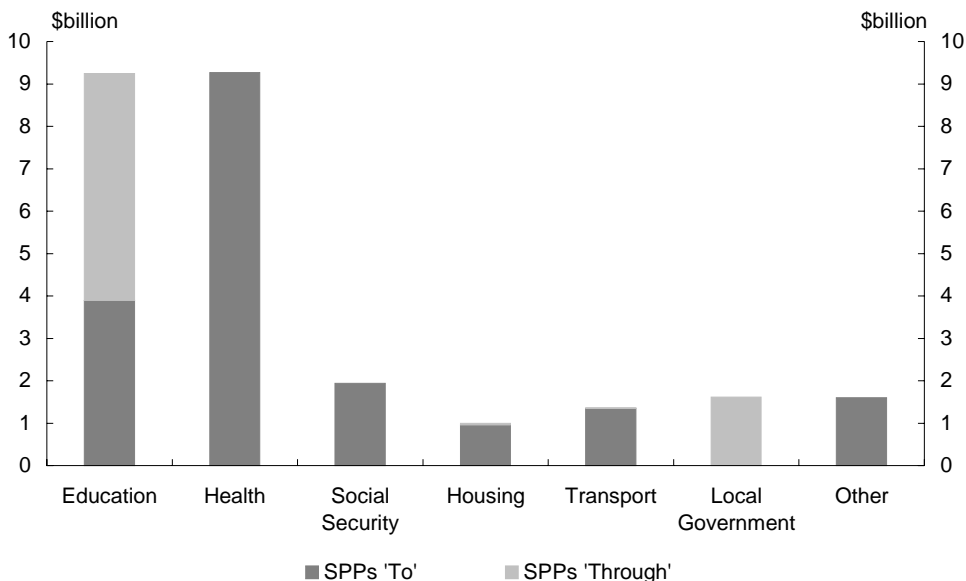
## SPECIFIC PURPOSE PAYMENTS

Specific Purpose Payments (SPPs) constitute a significant amount of Australian Government expenditure. In 2005-06, SPPs 'to' and 'through' the states are estimated to total \$26.1 billion. In addition, the Australian Government will provide SPPs direct to local government totalling \$439.9 million in 2005-06. In total, SPPs are estimated to represent around 13 per cent of total Australian Government expenditure in 2005-06.

The Australian Government makes SPPs to the states and local government as a financial contribution to important areas of state responsibility in pursuit of its own specified objectives. The Australian Government makes SPPs in a large number of policy areas, including education, health, social security, housing and transport (Chart 3).

In 2005-06, SPPs for health, education and transport are estimated to account for over 75 per cent of SPP expenditure. These categories encompass SPPs for public hospitals, schools, vocational education and training and the development, construction and maintenance of the National Land Transport Network under *AusLink*.

**Chart 3: Composition of Specific Purpose Payments 'to' and 'through' the states in 2005-06 (estimated)**



More detailed information, including payments on a state-by-state basis for 2004-05 and 2005-06, is in Appendix B.



SPPs can be classified into three groups:

- those paid directly 'to' the states – payments direct to state governments, totalling an estimated \$19.1 billion in 2005-06;
- those paid 'through' the states – payments to state governments to be passed on to local governments (for example, FAGs to local government) and to others (for example, to non-government schools). This category is estimated to total \$7.0 billion in 2005-06; and
- those paid direct to local government to help fund local government programmes, such as roads. These payments are estimated to total \$439.9 million in 2005-06.

SPP agreements often include agreed national objectives. However, in making these payments, the Australian Government does not seek to take over responsibility for state functions. The majority of SPPs are 'tied' meaning that they are subject to conditions designed to ensure that national objectives are achieved. These include:

- general policy conditions (for example, the provision of free public hospital access for Medicare patients in return for funding under the Health Care Agreements);
- requirements that payments be expended for a specific purpose only (for example, SPPs for schools may be spent on teacher salaries and curriculum development);
- state maintenance of effort and matching funding arrangements (whereby states are required to maintain funding levels and/or match the Australian Government's funding contribution in a specified programme area); and
- reporting of financial and performance information.

SPPs also include some payments that are not subject to conditions. These typically relate to revenue sharing arrangements or compensation (either for the transfer of responsibilities or for other Australian Government action that affects the states). For example, compensation payments are made to the states under the Extension of Fringe Benefits SPP for the extra costs resulting from the liberalisation of access to the Australian Government's Pensioner Concession Card in 1993. In return, the states agree to provide a core group of concessions to all cardholders.

## **FINANCIAL ASSISTANCE GRANTS TO LOCAL GOVERNMENT**

The Australian Government provides financial assistance to local government for roads and other local government services. Assistance is paid in the form of general purpose assistance and untied local road funding. Local governments can spend both forms of funding according to their own priorities.

The Australian Government is providing a total of \$1.5 billion in FAGs to local government in 2004-05 and an estimated \$1.6 billion in 2005-06 (Table 16). The annual increase in funding is based on an escalation factor, which the Treasurer determines with reference to population growth and the Consumer Price Index.

This financial assistance is paid to the states as an SPP, on condition that all the funds are passed on to local government. In 2005-06, as in previous years, the general purpose component of local government assistance will be distributed between the states on an equal per capita basis and untied local road funding will be distributed on the basis of historical shares. State grants commissions determine the intra-state distribution of the grants to local governments.

**Table 16: Financial Assistance Grants to local government in 2004-05 and 2005-06 (estimated)<sup>(a)</sup>**

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
<b>2004-05</b>									
General Purpose Assistance	358.2	263.3	205.3	105.0	81.7	25.6	17.2	10.6	1,066.8
Untied Local Road Funding	137.3	97.6	88.7	72.4	26.0	25.1	15.2	11.1	473.4
<b>Total Financial Assistance Grants(b)</b>	<b>495.5</b>	<b>360.9</b>	<b>293.9</b>	<b>177.3</b>	<b>107.7</b>	<b>50.7</b>	<b>32.4</b>	<b>21.7</b>	<b>1,540.2</b>
<b>2005-06</b>									
<b>General Purpose Assistance</b>	<b>376.5</b>	<b>278.1</b>	<b>218.9</b>	<b>111.3</b>	<b>85.6</b>	<b>27.0</b>	<b>18.1</b>	<b>11.2</b>	<b>1,126.8</b>
<b>Untied Local Road Funding</b>	<b>145.1</b>	<b>103.1</b>	<b>93.7</b>	<b>76.4</b>	<b>27.5</b>	<b>26.5</b>	<b>16.0</b>	<b>11.7</b>	<b>500.0</b>
<b>Total Financial Assistance Grants(c)</b>	<b>521.6</b>	<b>381.2</b>	<b>312.6</b>	<b>187.7</b>	<b>113.1</b>	<b>53.5</b>	<b>34.1</b>	<b>22.9</b>	<b>1,626.7</b>

(a) Total Financial Assistance Grants are the cash payments that the state receives on behalf of local government. They are equal to the estimated entitlement for a given year adjusted for any overpayment or underpayment from the previous year.

(b) The 2004-05 figure takes into account an overpayment of \$7.4 million in 2003-04. The Treasurer will determine the final 2004-05 escalation factor in June 2005; currently the 2004-05 escalation factor is estimated to be 1.0374.

(c) The 2005-06 figure includes an estimate of the amount necessary to adjust for the difference between the 2004-05 escalation factor estimated in June 2004 and used to calculate payments in 2004-05 and the final factor for 2004-05 to be determined in June 2005. On the basis of the current estimate of the 2004-05 escalation factor, this adjustment is estimated to be an increase of \$9.6 million. The 2005-06 escalation factor is currently estimated to be 1.0385. Financial Assistance Grants in 2005-06 will be paid on the basis of the escalation factor that the Treasurer will estimate in June 2005. The Treasurer will determine the final escalation factor for 2005-06 in June 2006.

## MIRROR TAX ARRANGEMENTS

The Australian Government introduced mirror tax arrangements in 1998 to ensure the states were not financially disadvantaged by the High Court decision in *Allders International Pty Ltd v Commissioner of State Revenue (Victoria)*, which invalidated state taxes on Commonwealth places.

These arrangements mirror certain state taxes including payroll taxes, land taxes and stamp duties on activities in or on Commonwealth places.

The states collect these mirror taxes on behalf of the Australian Government and bear the administrative costs of collection. All mirror tax revenues are automatically credited to the Australian Government and automatically appropriated to the states at the same time. Hence, mirror taxes are recorded as both Australian Government revenue and negative revenue, with no net impact on the Budget.

Table 17 shows estimates of mirror taxes from 2004-05 to 2008-09.

**Table 17: Accrued mirror taxes on behalf of the states, 2004-05 to 2008-09 (estimated)**

	2004-05	2005-06	2006-07	2007-08	2008-09
	\$m	\$m	\$m	\$m	\$m
Mirror taxes	347.2	365.5	384.1	401.7	421.9

## FISCAL DEVELOPMENTS IN THE STATES

All states, except the Australian Capital Territory, are expected to record net operating surpluses in 2005-06. After allowing for capital investment, the majority of states are expecting general government fiscal deficits in 2005-06. However, most states are forecasting an improvement in their fiscal balances by 2007-08.

Most states are also set to continue the trend of reducing net debt or maintaining low levels of net debt as a percentage of gross state product (GSP). Most states are forecasting that they will be in a net financial asset position in their general government sector by 2005-06. This trend is primarily due to states implementing medium term fiscal strategies and asset sales.

The fiscal indicators presented below indicate that the fiscal outlook of the states is strong. However, the challenge is to sustain this in the longer term in light of emerging pressures associated with continuing increases in demand for services such as health, and the ageing population.

### STATE GENERAL GOVERNMENT SECTOR NET OPERATING BALANCE

The aggregate state net operating balance for the general government sector is estimated to be 0.2 per cent of gross domestic product (GDP) in 2005-06, slightly lower than in 2004-05 (Chart 4). The 2004-05 and 2005-06 surpluses are lower than in previous years, partly reflecting the impact of a softer housing market on revenue collections from property-related taxes.<sup>1</sup>

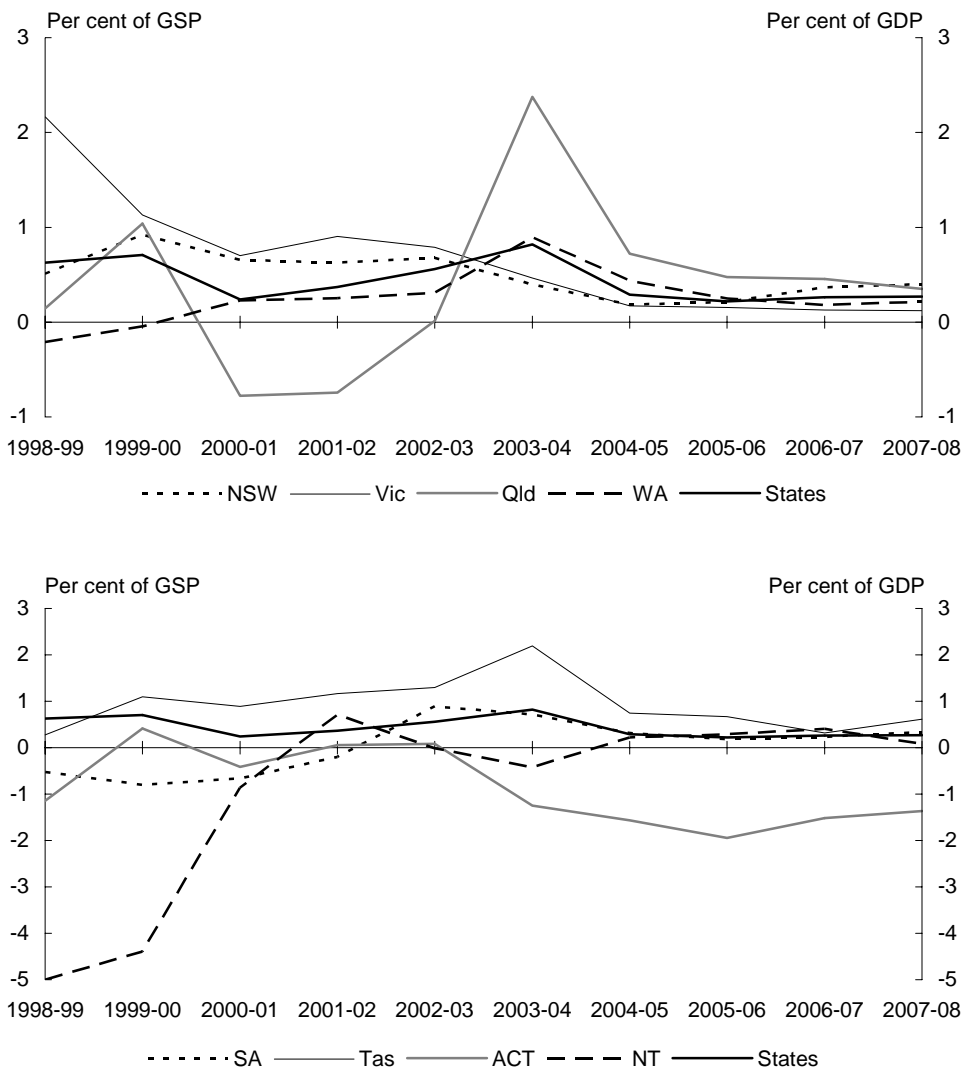
The net operating balance measures, in accrual terms, the gap between a government's expenses and revenue for a given period, and provides a good indication of the sustainability of the existing level of government services. An operating surplus indicates that a government can finance the services it provides in a period using revenues derived in that period. An operating deficit indicates that a government must borrow or sell assets in order to finance services provided in a period.

Aside from the Australian Capital Territory, every state is expected to record an operating surplus in 2005-06 and each of the forward years. The Australian Capital Territory is expecting to remain in deficit in 2005-06 and the forward years.

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1 See, for example, NSW's 2004-05 *Half-Yearly Budget Review*, pp. 10, 17 and Victoria's Budget Paper No. 2, 2005-06 *Strategy and Outlook*, pp. 33, 43.

**Chart 4: Individual state general government sector net operating balance<sup>(a)(b)</sup>**



(a) The ABS is currently reviewing accrual time series data, in consultation with all Treasuries, as accrual reporting is now established in all jurisdictions. Improvements in the quality of the time series data have resulted in some changes to these series. Further revisions are expected over the next year.

(b) States' net operating balances are expressed as a percentage of GSP (left hand axis) and the states' aggregate net operating balance is expressed as a percentage of GDP (right hand axis).

Sources: ABS Cat. No. 5512.0, state 2004-05 mid-year reports, Victoria, Australian Capital Territory and Northern Territory 2005-06 Budgets and Treasury estimates.

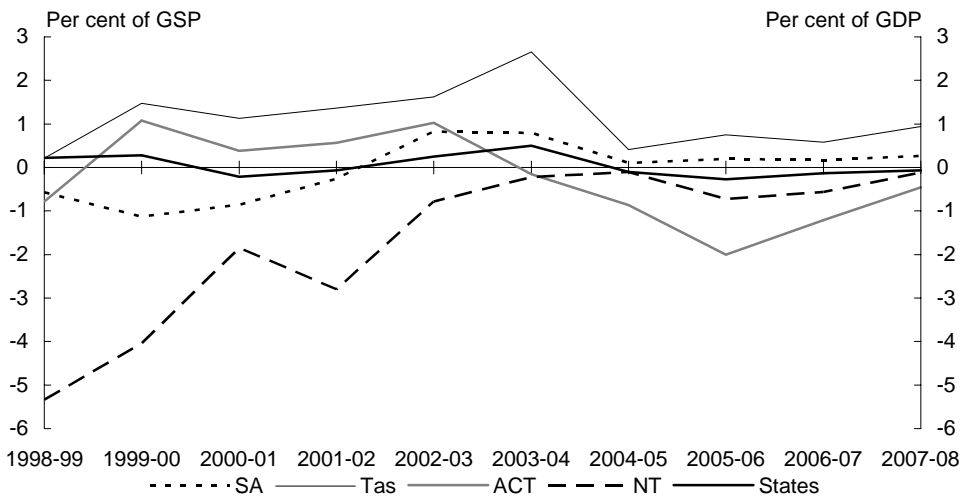
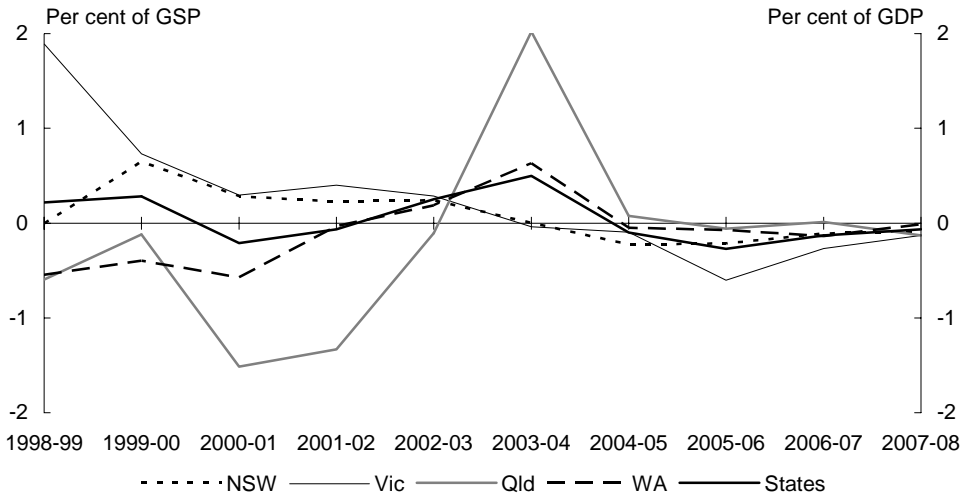
## STATE GENERAL GOVERNMENT SECTOR FISCAL BALANCE

The aggregate state fiscal balance for the general government sector is estimated to be -0.3 per cent of GDP in 2005-06, slightly lower than in 2004-05 due to the lower operating balances of the states (Chart 5).

