

Chapter 3: Commonwealth Payments to the States and Territories for 1999-2000

GENERAL REVENUE ASSISTANCE

In 1999-2000, general revenue assistance consists of FAGs, NCPs and SRA and is estimated to amount to \$17.8 billion, an increase of 4.3 per cent on 1998-99.

FAGs account for nearly all of general revenue assistance in 1999-2000. The level of FAGs is indexed to movements in the CPI in the year to the March quarter and in accordance with projections of the population as at 31 December each year. A State's receipts of the per capita element of FAGs indexation is conditional upon compliance with the *Agreement to Implement the National Competition Policy and Related Reforms*.

NCPs and SRA are discussed in Chapter 2.

Table 13 sets out general revenue assistance by type of payment and State for the period 1996-97 to 1999-2000.

Table 13: General Revenue Assistance to the States, 1996-97 to 1999-2000

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
Financial Assistance Grants(a)									
1996-97	4371.9	3220.2	2981.4	1538.0	1502.8	666.4	232.9	921.5	15435.1
1997-98	4545.9	3339.1	3099.3	1568.0	1551.0	680.4	236.9	970.2	15990.9
1998-99	4733.1	3532.2	3196.2	1614.6	1666.8	736.3	278.4	1022.6	16780.1
1999-00(b)	5041.3	3524.4	3254.7	1593.4	1681.4	786.1	344.0	1074.1	17299.4
National Competition Payments									
1996-97	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1997-98	72.2	52.9	39.2	20.7	17.0	5.4	3.5	2.2	213.1
1998-99	73.0	53.6	39.8	21.1	17.0	5.4	3.5	2.2	215.7
1999-00(b)	148.6	109.2	81.5	43.2	34.5	10.8	7.2	4.5	439.5
Special Revenue Assistance									
1996-97	0.0	0.0	0.0	0.0	0.0	0.0	42.2	0.0	42.2
1997-98	0.0	0.0	0.0	0.0	0.0	0.0	34.5	0.0	34.5
1998-99	0.0	0.0	0.0	0.0	0.0	0.0	25.0	0.0	25.0
1999-00	0.0	0.0	0.0	0.0	0.0	0.0	13.2	0.0	13.2
Identified Road Grants(c)									
1996-97	113.4	93.2	71.7	40.9	32.6	13.4	4.3	13.9	383.4
1997-98	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1998-99	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
1999-00	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total general revenue assistance									
1996-97	4485.3	3313.5	3053.1	1578.9	1535.4	679.8	279.5	935.3	15860.7
1997-98	4618.0	3392.1	3138.6	1588.8	1568.0	685.8	274.9	972.4	16238.5
1998-99	4806.1	3585.8	3236.1	1635.7	1683.8	741.7	306.9	1024.8	17020.8
1999-00(b)	5189.9	3633.6	3336.3	1636.6	1715.9	796.9	364.3	1078.6	17752.1

- (a) The table shows the gross level of FAGs to the States, without deductions for State fiscal contributions, which applied for the three years 1996-97 to 1998-99.
- (b) Estimates — final figures will depend on the actual increase in the CPI in the four quarters to March 2000, and the Statistician's determination of the population as at 31 December 1999. Final figures for FAGs will also depend on final figures for HCGs.
- (c) In 1997-98, these payments were absorbed into FAGs.

LEVEL OF FINANCIAL ASSISTANCE GRANTS

In 1999-2000, FAGs to the States are expected to total \$17,299.4 million with the CPI adjustment and the per capita adjustment expected to contribute \$314.2 million and \$205.1 million respectively. Final amounts will depend on the actual increase in the CPI for the four quarters to March 2000, the Australian Statistician's determination of the population as at 31 December 1999 and the final figure for HCGs.

The 1996 Premiers' Conference agreed that the untied funds, which were previously paid to the States as identified road grants, would be absorbed into the FAGs pool from 1997-98. Table 14 shows the equivalent amount of each State's FAGs in 1999-2000.

Table 14: Addition to FAGs from the Absorption of Untied Road Grants, 1999-2000 (estimated)

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
1999-00	124.5	87.7	76.5	38.2	38.8	16.2	7.4	20.2	409.5

DISTRIBUTION OF FINANCIAL ASSISTANCE GRANTS

The distribution of FAGs among the States for 1999-2000 is based on the States' populations as at 31 December 1999 and the corrected per capita relativities assessed by the CGC in the *Report on General Revenue Grant Relativities 1999*. (The CGC issued corrected relativities on 29 March 1999, which took into account revisions to State revenues.)

The per capita relativities are applied to the State populations in order to arrive at a weighted population share for each State. A State's FAGs are equal to its weighted population share of the combined pool of FAGs and unquarantined HCGs, less the unquarantined HCGs it receives.

Table 15 sets out the estimated distribution of FAGs for 1999-2000.

Table 15: Financial Assistance Grants to the States, 1999-2000 (estimated)

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
(1) Estimated population as at 31 December 1999 (000's)(a)	6447.8	4740.0	3538.9	1875.7	1496.1	470.0	311.5	194.2	19074.2
(2) Per capita relativities(b)	0.89948	0.86184	1.00687	0.94793	1.20680	1.60905	1.10270	4.84429	na
(3) Weighted populations (000's) - (1) times (2)	5799.7	4085.1	3563.2	1778.0	1805.5	756.3	343.5	940.6	19071.9
(4) Share of each State in weighted population (per cent)(c)	30.4	21.4	18.7	9.3	9.5	4.0	1.8	4.9	100.0
(5) Pool of FAGs and unquarantined HCGs distributed according to (4) (\$m)	7013.8	4940.3	4309.2	2150.3	2183.5	914.7	415.4	1137.5	23064.6
(6) Unquarantined HCGs (\$m)(d)	1972.5	1415.9	1054.4	556.9	502.1	128.6	71.4	63.4	5765.2
(7) Total FAGs - (5) less (6) (\$m)	5041.3	3524.4	3254.7	1593.4	1681.4	786.1	344.0	1074.1	17299.4

- (a) The projected population as at 31 December 1999 has been prepared by the ABS on the basis of assumptions agreed to by Treasury. These projections are subject to revision.
- (b) The corrected per capita relativities as adopted at the 1999 Premiers' Conference.
- (c) For ease of presentation, weighted population shares rounded to one decimal place are shown. However, in calculating row (5) unrounded shares are used in accordance with the *States Grants (General Purposes) Act 1994*.
- (d) Estimated unquarantined HCGs.

REVENUE REPLACEMENT PAYMENTS

On 5 August 1997 the High