The fiscal balance measures, in accrual terms, the gap between government savings plus net capital transfers, and investment in non-financial assets. A fiscal surplus indicates that a government is lending to other sectors. A fiscal deficit indicates that a government is borrowing.

The aggregate state fiscal balance is expected to slowly improve over the forward years, with most states either moving towards or maintaining a fiscal surplus.

**Chart 5: Individual state general government sector fiscal balance<sup>(a)(b)</sup>**



(a) The ABS is currently reviewing accrual time series data, in consultation with all Treasuries, as accrual reporting is now established in all jurisdictions. Improvements in the quality of the time series data have resulted in some changes to these series. Further revisions are expected over the next year.

(b) States' fiscal balances are expressed as a percentage of GSP (left hand axis) and the states' aggregate fiscal balance is expressed as a percentage of GDP (right hand axis).

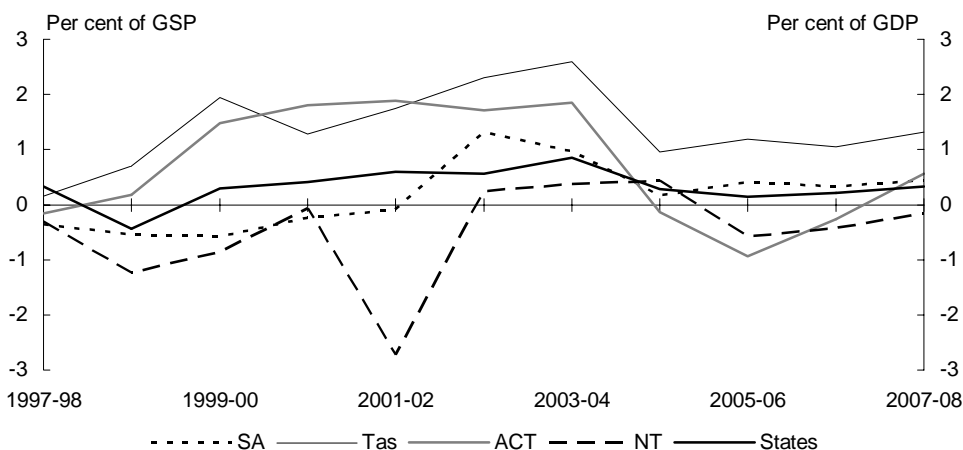
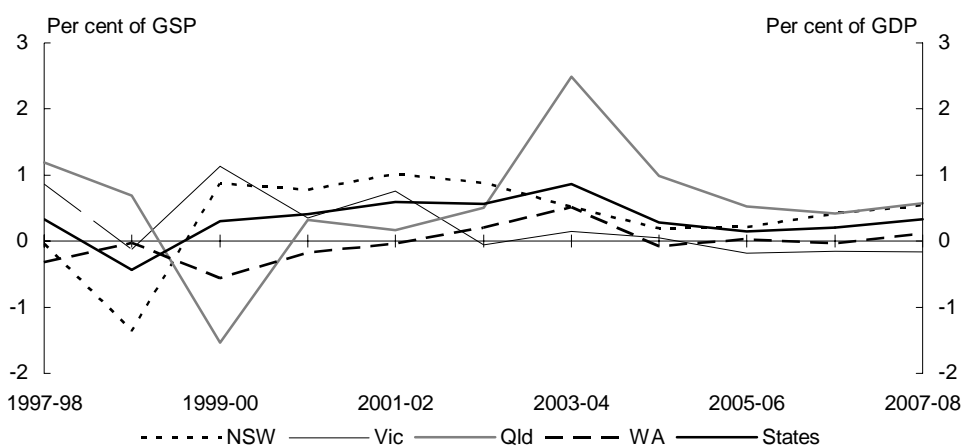
Sources: ABS Cat. No. 5512.0, state 2004-05 mid-year reports, Victoria, Australian Capital Territory and Northern Territory 2005-06 Budgets and Treasury estimates.

Trends in the aggregate fiscal balance for state/local general government, public non-financial corporations and the non-financial public sector are presented in Tables 1, 2 and 3, Statement 12, Budget Paper No. 1.

## STATE GENERAL GOVERNMENT SECTOR CASH BALANCE

In aggregate terms, the general government sector cash surplus is estimated to be 0.1 per cent of GDP in 2005-06, compared to 0.3 per cent in 2004-05. In 2005-06, cash surpluses are expected for all states except Victoria, the Australian Capital Territory and the Northern Territory (Chart 6).

**Chart 6: Individual state general government sector cash balance<sup>(a)(b)</sup>**



(a) The ABS is currently reviewing accrual time series data, in consultation with all Treasuries, as accrual reporting is now established in all jurisdictions. Improvements in the quality of the time series data have resulted in some changes to these series. Further revisions are expected over the next year.

(b) States' cash balances are expressed as a percentage of GSP (left hand axis) and the states' aggregate cash balance is expressed as a percentage of GDP (right hand axis).

Sources: ABS Cat. No. 5512.0, state 2004-05 mid-year reports, Victoria, Australian Capital Territory and Northern Territory 2005-06 Budgets and Treasury estimates.



An underlying cash surplus reflects the extent to which cash is available to a government to increase financial assets or decrease liabilities (assuming no revaluations or other changes occur). An underlying cash deficit measures the extent to which a government requires cash, either by running down financial assets or by borrowing.

Over the forward years, the aggregate state general government sector cash surplus is expected to remain steady. Despite considerable variation in the states' cash positions in recent years, most states are forecasting cash surpluses by 2007-08. However, Victoria and the Northern Territory are expecting small cash deficits in 2007-08.

Trends in the aggregate cash surplus for state/local general government, public non-financial corporations and the non-financial public sector are presented in Chart 2, Statement 12, Budget Paper No. 1.

## **STATE NET DEBT**

In aggregate, state general government sector net debt<sup>2</sup> is expected to remain at around -1.8 per cent of GDP in 2005-06. Net debt for the aggregate state public non-financial corporations sector is estimated to be 4.5 per cent of GDP in 2004-05,<sup>3</sup> up from 4.2 per cent in 2003-04. The public non-financial corporations sector owns nearly all of the stock of state non-financial public net debt.

The higher the net debt of a government, the greater the call that will be imposed on the government's future revenue flows to service that debt.

Most states continue to reduce their levels of general government sector net debt (Chart 7). For example, between 1997-98 and 2007-08, South Australia and Tasmania are expected to reduce general government net debt by more than 13 per cent of GSP. This primarily reflects the sale of assets, such as the electricity privatisation process in South Australia,<sup>4</sup> and the application of budget surpluses to repay debt.<sup>5</sup>

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2 Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets (cash and deposits, advances paid, and investments, loans and placements). Net debt does not include superannuation or superannuation related liabilities.

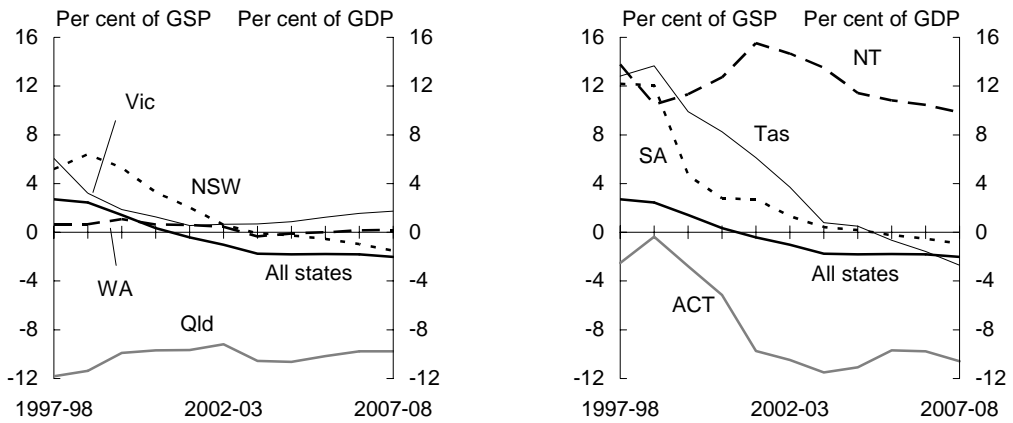
3 Estimates for the public non-financial corporations sector and the non-financial public sector are unavailable after 2004-05 in some states. The public non-financial corporations sector comprises bodies that provide goods and services (such as electricity, gas and water) that are mainly market, non-regulatory and non-financial in nature, and are financed predominantly through sales to the consumers of these goods and services.

4 SA Budget Paper No. 3, *Budget Statement 2002-03*, p. 6.3.

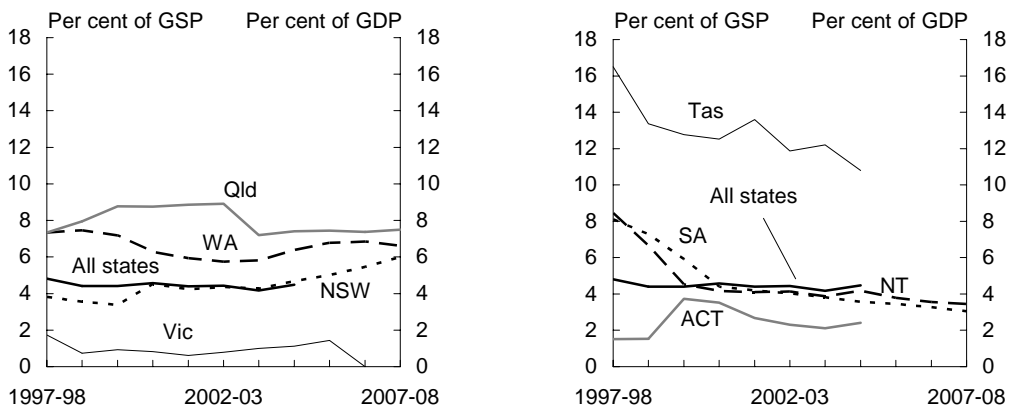
5 SA Budget Paper No. 3, *Budget Statement 2004-05*, p. 5.1 and Tasmanian Budget Paper No. 1, *Budget Overview 2002-03*, p. 18.

Aggregate state general government net debt is estimated to fall to -2.0 per cent of GDP by 2007-08. From 2003-04, New South Wales joins Queensland and the Australian Capital Territory in forecasting an ongoing net financial asset position, with South Australia and Tasmania forecasting to be in a similar position from 2005-06.

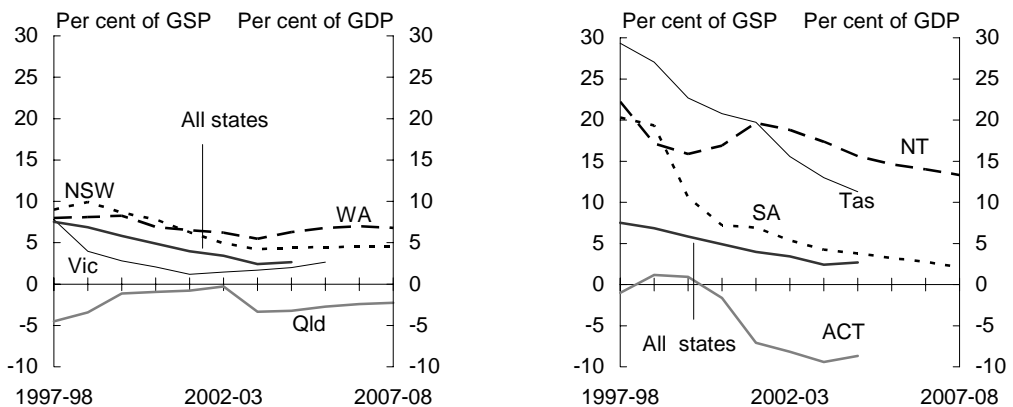
**Chart 7: Individual state net debt by sector (as at end of financial year)<sup>(a)(b)</sup>**  
**General government**



**Public non-financial corporations**



**Non-financial public sector**



(a) The ABS is currently reviewing accrual time series data, in consultation with all Treasuries, as accrual reporting is now established in all jurisdictions. Improvements in the quality of the time series data have resulted in some changes to these series. Further revisions are expected over the next year.

(b) States' net debt is expressed as a percentage of GSP (left hand axis) and the states' aggregate net debt is expressed as a percentage of GDP (right hand axis).

Sources: ABS Cat. No. 5512.0, state 2004-05 mid-year reports, Victoria, Australian Capital Territory and Northern Territory 2005-06 Budgets and Treasury estimates.

## **AUSTRALIAN LOAN COUNCIL ARRANGEMENTS**

The Australian Loan Council is a Commonwealth-State Ministerial Council that coordinates public sector borrowing. The Loan Council comprises the Australian Government Treasurer as Chairman, and state and territory Treasurers.

Present Loan Council arrangements operate on a voluntary basis and emphasise transparency of public sector financing rather than adherence to strict borrowing limits. These arrangements are designed to enhance financial market scrutiny of public sector borrowing and facilitate informed judgments about each government's financial performance.

The Loan Council traditionally meets annually in March to consider jurisdictions' Loan Council Allocation nominations for the forthcoming year. As part of the agreed arrangements, the Loan Council considers these nominations, having regard to each jurisdiction's fiscal position and the macroeconomic implications of the aggregate figure.

### **Outcome of March 2005 Loan Council meeting**

The Loan Council met on 23 March 2005 to consider Loan Council Allocation nominations for 2005-06. The Loan Council approved each state's nominated allocation. In aggregate, the nominations represent a surplus of \$2.1 billion (Table 18).

Table 18: Loan Council Allocation (LCA) nominations for 2005-06<sup>(a)</sup>

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	A/Gov	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Nominated 2005-06 LCAs</b>										
General government sector cash deficit(+)/surplus(-)	-691	-46	-871	-29	-254	-197	16	16	-4,459	
PNFC sector cash deficit(+)/surplus(-)	2,060	761	1,291	1,136	65	68	10	1	-1,914	
Non-financial public sector cash deficit(+)/surplus(-) (b)	1,370	715	422	1,107	-189	-129	26	17	-6,374	
<i>minus</i> Net cash flows from investments										
in financial assets for policy purposes (c)	-46	9	0	0	-37	0	-2	0	-1,441	
<i>plus</i> Memorandum items (d)	516	439	-30	-191	-219	22	-6	0	-1,039	
<b>Loan Council Allocation</b>	<b>1,932</b>	<b>1,146</b>	<b>392</b>	<b>916</b>	<b>-445</b>	<b>-107</b>	<b>22</b>	<b>17</b>	<b>-5,972</b>	<b>-2,099</b>
2005-06 tolerance limit	1,077	642	677	373	223	84	54	61	5,285	

(a) Loan Council Allocation (LCA) nominations for 2005-06 reflect current best estimates of non-financial public sector deficits/surpluses. Nominations have been provided on the basis of policies announced up to and included in jurisdictions' mid-year reports. Nominations are based on preliminary estimates of general government finances provided by jurisdictions for the purpose of their mid-year reports, and projected bottom lines for each jurisdiction's public non-financial corporations sector, where actual estimates are unavailable. Each jurisdiction will publish an updated LCA estimate as part of its budget documentation. The two per cent (of non-financial public sector cash receipts from operating activities in each jurisdiction) tolerance limits around each jurisdiction's 2005-06 LCA are designed, among other things, to accommodate changes to the LCA resulting from changes in policy.

(b) The sum of the surpluses of the general government and the public non-financial corporations sectors may not equal the non-financial public sector surplus due to intersectoral transfers being netted out.

(c) This comprises net lending by governments with the aim of achieving government policy, as well as net equity sales and net lending to other sectors or jurisdictions. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit. However, the cash flow from investments in financial assets for policy purposes has implications for governments' call on financial markets.

(d) Memorandum items are used to adjust the non-financial public sector deficit/surplus to include in LCAs certain transactions — such as operating leases — that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the non-financial public sector deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs — for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities. Where relevant, memorandum items include an amount for gross new borrowings of government home finance schemes.

Note: Governments' contingent exposures under infrastructure projects with private sector involvement are identified in the Loan Council report, rather than included as components of LCAs. These exposures, which are measured as governments' contractual liabilities in the event of termination of projects, are unlikely to be realised and are thus materially different from actual borrowings undertaken to finance the public sector deficit. A government's outlays under these projects, such as equity contributions and ongoing commercial payments to the private sector, continue to be included in annual total public sector deficits, and hence the LCA.



## APPENDIX A: GST REVENUE MEASURES

### Additional customs compliance activities

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	2.4	5.7	6.3	6.7

The Government will provide additional funding to the Australian Customs Service to undertake additional compliance activities and increase the number of audits on import duty and GST assessments.

The additional compliance activities are expected to result in increased GST revenue. (See also the related expense measure titled *Imports – additional revenue compliance activities* in Budget Paper No. 2 under the Attorney-General's portfolio.)

### Annual private use apportionment option — change to the start date

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	-	-	-	-

The Government has allowed small businesses the option to undertake annual private use apportionment of input tax credits on certain acquisitions and importations, with effect from 1 October 2004 for entities with quarterly tax periods and 1 November 2004 for entities with monthly tax periods.

The planned commencement date of 1 July 2004 was deferred as the enabling legislation did not come into effect in time for a 1 July 2004 start date.

### Annual reporting and payment option — change to the start date

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	-110.6	-	-	-

The Government has allowed small businesses and non-profit bodies that are voluntarily registered for GST the option to report and pay their GST on an annual basis, with effect from 1 October 2004 for those with quarterly tax periods and 1 November 2004 for those with monthly tax periods.

The annual GST reporting and payment measure was originally estimated to affect GST revenue primarily in 2004-05. The change to the start date will result in some of the impact being borne in 2005-06 instead of 2004-05.

The planned commencement date of 1 July 2004 was deferred as the enabling legislation did not come into effect in time for a 1 July 2004 start date.

### Asian Development Bank — GST concession

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	..	..	..	..

The Government will allow Asian Development Bank (ADB) officers to import personal effects (including furniture) free of GST when first taking up a post in Australia. The measure will take effect when enabling changes to the Asian Development Bank (Privileges and Immunities) Regulations 1967 come into operation.

The concession implements a tax privilege contained in an agreement reached between the ADB and Australia for the establishment of the ADB's Australian office. The tax privileges in the agreement are consistent with tax privileges acknowledged as appropriate for the ADB by Australia as a signatory to the ADB's founding agreement. However, this concession is not included in the current ADB regulations.

This measure is subject to the unanimous agreement of state and territory governments.

The Government is also providing an income tax concession to officers of the ADB (see the related Treasury revenue measure titled *Asian Development Bank – income tax exemption for Australian staff* in Budget Paper No. 2 under the Treasury portfolio). A customs duty concession is also proposed (see the related revenue measure titled *Asian Development Bank – customs duty concession* in Budget Paper No. 2 under the Attorney-General's portfolio).

### Changes to the vouchers provisions

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	10.0	10.0	10.0	10.0

The Government will ensure that pre-paid phone products (vouchers) are treated as 'eligible vouchers' for GST purposes with effect from 1 July 2000.

The GST voucher provisions operate so that GST is remitted when the voucher is redeemed for goods and services and not on the sale of the voucher. This is because at the time the voucher is issued, the GST status of the underlying supply may not be known and cannot be determined until the voucher is used to obtain goods and services.



When the GST was introduced, it was intended that pre-paid phone products would be treated as vouchers. However, some pre-paid phone vouchers do not qualify as a GST Division 100 voucher, even though the telecommunications industry has been treating them as such. Therefore, the amendment will apply retrospectively. This will minimise compliance costs and ensure consistency of treatment of pre-paid phone cards.

The Government will also clarify that GST should be remitted on the face value of a voucher (monetary value stated on a voucher) at the time it is redeemed, rather than on the consideration received by the supplier. As this measure is intended only to clarify the operation of the law, the date of effect will be 11 May 2005.

This measure is subject to the unanimous agreement of state and territory governments.

### **Compulsory third party schemes — alternative global decreasing adjustment methodology**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	-6.7	-6.7	-6.7	-6.7

The Government will allow compulsory third party (CTP) insurers to use a further methodology to calculate decreasing adjustments when settling claims under CTP insurance schemes. The measure will apply to payments made in respect of claims arising from events that occur on or after 1 July 2005.

The GST law already provides a number of methodologies that CTP insurers may use to calculate decreasing adjustments with respect to payments made under their CTP schemes. This measure will provide a further methodology that CTP insurers may opt to use to reduce their compliance and administration costs.

The South Australian Government has requested this change and it is subject to the unanimous agreement of state and territory governments.

### **GST and the sale of real property**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	*	*	*	*

The Government will prevent entities manipulating certain elements of the GST law (such as the margin scheme, the grouping, associates, joint venture, going concerns or farm land provisions) to reduce the GST liability on supplies of real property. This measure will have effect from the date the enabling legislation was introduced into

Parliament – 17 March 2005 – except in respect of an amendment requiring written agreement to use the margin scheme, which will have effect from the date of Royal Assent.

The GST provisions dealing with real property are designed to ensure that GST is payable on the value added to land once it enters the GST system. The first supply of unimproved land by the Government is GST-free. Newly constructed (or substantially renovated) residential premises and commercial property sold by registered entities are taxable.

However, certain registered entities are using other provisions in the GST Act (such as the going concern provisions) to make the acquisition of real property either a GST-free or non-taxable supply, in order to apply the margin scheme on the subsequent sale of that property, and therefore reduce their GST obligation.

The amendments will remove these unintended consequences and ensure that GST is collected on the full value added to the land after it has entered the GST system. The amendments will also clarify the operation of the margin scheme and address uncertainty regarding entitlements to input tax credits.

### **GST-free supplies — charitable retirement villages**

Revenue (\$m)

	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	..	..	..	..

The Government has allowed supplies of accommodation, accommodation-related services and meals by charitable retirement villages to their residents to be GST-free, with effect from 14 December 2004.

The GST law provides that supplies of accommodation by charitable retirement villages are GST-free when provided for less than 75 per cent of their GST-inclusive market value or the cost of providing the accommodation. Supplies other than supplies of accommodation by charitable retirement villages are GST-free when provided for less than 50 per cent of their GST-inclusive market value or less than 75 per cent of the cost of acquiring them.

However, it was uncertain whether supplies of accommodation, accommodation-related services and meals to residents of charitable retirement villages fell within the existing concession. This measure ensures that such supplies are GST-free.

Further information can be found in the press release of 13 August 2004 issued by the Minister for Revenue and Assistant Treasurer.

**GST-free supplies — residents of serviced apartments in retirement villages**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	-11.0	-12.0	-13.0	-14.0

The Government has allowed residents of serviced apartments in retirement villages who require certain care services to obtain those care services and their accommodation GST-free, with effect from 1 July 2000.

The GST law provides that supplies of certain services and accommodation are GST-free. Generally, these services consist of services covered by Schedule 1 of the *Quality of Care Principles* made under section 96-1 of the *Aged Care Act 1997*.

However, there was some uncertainty whether supplies of certain care services and accommodation to residents of serviced apartments in retirement villages fell within the existing concession.

This measure ensures that residents of serviced apartments in retirement villages who require daily living activities assistance or nursing services are brought under the GST-free concession.

Further information can be found in the press release of 13 August 2004 issued by the Minister for Revenue and Assistant Treasurer.

**GST treatment of the Military Rehabilitation and Compensation Scheme**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	-	-	-	-

The Government has listed the Military Rehabilitation and Compensation Scheme as a 'statutory compensation scheme' under the A New Tax System (Goods and Services Tax) Regulations 1999. The measure has effect from 1 July 2004.

Listing the scheme was consequential to the Government creating a new scheme under the *Military Rehabilitation and Compensation Act 2004*.

The effect of listing a scheme as a statutory compensation scheme is that payments or supplies made in settlement of claims for compensation under the scheme are treated in the same way as payments or supplies made in settlement of claims under insurance policies. As a result, payments or supplies made in settlement of claims under insurance policies are generally not subject to GST.

**Indirect Tax Concession Scheme — GST concessions for diplomats and consular missions**

Revenue (\$)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	*	*	*	*

The Government has extended the concessions to which diplomatic and consular missions of certain countries are entitled under the Indirect Tax Concession Scheme (ITCS). The changes have effect from the date that Australia signed an agreement with each country.

The ITCS provides refunds of certain indirect taxes to international organisations, diplomatic and consular missions and visiting defence forces. This measure affects the level of GST concessions provided to diplomatic and consular missions of Afghanistan, Botswana, Bulgaria, the Democratic People’s Republic of Korea, East Timor, Israel, Pakistan, Singapore, Spain, Ukraine, United Arab Emirates and Venezuela.

The Government is also providing other indirect tax concessions under the ITCS (see the related item titled *Indirect tax concession scheme – concessions for diplomats and consular missions* in Budget Paper No. 2 under the Treasury portfolio).

**Supplies of rights offshore — taxing consumption in Australia**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	140.0	140.0	150.0	150.0

The Government proposes to apply GST to offshore supplies of options or rights where they relate to goods, services or other things that are for use and enjoyment in Australia. This measure takes effect from the date the enabling legislation was introduced into Parliament – 10 February 2005.

The Government’s intention is broadly to tax the supply of goods, services and other things that are consumed or used in Australia. However, the current law allows non-resident entities to provide rights, such as rights to some components of Australian holiday packages, GST-free, even when they are for goods or services that will be consumed in Australia. The proposed changes will ensure that these services will attract the correct taxation treatment.

**Supplies to offshore owners of Australian real property**

Revenue (\$m)	2005-06	2006-07	2007-08	2008-09
Australian Taxation Office	22.0	23.0	24.0	25.0

The Government has removed the GST-free status of supplies that are made to landlords offshore in relation to their residential property in Australia. This measure took effect from 1 April 2005.

Supplies relating to residential premises in Australia should generally be input taxed. This means that the recipient is not entitled to an input tax credit for the GST paid on inputs to the supply of the premises but is not required to remit GST on the supply of the premises. However, the current law allows for certain supplies of services made to landlords who are not in Australia to be GST-free. As a result, overseas-based landlords received more favourable tax treatment.

The proposed changes will ensure that services that are made to offshore landlords, including residents living overseas, but connected to residential property in Australia, will no longer be GST-free.



## APPENDIX B: SPECIFIC PURPOSE PAYMENTS

This appendix provides accrual estimates of Australian Government Specific Purpose Payments (SPPs) 'to' and 'through' the states and direct to local government. This includes SPPs for current and capital purposes, together with details of Australian Government advances (loans) to the states, including new advances, interest on advances and repayments by the states. Most of these advances were funded from borrowings made on behalf of the states under previous Australian Loan Council arrangements.

Table B1 presents SPPs on a functional basis for the period 2004-05 to 2008-09. Payments are aggregated according to like purposes and are divided into those paid to the states and those paid through the states to be passed on to local government and others. Payments through the states are indicated in the table with an asterisk.

Tables B2 and B3 present estimates of the state-by-state distributions of the SPPs listed in Table B1, for the years 2004-05 and 2005-06 respectively.

A number of SPP agreements are due for renegotiation during the forward estimates period. Provision has been made for continued funding in the forward estimates. However, the extension of these agreements has not been negotiated and therefore the amounts payable under the agreements cannot be specifically identified.

In addition, final decisions on the distribution of some payments among the states are still to be taken by the Australian Government; for others, the final distribution for 2005-06 will not be settled until further data becomes available. In most instances, provisional or notional estimates of the distribution are included. This does not commit the Australian Government to fund a particular project or indicate that a state has agreed to participate in the programme.

Tables B4, B5 and B6 present estimates of Australian Government SPPs paid direct to local government authorities. Table B4 presents estimates on a functional basis for the period 2004-05 to 2008-09. Tables B5 and B6 present estimates of state-by-state distributions of payments direct to local government for 2004-05 and 2005-06.

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b>Public Order and Safety</b>					
<b>Legal aid</b>	38,228	38,137	38,957	40,164	40,718
Funding is provided to state legal aid commissions for the provision of legal assistance in Australian Government matters.					
<b>Film and literature classifications</b>	735	766	795	827	860
Payment to states for participation in the Cooperative National Censorship Scheme as per the inter-governmental agreement signed on 28 November 1995. Classification decisions are made in accordance with the Classification (Publications, Films and Computer Games) Act 1995 and the National Classifications Code. Complementary enforcement arrangements are in place with all states.					
<b>Gun Buyback Scheme</b>	10,560	0	0	0	0
Provides for financial assistance in accordance with the <i>Handgun Buyback Act 2003</i> to compensate eligible persons for the surrender of handguns, parts and accessories during the buyback period and for money expended in direct connection with the administration of the handguns buyback and awareness raising of the Council of Australian Government reforms.					
<b>Education</b>					
<b>Government schools(a)</b>	1,689,207	1,789,092	1,898,525	2,021,852	nfp
Provides supplementary assistance to state education authorities through per capita general recurrent grants which can be applied to staff salaries, teacher professional development, curriculum development and maintenance and general operational provisions.					
<b>* Non-government schools(a)</b>	4,620,727	4,946,600	5,326,159	5,721,468	nfp
Provides supplementary assistance to non-government schools and systems through per capita general recurrent grants which can be applied to staff salaries, teacher professional development, curriculum development and maintenance and general operational provisions.					
<b>Vocational Education and Training Funding Act(a)(b)</b>	1,101,188	1,211,783	1,220,703	1,235,362	nfp
Funds are used to promote a nationally identifiable and consistent vocational education and training system.					



**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b>Education (continued)</b>					
<b>Targeted programmes - government schools and joint(a)</b>	412,443	407,446	428,667	453,317	nfp
Provides assistance for the improvement of literacy, numeracy and education outcomes for educationally disadvantaged students; to promote the study of other languages; and to assist in the transition from school to work.					
<b>* Targeted programmes - non-government schools(a)</b>	208,215	211,918	223,408	235,992	nfp
Provides assistance for the improvement of literacy, numeracy and education outcomes for educationally disadvantaged students; to promote the study of other languages; and to assist in the transition from school to work.					
<b>Indigenous Education Strategic Initiatives Programme - government(a)</b>	100,230	101,444	103,642	105,935	nfp
Provides supplementary recurrent funding to education providers in the preschool, school and vocational education and training sectors, as well as project based funding aimed at improving Indigenous education outcomes.					
<b>Australian Technical Colleges(a)</b>	nfp	nfp	nfp	nfp	nfp
The Australian Government is establishing 24 Australian Technical Colleges to encourage more young Australians into traditional trades. Students will combine academic courses leading to a Year 12 certificate with a School-based New Apprenticeship in a trade, leading to a nationally endorsed Training Package qualification.					
<b>Health</b>					
<b>Hepatitis C Settlement Fund</b>	2,996	3,000	3,000	2,000	0
The Australian Government's Hepatitis C Settlement Fund is designed to provide financial assistance to those who have been infected with Hepatitis C via blood transfusion.					
<b>Health Programme Grants</b>	2,849	1,825	1,845	1,870	1,896
Health Programme Grants provide alternative funding to Medicare benefits, with the aim of improving access to approved health services and/or where fee for service is inappropriate, by reimbursing service costs to state governments.					
<b>Health Care Grants(a)</b>	7,954,659	8,366,631	8,811,159	9,268,928	nfp
Grants to the states under the Australian Health Care Agreements to assist with the provision of public hospital services free of charge to eligible persons.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b>Health (continued)</b>					
<b>Highly specialised drugs</b>	463,845	521,485	571,709	627,753	683,945
Provides access to certain drugs under the Pharmaceutical Benefits Scheme which, because of special need in clinical administration or monitoring, cannot safely be provided through community pharmacy and must be supplied through hospitals to outpatients.					
<b>Youth health services</b>	2,418	2,471	2,514	2,570	2,626
Funding is provided on a matched basis to develop and implement innovative primary health care services for homeless and at risk youth.					
<b>National public health</b>	211,469	229,752	233,257	236,940	244,180
Payments to the states under broadbanded and other arrangements for public health, for subsidies for health promotion and disease prevention (covering areas such as women's health, AIDS control, drug strategies and cancer screening).					
<b>Essential vaccines</b>	196,516	111,663	121,351	121,641	123,559
Funds for essential vaccines for immunisation under the bilateral Australian Immunisation Agreements for inclusion in the National Vaccine Schedule.					
<b>Repatriation general hospitals</b>	4,790	7,286	7,280	7,429	7,594
To provide funds for payments of a non-treatment nature (for example, staff transfer costs such as accrued leave credits, income maintenance, superannuation differential etc) to the states in accordance with agreements reached on integration of repatriation general hospitals.					
<b>Supporting Western Sydney - Positron Emission Tomography scanner Westmead</b>	4,000	1,000	1,100	1,200	1,300
The Australian Government is contributing to the purchase and installation of a new Positron Emission Tomography (PET) scanner at Westmead Hospital (NSW) and annual grant towards running costs.					
<b>Strengthening Cancer Care - Royal Children's Hospital in Melbourne</b>	10,000	0	0	0	0
The Royal Children's Hospital in Melbourne will receive one-off funding to enable the completion of a world class children's cancer centre, which will be a model for similar centres.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b>Health (continued)</b>					
<b>Royal Darwin Hospital - Equipped, Prepared and Ready</b>	1,729	20,994	13,210	13,474	13,727
The Royal Darwin Hospital will receive funding to ensure that it can operate as a National Critical Care and Trauma Response Centre. Royal Darwin Hospital's capacity will be enhanced to ensure that, in the event of a major incident, it has the capacity to receive and treat as many people as possible					
<b>Assistance to Tsunami Victims</b>	4,000	0	0	0	0
The Australian Government is providing one-off assistance to most states for the costs incurred in providing medical teams and other support as part of Australia's assistance to the victims of the December 2004 tsunami.					
<b>Social Security and Welfare</b>					
<b>Aged care assessment</b>	52,930	55,441	59,092	61,133	62,526
Funds are provided to enable aged care assessment teams to conduct holistic assessments of frail aged clients and refer them to appropriate residential or community care services.					
<b>Home and community care(a)</b>	791,858	857,835	929,311	1,006,741	nfp
Funds are provided on a matched basis for the provision of appropriate community care services to help frail aged people and people with a disability live independently in their homes as long as possible.					
<b>Disabilities services(a)</b>	565,885	605,101	621,055	nfp	nfp
Under the terms of the Commonwealth State Territory Disability Agreements, the Australian Government provides funds to the states to assist in the provision of accommodation support and other services for people with disabilities.					
<b>Children's services</b>	11,011	11,248	11,479	11,713	11,953
Funds are provided to ensure access to affordable quality child care in programmes administered by the states on behalf of the Australian Government.					
<b>Supported Accommodation Assistance(c)</b>	174,688	158,088	161,566	186,471	190,385
This is a jointly funded Australian-State Government programme to assist people who are homeless and in crisis. Under the Australian-State Government agreements, recurrent annual funding is provided under the <i>Supported Accommodation Assistance Act 1994</i> .					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b>Social Security and Welfare (continued)</b>					
<b>Unaccompanied humanitarian minors</b>	2,140	2,196	2,251	2,263	2,318
To assist humanitarian minors without parents in Australia and the families providing their care through early intervention, counselling and assistance by state welfare agencies.					
<b>Extension of fringe benefits</b>	190,693	197,538	203,022	208,825	215,473
This funding compensates the states for the extra costs resulting from the liberalisation of access to the Australian Government's Pensioner Concession Card in 1993. In return the states agree to provide a core group of concessions to all cardholders.					
<b>Native Title</b>	11,000	11,000	11,000	11,000	11,000
For expenditure under part 9 of the <i>Native Title Act 1993</i> . Funding is to assist states implement a consistent framework for dealing with native title issues and meeting native title compensation costs.					
<b>Housing and Community Amenities</b>					
<b>Assistance for water and sewerage</b>	9,051	9,250	9,453	9,662	9,866
To compensate the ACT Government for additional costs resulting from the national capital planning influences on the provision of water and sewerage services. The level of funding is based upon the findings of the Commonwealth Grants Commission in its second and third reports on financing in the ACT.					
<b>Natural Heritage Trust of Australia - Bushcare(d)</b>	15,493	15,556	15,279	0	0
To conserve and restore habitat for Australia's unique native flora and fauna that underpin the health of our landscapes.					
<b>Natural Heritage Trust of Australia - Coastcare(d)</b>	5,925	5,946	5,844	0	0
To protect our coastal catchments, ecosystems and the marine environment.					
<b>Natural Heritage Trust of Australia - Landcare(d)</b>	11,850	11,897	11,684	0	0
To reverse land degradation and promote sustainable agriculture.					
<b>Natural Heritage Trust of Australia - Rivercare(d)</b>	12,305	12,352	12,135	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
<b>National Water Initiative - Living Murray</b>	0	25,000	45,000	45,000	45,000
To implement a package of water recovery and water use efficiency activities to address water over-allocation in the Murray Darling Basin and improve the health of the Murray Darling system.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>		2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>						
<b>Description</b>						
	<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b>Recreation and Culture</b>						
<b>Melbourne 2006 Commonwealth Games</b>		0	62,900	0	0	0
	Payment to the VIC government as a contribution to the costs of staging the Melbourne 2006 Commonwealth Games.					
<b>Natural Heritage Trust of Australia - Bushcare(d)</b>		7,042	7,073	6,947	0	0
	To conserve and restore habitat for Australia's unique native flora and fauna that underpin the health of our landscapes.					
<b>Natural Heritage Trust of Australia - Coastcare(d)</b>		2,693	2,702	2,655	0	0
	To protect our coastal catchments, ecosystems and the marine environment.					
<b>Natural Heritage Trust of Australia - Landcare(d)</b>		5,387	5,407	5,309	0	0
	To reverse land degradation and promote sustainable agriculture.					
<b>Natural Heritage Trust of Australia - Rivercare(d)</b>		5,593	5,614	5,517	0	0
	To improve water quality and environmental conditions in our river systems and wetlands.					
<b>2004 Olympic/Paralympic Welcome Home Parade</b>		261	0	0	0	0
	Contribution towards the hosting of national welcome home parades for Australia's 2004 Olympic and Paralympic Teams.					
<b>Fuel and Energy</b>						
<b>Snowy Hydro Ltd - company tax compensation</b>		47,911	49,510	47,850	47,850	47,850
	Compensate VIC and NSW for company tax payments made by Snowy Hydro Ltd.					
<b>Agriculture, Forestry and Fishing</b>						
<b>Natural Heritage Trust of Australia - Bushcare(d)</b>		24,416	24,511	24,076	0	0
	To conserve and restore habitat for Australia's unique native flora and fauna that underpin the health of our landscapes.					
<b>Natural Heritage Trust of Australia - Coastcare(d)</b>		9,334	9,372	9,204	0	0
	To protect our coastal catchments, ecosystems and the marine environment.					
<b>Natural Heritage Trust of Australia - Landcare(d)</b>		18,672	18,743	18,412	0	0
	To reverse land degradation and promote sustainable agriculture.					
<b>Natural Heritage Trust of Australia - Rivercare(d)</b>		19,390	19,464	19,118	0	0
	To improve water quality and environmental conditions in our river systems and wetlands.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b><i>Agriculture, Forestry and Fishing (continued)</i></b>					
<b>Exotic Disease Preparedness</b>	372	372	379	387	0
The Wildlife and Exotic Diseases Preparedness Programme supports investigations into the role of wildlife species in the maintenance and spread of emerging animal diseases and incursions of major exotic diseases of animals.					
<b>Exceptional circumstances assistance</b>	131,985	59,263	15,108	0	0
To provide support to eligible farm business enterprises where incomes have been adversely affected by exceptional circumstances such as extreme drought and to support the administrative costs of state and territory rural assistance authorities for the issuing of exceptional circumstance certificates and the delivery of exceptional circumstance interest rate subsidies.					
<b>National Landcare Programme (NLP)</b>	29,091	27,035	26,181	25,961	0
The NLP aims to achieve efficient, sustainable and equitable management of natural resources in Australia. Current payments mainly assist community landcare group activities and projects which support community landcare, although some state agency projects are also supported. This funding is managed in conjunction with Natural Heritage Trust allocations to the NLP.					
<b>Regional Assistance</b>	0	702	501	100	0
To provide support to farm business enterprises to improve farm productivity, profitability and sustainability.					
<b>Great Artesian Basin Sustainability Initiative</b>	7,700	7,920	7,971	8,147	8,323
Australian Government contribution to assist with the implementation of the Great Artesian Basin Management Plan. Grants will be made to some states to assist bore rehabilitation. Supplementary incentives will also be made available for the replacement of open drains with piping.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b><i>Agriculture, Forestry and Fishing (continued)</i></b>					
<b>Forest Industry Structural Adjustment Package</b>	14,689	0	0	0	0
The Forest Industry Structural Adjustment Package is an industry development programme to assist the native forest timber industry to become more efficient, sustainable and internationally competitive. It also provides structural adjustment assistance to eligible forest industry workers and businesses who have been adversely affected by the Regional Forest Agreement process.					
<b>Skilling farmers for the future</b>	12,100	14,200	14,200	16,200	0
A programme to integrate and enhance the existing successful FarmBis and Property Management Planning Programmes and incorporate the wild catch fishing industry. It will facilitate farmer self reliance and promote a positive approach to change and a culture of continuous improvement by providing financial assistance to improve skills in business and resource management.					
<b>War Service Land Settlement Scheme</b>	0	0	0	0	0
To reimburse SA for the operation and maintenance of the Loxton Irrigation Scheme, to meet Australian Government obligations for this element of the War Service Land Settlement Scheme.					
<b>Eradication of Red Imported Fire Ant</b>	15,486	12,283	5,137	0	0
To provide funding for the eradication of Red Imported Fire Ant infestations detected in Australia.					
<b>National Action Plan for Salinity and Water Quality</b>	87,405	160,632	128,785	92,939	0
The National Action Plan aims to motivate and enable regional communities to use coordinated and targeted action to: a) prevent, stabilise and reverse trends in dryland salinity affecting the sustainability of production, the conservation of biological diversity and the viability of our infrastructure; and b) improve water quality and secure reliable allocations for human uses, industry and the environment. Current payments mainly assist designated regional bodies to prepare regional Natural Resource Management plans and invest in priority actions identified in those plans to address salinity and water quality issues. This funding is matched with additional cash by state governments which have signed bilateral agreements with the Australian Government.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b><i>Agriculture, Forestry and Fishing (continued)</i></b>					
<b>Agricultural Development Partnerships</b>	3,012	0	0	0	0
This programme provides assistance for structural adjustment, targeted to agricultural industries and regions experiencing significant problems affecting farm profitability and sustainability. A feature of the programme is that state governments are expected to provide matching funding to facilitate a genuine partnership approach.					
<b>Plant Disease and Eradication</b>	3,500	1,300	700	0	0
This programme provides assistance under a national strategy of eradication of Citrus Canker, to mitigate its potential impact on Australia's citrus industry.					
<b><i>Transport and Communication</i></b>					
<b>Interstate road transport</b>	48,030	48,030	48,030	48,030	48,030
Under the <i>Interstate Road Transport Act 1985</i> , the Australian Government makes payments to the states which equal total revenue received from the states from registrations made under the Federal Interstate Registration Scheme (FIRS). Payment of amounts equal to penalties arising from prosecutions under the Act are also made by the Australian Government.					
<b>*Supplementary funding to SA councils for local roads</b>	4,250	9,000	13,000	0	0
Provides supplementary funding to local government in SA to address that state's current disadvantage in local road funding under the Financial Assistance Grant arrangements.					
<b>Petroleum Products Freight Subsidy Scheme</b>	4,000	3,500	0	0	0
The <i>States Grants (Petroleum Products) Act 1965</i> provides for grants to be made to most states and the NT to enable them to subsidise the cost of transporting eligible petroleum products to remote areas of Australia.					
<b>Gold Coast Light Rail</b>	147	0	0	0	0
To contribute towards a feasibility study into a light rail system from Helensvale to Broadbeach on QLD's Gold Coast.					



**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<i>Description</i>					
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b>Other Purposes</b>					
<b>Debt Redemption Assistance</b>	31,909	219,985	0	0	0
Covers the payment of compensation to the six states and NT under the <i>Financial Agreement Act 1994</i> , for the additional interest costs of replacing maturing Australian Government debt with their own borrowings, rather than by the Australian Government borrowing on their behalf, and for the lower, formula based, Australian Government sinking fund contributions which have resulted from the debt redemption arrangements.					
<b>* Financial Assistance Grants for local government</b>					
<i>General Purpose Assistance</i>	1,073,450	1,120,112	1,160,325	1,203,374	1,247,779
Provides unified general purpose assistance to local government authorities. The grants are distributed between the states on an equal per capita basis.					
<i>Unified Local Roads Grants</i>	476,321	497,028	514,873	533,972	553,677
Provides unified assistance to local government authorities in place of specific purpose payments formerly passed on to local government by the states for expenditure on local roads.					
<b>Compensation - companies regulation</b>					
Under the terms of the Corporations Agreement, the Australian Government is obliged to compensate the six states and the NT for revenue forgone following the commencement of the national scheme for the regulation of companies and securities.					
<b>Natural Disaster Relief</b>					
Reimbursement of part of the expenditure incurred by the states on personal hardship and distress payments made to persons adversely affected by natural disaster.					
<b>Royalties</b>					
Payment of the monthly share of the Australian Government's North West Shelf petroleum royalty under section 129 of the <i>Petroleum (Submerged Lands) Act 1967</i> ; and reimbursement to the NT Government in lieu of uranium royalties from the Ranger project equivalent to 1.25 per cent of net sales proceeds as required under the 1978 financial Memorandum of Understanding between the Australian Government and the NT.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<i>Payment title</i>					
<i>Description</i>					
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>					
<b>Other Purposes (continued)</b>					
<b>ACT national capital influences</b>	22,508	23,004	23,509	24,026	24,531
Funding assists the ACT Government to meet the additional municipal costs flowing from Canberra's role as the national capital. The level of funding is based upon the findings of the Commonwealth Grants Commission in its second and third reports on financing in the ACT.					
<b>Special Revenue Assistance to the ACT</b>	14,200	0	0	0	0
Payment to the ACT that recognises that Australian-State government financial relations differ from Australian-ACT government financial relations in certain specific respects.					
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>					
<b>Education</b>					
<b>Government schools(a)</b>	326,952	441,709	468,811	470,499	nfp
Provides supplementary assistance to state education authorities for the provision, maintenance and upgrading of school facilities, which can include, amongst other things, land or building purchases, capital works or the provision of equipment.					
<b>* Non-government schools(a)</b>	164,964	193,853	195,395	196,082	nfp
Provides supplementary assistance to non-government schools and systems, as well as hostels for rural students, for the provision, maintenance and upgrading of school facilities, which can include, amongst other things, land or building purchases, capital works or the provision of equipment.					
<b>Social Security and Welfare</b>					
<b>Crisis accommodation assistance(a)</b>	40,122	40,674	41,235	41,801	nfp
To provide funds to the states under the Commonwealth State Housing Agreement (CSHA) for the acquisition of accommodation for use under the Supported Accommodation Assistance Programme.					
<b>Housing and Community Amenities</b>					
<b>Housing assistance for Indigenous people(a)</b>	102,072	93,339	94,624	95,926	nfp
To assist Aboriginal and Torres Strait Islander people on low to moderate incomes to have access to affordable, appropriate and secure rental housing, including public and community-owned rental housing. Funds are provided under the CSHA.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>					
<b><i>Housing and Community Amenities (continued)</i></b>					
<b>Community housing(a)</b>	64,744	65,635	66,539	67,453	nfp
To develop community housing which provides appropriate and affordable rental accommodation for low to moderate income earners. Funds are provided under the CSHA.					
<b>CSHA Block Assistance/Base Funding(a)</b>	733,773	743,871	754,106	764,482	nfp
The Australian Government, through the CSHA, provides funds to the states primarily for the provision of public rental housing for low to moderate income households. The states are required to contribute to housing assistance in amounts as set in the CSHA.					
<b>Social Housing Subsidy Programme</b>	2,130	1,995	1,995	1,995	1,995
Provides matching funding until 30 June 2016 to subsidise the recurrent costs of financing rental accommodation for low and moderate income earners. Funds are committed to NSW and the ACT and future funding to other states was removed in the 1996-97 Budget.					
<b>* Federal Flood Mitigation Programme</b>	12,100	0	0	0	0
Provides funding through states to assist in addressing the problem of repeated flooding in rural towns and regional centres.					
<b>* Disaster Mitigation Package</b>	10,500	33,163	18,510	15,444	0
Funding for a wide range of mitigation measures to help reduce the threat posed by natural disasters such as bushfires, cyclones, floods and landslides across the nation.					
<b>* Additional First Home Owners Scheme</b>	35	4,272	0	0	0
The Australian Government is funding an additional First Home Owners Scheme (FHOS) grant for all eligible first home owners contracting between 9 March 2001 and 30 June 2002 to buy or build a new home. The grant is \$7,000 for contracts made between 9 March and 31 December 2001 and \$3,000 for contracts made between 1 January and 30 June 2002. Although the additional FHOS has ended, grants continue to be paid to eligible applicants due to the time needed to complete construction and the period allowed to lodge an application once construction is complete.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>					
<b><i>Housing and Community Amenities (continued)</i></b>					
<b>*Bushfire Mitigation Package</b>	5,000	5,000	5,000	0	0
The Bushfire Mitigation Programme provides partnership funding to the states for the construction and maintenance of fire trails and associated accessibility measures such as the provision of access gates. The Programme was implemented in recognition of recent inquiries into the devastating bushfires across south eastern Australia and seeks to complement fire management strategies by enhancing fire trail networks.					
<b><i>Fuel and Energy</i></b>					
<b>* Photovoltaic Rebate Programme (PVRP)</b>	4,900	4,450	4,500	0	0
To provide rebates to householders and community groups who install photovoltaic equipment to make electricity from sunlight for domestic use.					
<b>Renewable Remote Power Generation</b>	19,188	22,241	23,540	23,155	24,161
To provide a rebate for the installation of renewable energy generation technologies in areas of Australia currently reliant on diesel for electricity generation. Funding is based on the relevant amount of diesel fuel excise paid in each state or territory by public electricity generators.					
<b><i>Agriculture, Forestry and Fishing</i></b>					
<b>Natural Heritage Trust of Australia - Landcare(d)</b>	0	0	0	0	0
To reverse land degradation and promote sustainable agriculture.					
<b>Natural Heritage Trust of Australia - Rivercare(d)</b>	0	0	0	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
<b>Tasmanian Water Infrastructure</b>	2,100	1,100	0	0	0
To provide funding to TAS for the construction of the Warner Creek Dam and the Northern Midlands Water Project. These projects aim to provide reliable sources of irrigation water in their respective regions.					
<b><i>Transport and Communication</i></b>					
<b>Alice Springs Darwin Railway</b>	12,500	0	0	0	0
The Australian Government agreed to provide up to an additional \$91.4 million towards the construction of the Alice Springs to Darwin rail link. This is in addition to the \$100 million previously provided under the Federation Fund.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<i>Payment title</i>					
<i>Description</i>					
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>					
<b><i>Transport and Communication (continued)</i></b>					
<b>Auslink(e)</b>	1,312,889	1,316,356	1,626,959	1,776,419	1,634,841
The Australian Government will contribute funding for the development, construction and maintenance of land transport projects on a newly defined National Land Transport Network and to Black Spot projects and for roads in unincorporated areas.					
<b>Federation Funds Projects - QLD</b>	9,886	0	0	0	0
The Australian Government agreed to provide \$40 million from the Federation Fund towards the widening of the Caboolture Motorway.					
<b>Federation Funds Projects - NSW/VIC</b>	20,462	9,538	5,462	0	0
The Australian Government agreed to fund \$22 million each to both VIC and NSW for the replacement of three key crossings of the Murray River at Echuca, Robinvale and Corowa.					
<b>Other Purposes</b>					
<b>Sinking Fund on State Debt</b>	595	380	0	0	0
Contributions to the Debt Retirement Reserve Trust Account (DRRTA) by the Australian Government on behalf of the six states and the NT in accordance with the <i>Financial Agreement Act 1994</i> .					
<b>REPAYMENTS</b>					
<b>Supplementary contributions</b>	74,017	134,396	0	0	0
Debt Retirement Reserve Trust Account (DRRTA) receipts of supplementary contributions from the six states and the NT, payable under the provisions of the <i>Financial Agreement Act 1994</i> , to enable the redemption of Australian Government securities maturing on their behalf.					
<b>Payments to Debt Sinking Funds</b>	2,400	1,536	0	0	0
Debt Retirement Reserve Trust Account (DRRTA) receipts of contributions from the six states and the NT and from the Australian Government on their behalf payable under the provisions of the <i>Financial Agreement Act 1994</i> .					
<b>Repayments of Australian Government Loans</b>					
<b>ACT debt repayments</b>	4,647	4,647	4,647	4,647	4,647
Servicing of remaining notional debt held against assets transferred from the Australian Government to the ACT Government, on self-government, for public transport (land and buildings), electricity, water supply and sewerage.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>REPAYMENTS</b>					
<b>Repayments of Australian Government Loans (continued)</b>					
<b>Loan Council - housing nominations</b>	17,711	18,511	19,343	20,212	21,121
Principal repayments by the six states and the NT of advances made to them under the various States (Works and Housing) Assistance Acts.					
<b>Defence</b>					
<b>Housing for servicemen</b>	1,453	1,552	1,661	1,776	1,902
Principal repayments by the states of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.					
<b>Housing and Community Amenities</b>					
<b>CSHA Loans</b>	63,537	64,900	66,156	67,367	69,036
Principal repayments by the six states and the NT of advances made to them under the various Housing Agreements, NT Housing Agreement and Housing Assistance Acts.					
<b>Other housing</b>	8,450	8,712	8,995	9,318	9,696
Repayment of the principal of loans relating to assets transferred from the Australian Government to the NT at the time of self government in 1978 and to the ACT at the time of self government in 1989.					
<b>Urban water supply and treatment</b>	437	486	542	603	603
Repayment of principal on loans to SA for water quality improvement via Adelaide and Northern Towns Water Treatment and to WA for salinity mitigation via the Harding River Dam project.					
<b>NT - water and sewerage assistance</b>	136	136	136	136	136
Repayment of the principal of a loan relating to assets transferred from the Australian Government to the NT at the time of self-government in 1978.					
<b>Growth centres</b>	247	94	0	0	0
Repayment of the principal of loans provided under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> to NSW for urban expansion and redevelopment in the Bathurst-Orange area and to VIC for the development of a growth complex in the Albury-Wodonga area.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>REPAYMENTS</b>					
<b><i>Housing and Community Amenities (continued)</i></b>					
<b>Captains Flat (Abatement of Pollution) Agreement</b>	8	10	11	9	5
This is a loan agreement that generates repayments of principal and interest from the NSW Government in relation to capital works undertaken at Captains Flat to prevent pollution of the Molonglo River.					
<b>Sewerage</b>	3,730	4,103	4,509	4,958	5,388
Repayment of the principal of loans provided under the Urban and Regional Development (Financial Assistance) Act 1974 to all states to undertake programmes connected with provision of sewerage facilities with particular objectives of eliminating the backlog of sewerage works.					
<b><i>Agriculture, Forestry and Fishing</i></b>					
<b>Rural Adjustment Scheme</b>	158	0	0	0	0
Repayments of loans administered under the <i>States Grants (Rural Adjustment) Acts 1976 and 1979</i> which provide assistance to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved.					
<b>War Service Land Settlement Scheme</b>	952	987	1,022	1,060	1,104
These repayments are of advances made to veterans of WWII or the Korea/Malaya campaigns for the purpose of providing working capital funding, paying and effecting improvements and acquiring stock, plant and equipment.					
<b><i>Transport and Communication</i></b>					
<b>Railway projects</b>	574	572	574	574	573
Repayment of the principal of loans provided by the Australian Government to upgrade and standardise railways in mainland Australia.					
<b><i>Other Purposes</i></b>					
<b>Natural Disaster Relief</b>	3,365	3,408	3,403	3,127	2,910
Repayment by states of loans made by the Australian Government under the Natural Disaster Relief Arrangements (NDRA) and the repayment of overpaid monies.					

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>ADVANCES</b>					
<b>Natural Disaster Relief</b>	2,000	5,000	5,000	5,000	5,000
Concessional interest rate loans to the states in respect of loans made by them to individuals affected by natural disasters.					
<b>INTEREST</b>					
<b>Interest on Loan Council and NT Government Borrowings</b>	10,847	633	0	0	0
Receipts from the six states and the NT of interest on Australian Government securities outstanding on their behalf.					
<b>Interest on Australian Government Loans</b>					
<b>ACT Government debt</b>	4,674	3,600	3,071	2,536	2,002
Receipts from the ACT of interest on Australian Government loans and on Australian Government securities nominally outstanding on its behalf.					
<b>Housing nominations</b>	67,686	66,890	66,055	65,187	64,276
Interest received from the six states and the NT on outstanding advances made to them under the States (Works and Housing) Assistance Acts.					
<b>Defence</b>					
<b>Housing for servicemen</b>	4,189	4,126	4,059	3,987	3,909
Interest payments by the states of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.					
<b>Housing and Community Amenities</b>					
<b>CSHA loans</b>	91,522	88,862	86,131	83,323	80,444
Interest received from the six states and the NT on outstanding advances made to them under the various Housing Agreements, NT Housing Agreement and Housing Assistance Acts.					
Repayments of principal and interest are made at the end of each financial year.					
<b>Other housing</b>	14,334	13,681	13,277	12,867	12,440
Payment of interest on loans relating to assets transferred from the Australian Government to the NT at the time of self-government in 1978 and to the ACT at the time of self-government in 1989.					



**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<b>Description</b>					
<b>INTEREST</b>					
<b><i>Housing and Community Amenities (continued)</i></b>					
<b>Urban water supply and treatment</b>					
Payment of interest on loans to SA for water quality improvement via Adelaide and Northern Towns Water Treatment and to WA for salinity mitigation via the Harding River Dam project.	1,054	1,004	949	887	0
<b>NT - water and sewerage assistance</b>					
Payment of interest on loans relating to assets transferred from the Australian Government to the NT at the time of self-government in 1978.	623	616	610	603	596
<b>Growth centres</b>					
Payment of interest on loans provided under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> to NSW for urban expansion and redevelopment in the Bathurst-Orange area and to VIC, for the purposes of developing a growth complex in the Albury-Wodonga area.	28	7	0	0	0
<b>Sewerage</b>					
Payment of interest on loans provided under the Urban and Regional Development (Financial Assistance) Act 1974 to all states to undertake programmes connected with provision of sewerage facilities with particular objectives of eliminating the backlog of sewerage works.	6,772	6,395	5,977	5,519	3,380
<b>Community facilities - Townsville</b>					
Interest paid on a loan to the QLD Government as a contribution towards the cost of developing community facilities in Townsville to assist in assimilating servicemen and their families into the community.	7	0	0	0	0
<b>Captains Flat (Abatement of Pollution) Agreement</b>					
Interest payable under the loan agreement with the NSW Government in relation to capital works undertaken at Captains Flat to prevent pollution of the Molonglo River.	5	4	3	1	0
<b>Agriculture, Forestry and Fishing</b>					
<b>Rural Adjustment Scheme</b>					
Payment of interest on loans under the <i>States Grants (Rural Adjustment) Acts 1976 and 1979</i> to provide assistance to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved.	112	33	4	0	0

**Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 to 2008-09 (\$'000) (continued)**

<i>Function</i>	2004-05	2005-06	2006-07	2007-08	2008-09
<b>Payment title</b>					
<i>Description</i>					
<b>INTEREST</b>					
<b><i>Agriculture, Forestry and Fishing (continued)</i></b>					
<b>War Service Land Settlement Scheme</b>					
Payment of interest on loans to veterans of WWII or the Korea/Malaya campaigns which were for the purpose of providing working capital funding, paying and effecting improvements and acquiring stock, plant and equipment.	270	234	197	158	118
<b><i>Transport and Communication</i></b>					
<b>Railway projects</b>					
Payment of interest on loans provided by the Australian Government to upgrade and standardise railways in mainland Australia.	364	333	300	268	236
<b><i>Other Purposes</i></b>					
<b>Natural Disaster Relief</b>					
Interest payable by the states in respect of loans made by the Australian Government to them under NDRA.	593	593	593	593	593

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

(a) Provision has been made for continued funding in the forward estimates. However, the extension of these agreements has not been negotiated and therefore the amounts payable under the agreements cannot be specifically identified.

(b) The arrangements for the allocation of funds to the states for each year will be set out in the proposed Commonwealth-State Agreement for Skilling Australia's Workforce and published in the proposed National Training Outlook. These arrangements are subject to the passage of Skilling Australia's Workforce legislation and to agreement by the Australian Government and the states.

(c) The existing Supported Accommodation Assistance Programme Agreement (SAAP IV) expires on 30 June 2005. Funding from 2005-06 onwards is indicative and subject to the finalisation of multilateral and bilateral agreements by the Australian Government and each state government. The Australian Government's funding offer to the states for the fifth SAAP Agreement over the period 2005-06 to 2009-10 includes funding for an investment fund of which \$20.4 million in 2005-06 and \$20.9 million in 2006-07 is to be administered as Australian Government own purpose expenditure.

(d) All figures are indicative only.

(e) Roads to Recovery funding for unincorporated areas beyond 2004-05 will be sourced from the AusLink Strategic Roads to Recovery programme. Under this programme \$150 million over 5 years will be allocated for local land transport infrastructure of strategic regional importance, including \$30 million for roads in unincorporated areas.

**Table B2: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 (\$'000)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>									
<b>Public Order and Safety</b>									
Legal aid	0	0	0	13,522	12,893	4,848	3,638	3,327	38,228
Film and literature classifications	93	92	93	92	93	91	92	89	735
Gun Buyback Scheme	4,490	2,062	2,025	780	878	197	49	79	10,560
<b>Public Order and Safety - total</b>	<b>4,583</b>	<b>2,154</b>	<b>2,118</b>	<b>14,394</b>	<b>13,864</b>	<b>5,136</b>	<b>3,779</b>	<b>3,495</b>	<b>49,523</b>
<b>Education</b>									
Government schools	560,655	402,686	341,896	167,346	121,573	46,512	27,861	20,678	1,689,207
*Non-government schools	1,520,402	1,194,630	868,829	449,689	365,945	94,754	92,186	34,292	4,620,727
Vocational Education and Training Funding Act	377,624	273,627	192,096	105,015	88,029	29,929	20,958	13,910	1,101,188
Targeted programmes - government schools and joint	155,550	92,015	69,711	34,812	36,934	11,590	3,778	8,053	412,443
*Targeted Programmes - non-government schools	74,686	59,497	30,730	17,310	16,895	3,534	3,058	2,505	208,215
Indigenous Education Strategic Initiatives									
Programme - government	24,603	5,282	22,795	16,694	6,833	2,884	1,019	20,120	100,230
Australian Technical Colleges(a)	nfp	nfp	nfp	nfp	nfp	nfp	nfp	nfp	nfp
<b>Education - total</b>	<b>2,713,520</b>	<b>2,027,737</b>	<b>1,526,057</b>	<b>790,866</b>	<b>636,209</b>	<b>189,203</b>	<b>148,860</b>	<b>99,558</b>	<b>8,132,010</b>
<b>Health</b>									
Hepatitis C Settlement Fund	2,400	0	0	90	219	47	210	30	2,996
Health Programme Grants	0	2,199	0	0	0	0	0	650	2,849
Health Care Grants	2,663,380	1,926,372	1,522,084	795,667	665,523	178,765	104,555	98,313	7,954,659
Highly specialised drugs	165,458	123,922	81,142	37,804	34,924	8,626	7,553	4,416	463,845
Youth health services	810	600	421	217	198	60	55	57	2,418
National public health	72,573	51,416	39,182	19,829	17,008	5,397	3,048	3,016	211,469
Essential vaccines	71,625	41,377	36,955	21,475	15,253	4,874	2,884	2,073	196,516
Repatriation general hospitals	990	1,992	0	0	1,154	654	0	0	4,790
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	4,000	0	0	0	0	0	0	0	4,000
Strengthening Cancer Care - Royal Children's Hospital in Melbourne	0	10,000	0	0	0	0	0	0	10,000
Royal Darwin Hospital - Equipped, Prepared and Ready	0	0	0	0	0	0	0	1,729	1,729
Assistance to Tsunami Victims	1,099	470	342	464	1,605	0	20	0	4,000
<b>Health - total</b>	<b>2,982,335</b>	<b>2,158,348</b>	<b>1,680,126</b>	<b>875,546</b>	<b>735,884</b>	<b>198,423</b>	<b>118,325</b>	<b>110,284</b>	<b>8,859,271</b>

**Table B2: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)**

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Social Security and Welfare</b>									
Aged care assessment	16,774	12,982	8,242	5,526	5,123	2,300	707	1,276	52,930
Home and community care	247,835	201,242	161,275	78,775	67,619	20,307	9,329	5,476	791,858
Disabilities services	186,505	129,421	108,098	45,719	62,730	19,639	7,838	5,935	565,885
Children's services	973	963	482	443	7,873	221	56	0	11,011
Supported accommodation assistance	56,270	37,400	28,957	17,245	16,563	7,416	5,908	4,929	174,688
Unaccompanied humanitarian minors	664	335	95	193	853	0	0	0	2,140
Extension of fringe benefits	66,318	47,410	33,105	16,670	18,862	6,058	1,347	923	190,693
Native Title	2,000	0	3,000	2,000	2,000	0	0	2,000	11,000
<b>Social Security and Welfare - total</b>	<b>577,339</b>	<b>429,753</b>	<b>343,254</b>	<b>166,571</b>	<b>181,623</b>	<b>55,941</b>	<b>25,185</b>	<b>20,539</b>	<b>1,800,205</b>
<b>Housing and Community Amenities</b>									
Assistance for water and sewerage	0	0	0	0	0	0	9,051	0	9,051
Natural Heritage Trust of Australia - Bushcare(b)	3,441	2,974	3,250	2,365	1,616	859	172	816	15,493
Natural Heritage Trust of Australia - Coastcare(b)	1,316	1,137	1,243	904	618	329	66	312	5,925
Natural Heritage Trust of Australia - Landcare(b)	2,631	2,275	2,486	1,809	1,236	657	131	625	11,850
Natural Heritage Trust of Australia - Rivercare(b)	2,733	2,362	2,581	1,878	1,283	683	136	649	12,305
National Water Initiative - Living Murray	0	0	0	0	0	0	0	0	0
<b>Housing and Community Amenities - total</b>	<b>10,121</b>	<b>8,748</b>	<b>9,560</b>	<b>6,956</b>	<b>4,753</b>	<b>2,528</b>	<b>9,556</b>	<b>2,402</b>	<b>54,624</b>
<b>Recreation and Culture</b>									
Melbourne 2006 Commonwealth Games	0	0	0	0	0	0	0	0	0
Natural Heritage Trust of Australia - Bushcare(b)	1,564	1,352	1,477	1,075	734	391	78	371	7,042
Natural Heritage Trust of Australia - Coastcare(b)	598	517	565	411	281	149	30	142	2,693
Natural Heritage Trust of Australia - Landcare(b)	1,196	1,034	1,130	822	562	299	60	284	5,387
Natural Heritage Trust of Australia - Rivercare(b)	1,242	1,074	1,173	854	583	310	62	295	5,593
2004 Olympic/Paralympic Welcome Home Parade	261	0	0	0	0	0	0	0	261
<b>Recreation and Culture - total</b>	<b>4,861</b>	<b>3,977</b>	<b>4,345</b>	<b>3,162</b>	<b>2,160</b>	<b>1,149</b>	<b>230</b>	<b>1,092</b>	<b>20,976</b>
<b>Fuel and Energy</b>									
Snowy Hydro Ltd - company tax compensation	31,941	15,970	0	0	0	0	0	0	47,911
<b>Fuel and Energy - total</b>	<b>31,941</b>	<b>15,970</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>47,911</b>
<b>Agriculture, Forestry and Fishing</b>									
Natural Heritage Trust of Australia - Bushcare(b)	5,422	4,687	5,122	3,727	2,546	1,354	271	1,287	24,416
Natural Heritage Trust of Australia - Coastcare(b)	2,073	1,792	1,958	1,425	973	518	103	492	9,334
Natural Heritage Trust of Australia - Landcare(b)	4,147	3,584	3,917	2,850	1,947	1,036	207	984	18,672

**Table B2: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)**

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Agriculture, Forestry and Fishing (continued)</b>									
Natural Heritage Trust of Australia - Rivercare(b)	4,306	3,722	4,067	2,960	2,022	1,075	215	1,023	19,390
Exotic Disease Preparedness	57	57	57	57	36	36	36	36	372
Exceptional circumstances assistance	98,211	5,105	25,155	2,837	677	0	0	0	131,985
National Landcare Programme (NLP)	6,977	5,526	5,815	4,654	3,199	1,454	152	1,314	29,091
Regional Assistance	0	0	0	0	0	0	0	0	0
Great Artesian Basin Sustainability Initiative	3,000	0	4,000	600	100	0	0	0	7,700
Forest Industry Structural Adjustment Package	12,689	2,000	0	0	0	0	0	0	14,689
Skilling Farmers for the Future	3,600	2,700	3,600	620	1,120	280	0	180	12,100
War Service Land Settlement Scheme	0	0	0	0	0	0	0	0	0
Eradication of Red Imported Fire Ant	0	0	15,486	0	0	0	0	0	15,486
National Action Plan for Salinity and Water Quality	24,475	22,500	16,000	12,500	9,750	1,500	180	500	87,405
Agricultural Development Partnerships	1,672	0	0	735	605	0	0	0	3,012
Plant Disease and Eradication	0	0	3,500	0	0	0	0	0	3,500
<b>Agriculture, Forestry and Fishing - total</b>	<b>166,629</b>	<b>51,673</b>	<b>88,677</b>	<b>32,965</b>	<b>22,975</b>	<b>7,253</b>	<b>1,164</b>	<b>5,816</b>	<b>377,152</b>
<b>Transport and Communication</b>									
Interstate road transport	22,133	12,878	4,560	1,906	5,833	240	240	240	48,030
*Supplementary funding to SA councils for local roads	0	0	0	0	4,250	0	0	0	4,250
Petroleum Products Freight Subsidy Scheme	513	0	1,777	17	260	0	0	1,433	4,000
Gold Coast light rail	0	0	147	0	0	0	0	0	147
<b>Transport and Communication - total</b>	<b>22,646</b>	<b>12,878</b>	<b>6,484</b>	<b>1,923</b>	<b>10,343</b>	<b>240</b>	<b>240</b>	<b>1,673</b>	<b>56,427</b>
<b>Other Purposes</b>									
Debt Redemption Assistance	9,610	4,994	6,315	3,072	3,743	2,823	0	1,352	31,909
*Financial Assistance Grants for local government									
<i>General Purpose Assistance</i>									
United Local Roads Grants	360,268	264,707	206,879	105,529	82,187	25,810	17,341	10,729	1,073,450
Compensation - companies regulation	138,196	98,200	89,245	72,830	26,177	25,241	15,274	11,158	476,321
Natural Disaster Relief	53,084	46,407	26,135	16,087	11,965	3,706	0	2,364	159,748
Other Purposes (continued)	17,460	540	33,000	8,000	0	0	0	11,000	70,000
Royalties	0	0	0	447,045	0	0	0	2,757	449,802
ACT National Capital influences	0	0	0	0	0	0	22,508	0	22,508
Special Revenue Assistance to the ACT	0	0	0	0	0	0	14,200	0	14,200
<b>Other Purposes - total</b>	<b>578,618</b>	<b>414,848</b>	<b>361,574</b>	<b>652,563</b>	<b>124,072</b>	<b>57,580</b>	<b>69,323</b>	<b>39,360</b>	<b>2,297,938</b>
<b>TOTAL CURRENT</b>	<b>7,092,593</b>	<b>5,126,086</b>	<b>4,022,195</b>	<b>2,544,946</b>	<b>1,731,883</b>	<b>517,453</b>	<b>376,662</b>	<b>284,219</b>	<b>21,696,037</b>

**Table B2: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>									
<b>Education</b>									
Government schools	108,740	77,633	64,534	33,397	24,341	8,869	5,309	4,129	326,952
*Non-government schools	52,297	41,811	27,741	15,203	11,797	3,342	3,516	9,257	164,964
<b>Education - total</b>	<b>161,037</b>	<b>119,444</b>	<b>92,275</b>	<b>48,600</b>	<b>36,138</b>	<b>12,211</b>	<b>8,825</b>	<b>13,386</b>	<b>491,916</b>
<b>Social Security and Welfare</b>									
Crisis accommodation assistance	13,568	9,972	7,444	3,941	3,146	988	654	409	40,122
<b>Social Security and Welfare - total</b>	<b>13,568</b>	<b>9,972</b>	<b>7,444</b>	<b>3,941</b>	<b>3,146</b>	<b>988</b>	<b>654</b>	<b>409</b>	<b>40,122</b>
<b>Housing and Community Amenities</b>									
Housing assistance for indigenous people	17,987	3,681	28,780	19,305	8,442	704	0	23,173	102,072
Community housing	21,897	16,091	12,012	6,359	5,076	1,594	1,056	659	64,744
CSHA Block Assistance/Base Funding	242,873	178,494	133,245	70,542	56,311	21,869	17,009	13,430	733,773
Social Housing Subsidy Programme	1,995	0	0	0	0	0	135	0	2,130
*Federal flood mitigation	4,860	500	5,018	972	500	160	0	90	12,100
*Disaster Mitigation Package	3,578	1,209	2,365	1,590	812	364	450	132	10,500
*Additional First Home Owners Scheme	0	0	0	0	35	0	0	0	35
*Bushfire Mitigation Package	1,370	965	965	550	425	275	200	250	5,000
<b>Housing and Community Amenities - total</b>	<b>294,560</b>	<b>200,940</b>	<b>182,385</b>	<b>99,318</b>	<b>71,601</b>	<b>24,966</b>	<b>18,650</b>	<b>37,734</b>	<b>930,354</b>
<b>Fuel and Energy</b>									
*Photovoltaic Rebate Programme (PVRP)	1,423	1,434	267	104	1,526	125	11	10	4,900
Renewable Remote Power Generation	0	0	5,724	7,607	1,077	780	0	4,000	19,188
<b>Fuel and Energy - total</b>	<b>1,423</b>	<b>1,434</b>	<b>5,991</b>	<b>7,711</b>	<b>2,603</b>	<b>905</b>	<b>11</b>	<b>4,010</b>	<b>24,088</b>
<b>Agriculture, Forestry and Fishing</b>									
Natural Heritage Trust of Australia - Landcare(b)	0	0	0	0	0	0	0	0	0
Natural Heritage Trust of Australia - Rivercare(b)	0	0	0	0	0	0	0	0	0
Tasmanian Water Infrastructure	0	0	0	0	0	2,100	0	0	2,100
<b>Agriculture, Forestry and Fishing - total</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,100</b>	<b>0</b>	<b>0</b>	<b>2,100</b>
<b>Transport and Communication</b>									
Alice Springs Darwin Railway	0	0	0	0	0	0	0	12,500	12,500
Auslink(c)	535,237	226,478	282,812	101,982	94,990	31,116	2,602	37,672	1,312,889
Federation Fund Projects - QLD	0	0	9,886	0	0	0	0	0	9,886
Federation Fund Projects - NSW/VIC	20,462	0	0	0	0	0	0	0	20,462
<b>Transport and Communication - total</b>	<b>555,699</b>	<b>226,478</b>	<b>292,698</b>	<b>101,982</b>	<b>94,990</b>	<b>31,116</b>	<b>2,602</b>	<b>50,172</b>	<b>1,355,737</b>

**Table B2: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)**

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Other Purposes</b>									
Sinking Fund on State Debt	275	5	189	0	85	41	0	0	595
<b>Other Purposes - total</b>	<b>275</b>	<b>5</b>	<b>189</b>	<b>0</b>	<b>85</b>	<b>41</b>	<b>0</b>	<b>0</b>	<b>595</b>
<b>TOTAL CAPITAL</b>	<b>1,026,562</b>	<b>558,273</b>	<b>580,982</b>	<b>261,552</b>	<b>208,563</b>	<b>72,327</b>	<b>30,942</b>	<b>105,711</b>	<b>2,844,912</b>
<b>REPAYMENTS</b>									
Supplementary Contributions	0	0	66,802	0	0	7,215	0	0	74,017
Payments to Debt Sinking Funds	1,108	20	763	0	344	165	0	0	2,400
<b>Total</b>	<b>1,108</b>	<b>20</b>	<b>67,565</b>	<b>0</b>	<b>344</b>	<b>7,380</b>	<b>0</b>	<b>0</b>	<b>76,417</b>
<b>Repayments of Australian Government Loans</b>									
ACT Debt Repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - Housing Nominations	5,525	0	2,033	3,524	3,308	1,482	0	1,839	17,711
<b>Repayments of Australian Government Loans - total</b>	<b>5,525</b>	<b>0</b>	<b>2,033</b>	<b>3,524</b>	<b>3,308</b>	<b>1,482</b>	<b>4,647</b>	<b>1,839</b>	<b>22,358</b>
<b>Defence</b>									
Housing for servicemen	794	0	485	155	19	0	0	0	1,453
<b>Defence - total</b>	<b>794</b>	<b>0</b>	<b>485</b>	<b>155</b>	<b>19</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,453</b>
<b>Housing and Community Amenities</b>									
CSHA loans	32,042	0	8,775	8,392	10,018	3,800	0	510	63,537
Other housing	0	0	0	0	0	0	6,232	2,218	8,450
Urban water supply and treatment	0	0	0	0	437	0	0	0	437
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Growth centres	247	0	0	0	0	0	0	0	247
Captains Flat (Abatement of Pollution) Agreement	8	0	0	0	0	0	0	0	8
Sewerage	2,981	0	744	5	0	0	0	0	3,730
<b>Housing and Community Amenities - total</b>	<b>35,278</b>	<b>0</b>	<b>9,519</b>	<b>8,397</b>	<b>10,455</b>	<b>3,800</b>	<b>6,232</b>	<b>2,864</b>	<b>76,545</b>
<b>Agriculture, Forestry and Fishing</b>									
Rural Adjustment Scheme	130	0	0	0	0	0	0	28	158
War Service Land Settlement Scheme	462	486	0	0	0	4	0	0	952
<b>Agriculture, Forestry and Fishing - total</b>	<b>592</b>	<b>486</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4</b>	<b>0</b>	<b>28</b>	<b>1,110</b>
<b>Transport and Communication</b>									
Railway projects	96	96	0	382	0	0	0	0	574
<b>Transport and Communication - total</b>	<b>96</b>	<b>96</b>	<b>0</b>	<b>382</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>574</b>

**Table B2: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)**

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Other Purposes</b>									
Natural Disaster Relief	1,266	0	1,770	0	0	0	0	329	3,365
<b>Other Purposes - total</b>	<b>1,266</b>	<b>0</b>	<b>1,770</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>329</b>	<b>3,365</b>
<b>TOTAL REPAYMENTS</b>	<b>44,659</b>	<b>602</b>	<b>81,372</b>	<b>12,458</b>	<b>14,126</b>	<b>12,666</b>	<b>10,879</b>	<b>5,060</b>	<b>181,822</b>
<b>ADVANCES</b>									
<b>Other Purposes</b>									
Natural Disaster Relief	1,980	0	20	0	0	0	0	0	2,000
<b>Other Purposes - total</b>	<b>1,980</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,000</b>
<b>TOTAL ADVANCES</b>	<b>1,980</b>	<b>0</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>2,000</b>
<b>INTEREST</b>									
Interest on Loan Council and NT Government Borrowings	5,853	54	2,544	0	1,757	639	0	0	10,847
<b>Total</b>	<b>5,853</b>	<b>54</b>	<b>2,544</b>	<b>0</b>	<b>1,757</b>	<b>639</b>	<b>0</b>	<b>0</b>	<b>10,847</b>
<b>Interest on Australian Government Loans</b>									
ACT Government Debt	0	0	0	0	0	0	4,674	0	4,674
Housing nominations	21,187	0	7,634	13,065	12,811	5,626	0	7,363	67,686
<b>Interest on Australian Government Loans - total</b>	<b>21,187</b>	<b>0</b>	<b>7,634</b>	<b>13,065</b>	<b>12,811</b>	<b>5,626</b>	<b>4,674</b>	<b>7,363</b>	<b>72,360</b>
<b>Defence</b>									
Housing for servicemen	2,424	0	1,377	286	102	0	0	0	4,189
<b>Defence - total</b>	<b>2,424</b>	<b>0</b>	<b>1,377</b>	<b>286</b>	<b>102</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,189</b>
<b>Housing and Community Amenities</b>									
CSHA loans	42,886	0	11,918	11,408	18,020	5,817	0	1,473	91,522
Other housing	0	0	0	0	0	0	10,411	3,923	14,334
Urban water supply and treatment	0	0	0	0	1,054	0	0	0	1,054
NT - water and sewerage assistance	0	0	0	0	0	0	0	623	623
Growth centres	28	0	0	0	0	0	0	0	28
Sewerage	5,374	0	1,390	8	0	0	0	0	6,772
Community facilities - Townsville	0	0	7	0	0	0	0	0	7
Captains Flat (Abatement of Pollution) Agreement	5	0	0	0	0	0	0	0	5
<b>Housing and Community Amenities - total</b>	<b>48,293</b>	<b>0</b>	<b>13,315</b>	<b>11,416</b>	<b>19,074</b>	<b>5,817</b>	<b>10,411</b>	<b>6,019</b>	<b>114,345</b>
<b>Agriculture, Forestry and Fishing</b>									
Rural Adjustment Scheme	110	0	0	0	0	0	0	2	112
War Service Land Settlement Scheme	131	138	0	0	0	1	0	0	270
<b>Agriculture, Forestry and Fishing - total</b>	<b>241</b>	<b>138</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>2</b>	<b>382</b>



**Table B2: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)**

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Transport and Communication</b>									
Railway projects	39	34	0	291	0	0	0	0	364
<b>Transport and Communication - total</b>	<b>39</b>	<b>34</b>	<b>0</b>	<b>291</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>364</b>
<b>Other Purposes</b>									
Natural Disaster Relief	277	0	285	0	0	0	0	31	593
<b>Other Purposes - total</b>	<b>277</b>	<b>0</b>	<b>285</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>593</b>
<b>TOTAL INTEREST</b>	<b>78,314</b>	<b>226</b>	<b>25,155</b>	<b>25,058</b>	<b>33,744</b>	<b>12,083</b>	<b>15,085</b>	<b>13,415</b>	<b>203,080</b>
<b>SUMMARY OF SPECIFIC PURPOSE PAYMENTS</b>									
<b>Total Specific Purpose Payments</b>	<b>8,119,155</b>	<b>5,684,359</b>	<b>4,603,177</b>	<b>2,806,498</b>	<b>1,940,446</b>	<b>589,780</b>	<b>407,604</b>	<b>389,930</b>	<b>24,540,949</b>
<b>Total 'To'</b>	<b>5,962,075</b>	<b>4,021,406</b>	<b>3,371,138</b>	<b>2,142,721</b>	<b>1,429,897</b>	<b>436,175</b>	<b>275,568</b>	<b>321,507</b>	<b>17,960,487</b>
<b>Total 'Through'</b>	<b>2,157,080</b>	<b>1,662,953</b>	<b>1,232,039</b>	<b>663,777</b>	<b>510,549</b>	<b>153,605</b>	<b>132,036</b>	<b>68,423</b>	<b>6,580,462</b>

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

- (a) Provision has been made for continued funding in the forward estimates. However, the extension of these agreements has not been negotiated and therefore the amounts payable under the agreements cannot be specifically identified.
- (b) All figures are indicative only.
- (c) Roads to Recovery funding for unincorporated areas beyond 2004-05 will be sourced from the AusLink Strategic Roads to Recovery programme. Under this programme \$150 million over 5 years will be allocated for local land transport infrastructure of strategic regional importance, including \$30 million for roads in unincorporated areas.

**Table B3: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2005-06 (\$'000)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES</b>									
<b>Public Order and Safety</b>									
Legal aid	0	0	0	12,635	13,085	5,049	4,071	3,297	38,137
Film and literature classifications	97	96	97	96	97	95	96	92	766
Gun Buyback Scheme	0	0	0	0	0	0	0	0	0
<b>Public Order and Safety - total</b>	<b>97</b>	<b>96</b>	<b>97</b>	<b>12,731</b>	<b>13,182</b>	<b>5,144</b>	<b>4,167</b>	<b>3,389</b>	<b>38,903</b>
<b>Education</b>									
Government schools	593,805	426,497	362,113	177,243	128,762	49,263	29,509	21,900	1,789,092
*Non-government schools	1,627,720	1,265,739	940,445	482,304	395,459	100,673	98,041	36,219	4,946,600
Vocational Education and Training Funding Act	410,327	311,091	208,567	113,086	96,416	31,519	23,928	16,849	1,211,783
Targeted programmes - government schools and joint	152,385	94,241	65,901	35,540	35,773	11,512	3,863	8,231	407,446
*Targeted programmes - non-government schools	76,051	60,517	31,272	17,618	17,197	3,611	3,108	2,544	211,918
Indigenous Education Strategic Initiatives									
Programme - government	25,925	5,331	23,036	17,052	6,642	2,891	871	19,696	101,444
Australian Technical Colleges(a)	0	0	0	0	0	0	0	0	0
<b>Education - total</b>	<b>2,886,213</b>	<b>2,163,416</b>	<b>1,631,334</b>	<b>842,843</b>	<b>680,249</b>	<b>199,469</b>	<b>159,320</b>	<b>105,439</b>	<b>8,668,283</b>
<b>Health</b>									
Hepatitis C Settlement Fund	2,400	0	0	90	210	60	210	30	3,000
Health Programme Grants	0	1,141	0	0	0	0	0	684	1,825
Health Care Grants	2,798,927	2,024,724	1,622,077	822,697	698,240	186,202	109,875	103,889	8,366,631
Highly Specialised Drugs	186,207	139,173	91,331	42,415	39,260	9,661	8,442	4,996	521,485
Youth health services	827	612	430	223	203	62	57	57	2,471
National public health	80,406	55,617	42,539	20,929	17,872	5,864	3,437	3,088	229,752
Essential vaccines	37,109	27,699	22,261	10,250	8,524	2,763	1,735	1,322	111,663
Repatriation general hospitals	3,487	1,990	0	0	1,155	654	0	0	7,286
Supporting Western Sydney - Positron Emission Tomography scanner Westmead	1,000	0	0	0	0	0	0	0	1,000
Strengthening Cancer Care - Royal Children's Hospital in Melbourne	0	0	0	0	0	0	0	0	0
Royal Darwin Hospital - Equipped, Prepared and Ready	0	0	0	0	0	0	0	20,994	20,994
Assistance to Tsunami Victims	0	0	0	0	0	0	0	0	0
<b>Health - total</b>	<b>3,110,363</b>	<b>2,250,956</b>	<b>1,778,638</b>	<b>896,604</b>	<b>765,464</b>	<b>205,266</b>	<b>123,756</b>	<b>135,060</b>	<b>9,266,107</b>



**Table B3: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)**

Function	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
<b>Agriculture, Forestry and Fishing</b>									
Natural Heritage Trust of Australia - Bushcare(c)	5,806	4,100	5,048	4,039	2,777	1,262	217	1,262	24,511
Natural Heritage Trust of Australia - Coastcare(c)	2,220	1,567	1,930	1,544	1,062	483	83	483	9,372
Natural Heritage Trust of Australia - Landcare(c)	4,440	3,135	3,861	3,088	2,123	965	166	965	18,743
Natural Heritage Trust of Australia - Rivercare(c)	4,611	3,255	4,009	3,207	2,205	1,002	173	1,002	19,464
Exotic Disease Preparedness	78	54	54	54	33	33	33	33	372
Exceptional circumstances assistance	30,201	12,908	11,987	1,895	2,272	0	0	0	59,263
National Landcare Programme (NLP)	6,483	5,134	5,408	4,323	2,973	1,352	141	1,221	27,035
Regional Assistance	652	0	50	0	0	0	0	0	702
Great Artesian Basin Sustainability Initiative	3,066	0	4,088	766	0	0	0	0	7,920
Forest Industry Structural Adjustment Package	0	0	0	0	0	0	0	0	0
Skilling Farmers for the Future	4,520	2,500	2,900	1,330	2,200	450	0	300	14,200
War Service Land Settlement Scheme	0	0	0	0	0	0	0	0	0
Eradication of Red Imported Fire Ant	0	0	12,283	0	0	0	0	0	12,283
National Action Plan for Salinity and Water Quality	45,878	27,852	16,722	53,923	13,457	1,800	500	500	160,632
Agricultural Development Partnerships	0	0	0	0	0	0	0	0	0
Plant Disease and Eradication	0	0	1,300	0	0	0	0	0	1,300
<b>Agriculture, Forestry and Fishing - total</b>	<b>107,955</b>	<b>60,505</b>	<b>69,640</b>	<b>74,169</b>	<b>29,102</b>	<b>7,347</b>	<b>1,313</b>	<b>5,766</b>	<b>355,797</b>
<b>Transport and Communication</b>									
Interstate road transport	22,133	12,878	4,560	1,906	5,833	240	240	240	48,030
*Supplementary funding to SA councils for local roads	0	0	0	0	9,000	0	0	0	9,000
Petroleum Products Freight Subsidy Scheme	305	0	1,433	6	255	0	0	1,501	3,500
Gold Coast light rail	0	0	0	0	0	0	0	0	0
<b>Transport and Communication - total</b>	<b>22,438</b>	<b>12,878</b>	<b>5,993</b>	<b>1,912</b>	<b>15,088</b>	<b>240</b>	<b>240</b>	<b>1,741</b>	<b>60,530</b>
<b>Other Purposes</b>									
Debt Redemption Assistance	73,999	34,930	24,675	23,601	29,847	22,358	0	10,575	219,985
*Financial Assistance Grants for local government									
General Purpose Assistance	374,408	276,712	217,278	110,708	85,122	26,787	17,946	11,151	1,120,112
Untied Local Roads Grants	144,203	102,469	93,125	75,997	27,315	26,339	15,937	11,643	497,028
Compensation - companies regulation	54,730	47,846	26,945	16,585	12,336	3,821	0	2,438	164,701
Natural Disaster Relief	37,000	540	33,000	8,000	0	0	0	11,000	89,540

**Table B3: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)**

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
<b>Other Purposes (continued)</b>									
Royalties	0	0	0	494,667	0	0	0	3,103	497,770
ACT National Capital influences	0	0	0	0	0	0	23,004	0	23,004
Special Revenue Assistance to the ACT	0	0	0	0	0	0	0	0	0
<b>Other Purposes - total</b>	<b>684,340</b>	<b>462,497</b>	<b>395,023</b>	<b>729,558</b>	<b>154,620</b>	<b>79,305</b>	<b>56,887</b>	<b>49,910</b>	<b>2,612,140</b>
<b>TOTAL CURRENT</b>	<b>7,491,819</b>	<b>5,496,193</b>	<b>4,260,363</b>	<b>2,743,017</b>	<b>1,856,543</b>	<b>558,337</b>	<b>381,843</b>	<b>325,299</b>	<b>23,113,414</b>
<b>SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES</b>									
<b>Education</b>									
Government schools	146,909	104,882	87,185	45,120	32,885	11,982	7,169	5,577	441,709
*Non-government schools	61,644	49,318	32,688	17,916	13,901	3,942	4,145	10,299	193,853
<b>Education - total</b>	<b>208,553</b>	<b>154,200</b>	<b>119,873</b>	<b>63,036</b>	<b>46,786</b>	<b>15,924</b>	<b>11,314</b>	<b>15,876</b>	<b>635,562</b>
<b>Social Security and Welfare</b>									
Crisis accommodation assistance	13,753	10,110	7,547	3,995	3,189	1,002	664	414	40,674
<b>Social Security and Welfare - total</b>	<b>13,753</b>	<b>10,110</b>	<b>7,547</b>	<b>3,995</b>	<b>3,189</b>	<b>1,002</b>	<b>664</b>	<b>414</b>	<b>40,674</b>
<b>Housing and Community Amenities</b>									
Housing assistance for indigenous people	18,234	3,732	25,875	16,270	8,556	714	0	19,958	93,339
Community housing	22,196	16,313	12,176	6,447	5,146	1,617	1,071	669	65,635
CSHA Block Assistance/Base Funding	246,219	180,950	135,078	71,512	57,085	22,169	17,243	13,615	743,871
Social Housing Subsidy Programme	1,995	0	0	0	0	0	0	0	1,995
*Federal flood mitigation	0	0	0	0	0	0	0	0	0
*Disaster Mitigation Package	12,191	6,178	9,115	2,000	1,800	729	450	700	33,163
*Additional First Home Owners Scheme	1,633	2,346	0	44	5	244	0	0	4,272
*Bushfire Mitigation Package	1,370	965	965	550	425	275	200	250	5,000
<b>Housing and Community Amenities - total</b>	<b>303,838</b>	<b>210,484</b>	<b>183,209</b>	<b>96,823</b>	<b>73,017</b>	<b>25,748</b>	<b>18,964</b>	<b>35,192</b>	<b>947,275</b>
<b>Fuel and Energy</b>									
* Photovoltaic Rebate Programme (PVRP)	1,277	1,031	876	148	914	154	35	15	4,450
Renewable Remote Power Generation	300	0	5,956	9,445	569	980	0	4,991	22,241
<b>Fuel and Energy - total</b>	<b>1,577</b>	<b>1,031</b>	<b>6,832</b>	<b>9,593</b>	<b>1,483</b>	<b>1,134</b>	<b>35</b>	<b>5,006</b>	<b>26,691</b>
<b>Agriculture, Forestry and Fishing</b>									
Natural Heritage Trust of Australia - Landcare(c)	0	0	0	0	0	0	0	0	0
Natural Heritage Trust of Australia - Rivercare(c)	0	0	0	0	0	0	0	0	0
Tasmanian Water Infrastructure	0	0	0	0	0	1,100	0	0	1,100

**Table B3: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)**

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
<b>Agriculture, Forestry and Fishing (continued)</b>									
<b>Agriculture, Forestry and Fishing - total</b>	0	0	0	0	0	1,100	0	0	1,100
<b>Transport and Communication</b>									
Alice Springs Darwin Railway	0	0	0	0	0	0	0	0	0
Auslink(d)	495,740	301,636	257,160	101,360	98,340	28,340	1,090	32,690	1,316,356
Federation Fund Projects - QLD	0	0	0	0	0	0	0	0	0
Federation Fund Projects - NSW/VIC	0	9,538	0	0	0	0	0	0	9,538
<b>Transport and Communication - total</b>	495,740	311,174	257,160	101,360	98,340	28,340	1,090	32,690	1,325,894
<b>Other Purposes</b>									
Sinking Fund on State Debt	271	5	0	0	84	20	0	0	380
<b>Other Purposes - total</b>	271	5	0	0	84	20	0	0	380
<b>TOTAL CAPITAL</b>	1,023,732	687,004	574,621	274,807	222,899	73,268	32,067	89,178	2,977,576
<b>REPAYMENTS</b>									
Supplementary contributions	95,837	1,720	0	0	29,741	7,098	0	0	134,396
Payments to Debt Sinking Funds	1,095	20	0	0	340	81	0	0	1,536
<b>Total</b>	96,932	1,740	0	0	30,081	7,179	0	0	135,932
<b>Repayments of Australian Government Loans</b>									
ACT debt repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - housing nominations	5,774	0	2,125	3,683	3,458	1,549	0	1,922	18,511
<b>Repayments of Australian Government Loans - total</b>	5,774	0	2,125	3,683	3,458	1,549	4,647	1,922	23,158
<b>Defence</b>									
Housing for servicemen	850	0	517	164	21	0	0	0	1,552
<b>Defence - total</b>	850	0	517	164	21	0	0	0	1,552
<b>Housing and Community Amenities</b>									
CSHA loans	32,684	0	8,781	8,483	10,457	3,962	0	533	64,900
Other housing	0	0	0	0	0	0	6,389	2,323	8,712
Urban water supply and treatment	0	0	0	0	486	0	0	0	486

**Table B3: Estimated Specific Purpose Payments to and through the states, repayments of advances, repayments of advances and interest payments, 2005-06 (\$'000) (continued)**

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
<b><i>Housing and Community Amenities (continued)</i></b>									
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Growth centres	94	0	0	0	0	0	0	0	94
Captains Flat (Abatement of Pollution) Agreement	10	0	0	0	0	0	0	0	10
Sewerage	3,278	0	819	6	0	0	0	0	4,103
<b><i>Housing and Community Amenities - total</i></b>	<b>36,066</b>	<b>0</b>	<b>9,600</b>	<b>8,489</b>	<b>10,943</b>	<b>3,962</b>	<b>6,389</b>	<b>2,992</b>	<b>78,441</b>
<b><i>Agriculture, Forestry and Fishing</i></b>									
Rural Adjustment Scheme	0	0	0	0	0	0	0	0	0
War Service Land Settlement Scheme	479	505	0	0	0	3	0	0	987
<b><i>Agriculture, Forestry and Fishing - total</i></b>	<b>479</b>	<b>505</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>3</b>	<b>0</b>	<b>0</b>	<b>987</b>
<b><i>Transport and Communication</i></b>									
Railway projects	96	96	0	380	0	0	0	0	572
<b><i>Transport and Communication - total</i></b>	<b>96</b>	<b>96</b>	<b>0</b>	<b>380</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>572</b>
<b><i>Other Purposes</i></b>									
Natural Disaster Relief	1,309	0	1,770	0	0	0	0	329	3,408
<b><i>Other Purposes - total</i></b>	<b>1,309</b>	<b>0</b>	<b>1,770</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>329</b>	<b>3,408</b>
<b>TOTAL REPAYMENTS</b>	<b>141,506</b>	<b>2,341</b>	<b>14,012</b>	<b>12,716</b>	<b>44,503</b>	<b>12,693</b>	<b>11,036</b>	<b>5,243</b>	<b>244,050</b>
<b>ADVANCES</b>									
<b><i>Other Purposes</i></b>									
Natural Disaster Relief	3,000	0	1,500	0	0	0	0	500	5,000
<b><i>Other Purposes - total</i></b>	<b>3,000</b>	<b>0</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>5,000</b>
<b>TOTAL ADVANCES</b>	<b>3,000</b>	<b>0</b>	<b>1,500</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>500</b>	<b>5,000</b>
<b>INTEREST</b>									
Interest on Loan Council and NT Government Borrowings	477	54	0	0	82	20	0	0	633
<b>Total</b>	<b>477</b>	<b>54</b>	<b>0</b>	<b>0</b>	<b>82</b>	<b>20</b>	<b>0</b>	<b>0</b>	<b>633</b>
<b><i>Interest on Australian Government Loans</i></b>									
ACT Government debt	0	0	0	0	0	0	3,600	0	3,600
Housing nominations	20,938	0	7,542	12,908	12,662	5,559	0	7,281	66,890
<b><i>Interest on Australian Government Loans - total</i></b>	<b>20,938</b>	<b>0</b>	<b>7,542</b>	<b>12,908</b>	<b>12,662</b>	<b>5,559</b>	<b>3,600</b>	<b>7,281</b>	<b>70,490</b>

**Table B3: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)**

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Defence</b>									
Housing for servicemen	2,390	0	1,356	279	101	0	0	0	4,126
<b>Defence - total</b>	<b>2,390</b>	<b>0</b>	<b>1,356</b>	<b>279</b>	<b>101</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>4,126</b>
<b>Housing and Community Amenities</b>									
CSHA loans	41,556	0	11,558	11,061	17,581	5,656	0	1,450	88,862
Other housing	0	0	0	0	0	0	9,864	3,817	13,681
Urban water supply and treatment	0	0	0	0	1,004	0	0	0	1,004
NT - water and sewerage assistance	0	0	0	0	0	0	0	616	616
Growth centres	7	0	0	0	0	0	0	0	7
Sewerage	5,073	0	1,314	8	0	0	0	0	6,395
Community facilities - Townsville	0	0	0	0	0	0	0	0	0
Captains Flat (Abatement of Pollution) Agreement	4	0	0	0	0	0	0	0	4
<b>Housing and Community Amenities - total</b>	<b>46,640</b>	<b>0</b>	<b>12,872</b>	<b>11,069</b>	<b>18,585</b>	<b>5,656</b>	<b>9,864</b>	<b>5,883</b>	<b>110,569</b>
<b>Agriculture, Forestry and Fishing</b>									
Rural Adjustment Scheme	33	0	0	0	0	0	0	0	33
War Service Land Settlement Scheme	114	119	0	0	0	1	0	0	234
<b>Agriculture, Forestry and Fishing - total</b>	<b>147</b>	<b>119</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1</b>	<b>0</b>	<b>0</b>	<b>267</b>
<b>Transport and Communication</b>									
Railway projects	34	29	0	270	0	0	0	0	333
<b>Transport and Communication - total</b>	<b>34</b>	<b>29</b>	<b>0</b>	<b>270</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>333</b>
<b>Other Purposes</b>									
Natural Disaster Relief	277	0	285	0	0	0	0	31	593
<b>Other Purposes - total</b>	<b>277</b>	<b>0</b>	<b>285</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>31</b>	<b>593</b>
<b>TOTAL INTEREST</b>	<b>70,903</b>	<b>202</b>	<b>22,055</b>	<b>24,526</b>	<b>31,430</b>	<b>11,236</b>	<b>13,464</b>	<b>13,195</b>	<b>187,011</b>
<b>SUMMARY OF SPECIFIC PURPOSE PAYMENTS</b>									
<b>Total Specific Purpose Payments</b>	<b>8,515,551</b>	<b>6,183,197</b>	<b>4,834,984</b>	<b>3,017,824</b>	<b>2,079,442</b>	<b>631,605</b>	<b>413,910</b>	<b>414,477</b>	<b>26,090,990</b>
<b>Total 'To'</b>	<b>6,215,054</b>	<b>4,417,922</b>	<b>3,509,220</b>	<b>2,310,539</b>	<b>1,528,304</b>	<b>468,851</b>	<b>274,048</b>	<b>341,656</b>	<b>19,065,594</b>
<b>Total 'Through'</b>	<b>2,300,497</b>	<b>1,765,275</b>	<b>1,325,764</b>	<b>707,285</b>	<b>551,138</b>	<b>162,754</b>	<b>139,862</b>	<b>72,821</b>	<b>7,025,396</b>



**Table B3: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)**

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
* Items so marked are classified as payments 'through' the States.									
(a)	These SPPs agreements will be renegotiated during the forward estimates period. The Australian Government has provided funding for those years beyond the period of the current agreements but specific amounts are not published because funding for these programmes is subject to future negotiations between the Australian Government and the states.								
(b)	The existing Supported Accommodation Assistance Programme Agreement (SAAP IV) expires on 30 June 2005. Funding from 2005-06 onwards is indicative and subject to the finalisation of multilateral and bilateral agreements by the Australian Government and each state and territory government. The Australian Government's funding offer to the state and territory governments for the fifth SAAP Agreement over the period 2005-06 to 2009-10 includes funding for an investment fund of which \$20.4 million in 2005-06 and \$20.9 million in 2006-07 is to be administered as Australian Government own purpose expenditure.								
(c)	All figures are indicative only.								
(d)	Roads to Recovery funding for unincorporated areas beyond 2004-05 will be sourced from the AusLink Strategic Roads to Recovery programme. Under this programme \$150 million over 5 years will be allocated for local land transport infrastructure of strategic regional importance, including \$30 million for roads in unincorporated areas.								

**Table B4: Estimated Specific Purpose Payments direct to local government authorities, 2004-05 to 2008-09 (\$'000)**

Payment title	2004-05	2005-06	2006-07	2007-08	2008-09
<b>DIRECT PAYMENTS - CURRENT</b>					
<b>Disability services</b>	1,417	1,457	1,498	1,541	1,574
Payments to local government authorities in order to provide services for people with disabilities.					
<b>Children's services(a)</b>	55,763	55,869	55,508	56,454	57,514
Funds are provided to ensure access to affordable quality child care in programmes administered by local governments on behalf of the Australian Government.					
<b>AusLink</b>	256,430	336,070	343,000	330,000	330,000
The Roads to Recovery programme has been extended from 2005-06 to 2008-09 under AusLink, the new national land transport plan. An amount of \$300 million per annum will be made available to local councils for upgrading and maintenance works on local roads. A further \$150 million over 5 years will be allocated for local land transport infrastructure of strategic regional importance.					
<b>Weipa Structural Adjustment Package</b>	0	2,200	2,200	2,200	0
This payment is to compensate for the loss of the diesel fuel rebate when ownership transfers from Comalco Ltd.					
<b>Regulation Reduction Incentive Fund</b>	1,600	35,552	6,508	0	0
A competitive grants programme to encourage local governments to reduce regulatory complexity and compliance requirements for home-based businesses.					
<b>Strengthening Tasmania</b>	1,500	7,320	3,755	750	0
Funding for projects to enhance infrastructure, community facilities and services in Tasmania.					
<b>Alexandra Recreation Reserve and Gallipoli Park</b>	15	0	0	0	0
Contribution to the upgrade of facilities at the Alexandra Recreation Reserve and Gallipoli Park Memorial in Victoria.					
<b>Woodend Bike Trail</b>	158	0	0	0	0
The Government will provide funding to support the development of a bike trail in the area of Hanging Rock in Victoria.					
<b>Lancefield Visitor Information Centre</b>	150	0	0	0	0
The Government will provide funding to support the development of a visitor information centre in Lancefield, Victoria.					
<b>TOTAL CURRENT</b>	<b>317,033</b>	<b>438,468</b>	<b>412,469</b>	<b>390,945</b>	<b>389,088</b>

**Table B4: Estimated Specific Purpose Payments direct to local government authorities, 2004-05 to 2008-09 (\$'000)(continued)**

Payment title Description	2004-05	2005-06	2006-07	2007-08	2008-09
<b>DIRECT PAYMENTS - CAPITAL</b>					
<b>Bert Hinkler Hall of Aviation</b> The Australian Government will provide a \$1.5 million contribution towards the construction of the Bert Hinkler Hall of Aviation in Bundaberg, QLD. The Hall of Aviation will be a museum showcasing memorabilia related to Australia's aviation history.	0	1,450	0	0	0
<b>Development of Sewerage Schemes for Boat Harbour Beach and Sisters Beach</b> To support the establishment of environmentally sustainable sewerage treatment facilities at Sisters Beach and Boat Harbour communities, Tasmania.	1,000	0	0	0	0
<b>TOTAL CAPITAL</b>	<b>1,000</b>	<b>1,450</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>TOTAL DIRECT PAYMENTS</b>	<b>318,033</b>	<b>439,918</b>	<b>412,469</b>	<b>390,945</b>	<b>389,088</b>
(a) The children services payment to local governments includes both current and capital expenses. Prior to 2005-06 capital expenses were identified separately as a capital grant.					

**Table B5: Estimated Specific Purpose Payments direct to local government authorities, 2004-05 (\$'000)**

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>DIRECT PAYMENTS - CURRENT</b>									
Disability services	186	575	656	0	0	0	0	0	1,417
Children's services(a)	18,991	20,326	6,803	3,088	2,349	1,656	0	2,550	55,763
Roads to Recovery Programme	74,384	53,113	52,183	38,000	20,833	9,583	4,167	4,167	256,430
Weipa Structural Adjustment Package	0	0	0	0	0	0	0	0	0
Regulation Reduction Incentive Fund	200	200	200	200	200	200	200	200	1,600
Strengthening Tasmania	0	0	0	0	0	1,500	0	0	1,500
Alexandra Recreation Reserve and Gallipoli Park	0	15	0	0	0	0	0	0	15
Woodend Bike Trail	0	158	0	0	0	0	0	0	158
Lancefield Visitor Information Centre	0	150	0	0	0	0	0	0	150
<b>TOTAL CURRENT</b>	<b>93,761</b>	<b>74,537</b>	<b>59,842</b>	<b>41,288</b>	<b>23,382</b>	<b>12,939</b>	<b>4,367</b>	<b>6,917</b>	<b>317,033</b>
<b>DIRECT PAYMENTS - CAPITAL</b>									
Bert Hinkler Hall of Aviation	0	0	0	0	0	0	0	0	0
Development of Sewerage Schemes for Boat Harbour Beach and Sisters Beach	0	0	0	0	0	1,000	0	0	1,000
<b>TOTAL CAPITAL</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,000</b>	<b>0</b>	<b>0</b>	<b>1,000</b>
<b>TOTAL DIRECT PAYMENTS</b>	<b>93,761</b>	<b>74,537</b>	<b>59,842</b>	<b>41,288</b>	<b>23,382</b>	<b>13,939</b>	<b>4,367</b>	<b>6,917</b>	<b>318,033</b>

(a) The children services payment to local governments includes both current and capital expenses. Prior to 2005-06 capital expenses were identified separately as a capital grant.

**Table B6: Estimated Specific Purpose Payments direct to local government authorities, 2005-06 (\$'000)**

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>DIRECT PAYMENTS - CURRENT</b>									
Disability services	191	593	673	0	0	0	0	0	1,457
Children's services(a)	19,026	20,365	6,815	3,095	2,354	1,659	0	2,555	55,869
Roads to Recovery Programme	101,200	69,130	65,425	46,000	25,000	15,315	5,000	9,000	336,070
Weipa Structural Adjustment Package	0	0	2,200	0	0	0	0	0	2,200
Regulation Reduction Incentive Fund(b)	4,444	4,444	4,444	4,444	4,444	4,444	4,444	4,444	35,552
Strengthening Tasmania	0	0	0	0	0	7,320	0	0	7,320
Alexandra Recreation Reserve and Gallipoli Park	0	0	0	0	0	0	0	0	0
Woodend Bike Trail	0	0	0	0	0	0	0	0	0
Lancefield Visitor Information Centre	0	0	0	0	0	0	0	0	0
<b>TOTAL CURRENT</b>	<b>124,861</b>	<b>94,532</b>	<b>79,557</b>	<b>53,539</b>	<b>31,798</b>	<b>28,738</b>	<b>9,444</b>	<b>15,999</b>	<b>438,468</b>
<b>DIRECT PAYMENTS - CAPITAL</b>									
Bert Hinkler Hall of Aviation	0	0	1,450	0	0	0	0	0	1,450
Development of Sewerage Schemes for Boat Harbour Beach and Sisters Beach	0	0	0	0	0	0	0	0	0
<b>TOTAL CAPITAL</b>	<b>0</b>	<b>0</b>	<b>1,450</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>1,450</b>
<b>TOTAL DIRECT PAYMENTS</b>	<b>124,861</b>	<b>94,532</b>	<b>81,007</b>	<b>53,539</b>	<b>31,798</b>	<b>28,738</b>	<b>9,444</b>	<b>15,999</b>	<b>439,918</b>

(a) The Children Services payment to Local Governments includes both current and capital expenses . Prior to 2005-06 capital expenses were identified separately as a capital grant.

(b) This is a notional split only, the actual allocations will be based on an assessment of applications made to the Regulation Reduction Incentive Fund.



# APPENDIX C: PARAMETER ESTIMATES AND FURTHER INFORMATION

## PARAMETER ESTIMATES USED IN THIS PAPER

Table C1 sets out the population series used in this paper.

**Table C1: Population by state**

	NSW '000	VIC '000	QLD '000	WA '000	SA '000	TAS '000	ACT '000	NT '000	Total '000
2004-05	6,767	5,001	3,927	2,001	1,538	484	324	202	20,244
<b>2005-06</b>	<b>6,823</b>	<b>5,058</b>	<b>4,007</b>	<b>2,033</b>	<b>1,545</b>	<b>487</b>	<b>326</b>	<b>204</b>	<b>20,483</b>

Table C2 sets out the parameters used in this paper, rounded to the nearest quarter.

**Table C2: Parameters**

	CPI % growth(a)	Population % growth	Real per capita % growth
2004-05	2 1/2	1 1/4	3 3/4
<b>2005-06</b>	<b>2 3/4</b>	<b>1 1/4</b>	<b>4</b>

(a) Defined in section 8 of the *A New Tax System (Commonwealth-State Financial Arrangements) Act 1999*.

The population parameters in 2004-05 and 2005-06 are based on the estimated annual growth in the Australian population to 31 December 2004 and 31 December 2005 respectively.

Some data presented in this paper are drawn from the Commonwealth Grants Commission *Report on State Revenue Sharing Relativities 2005 Update*, 2004-05 state mid-year budget updates and 2005-06 state budgets where available.

## FURTHER INFORMATION

A number of ABS publications also provide information that is relevant to analysing Commonwealth-state financial relations, including:

- *Taxation Revenue, Australia* (Cat. No. 5506.0);
- *Government Finance Statistics, Australia* (Cat. No. 5512.0);
- *Government Finance Statistics – Concepts, Sources and Methods* (Cat. No. 5514.0);
- *Information Paper: Developments in Government Finance Statistics, Australia* (Cat. No. 5516.0); and
- *Information Paper: Accruals Based Government Finance Statistics, Australia* (Cat. No. 5517.0).





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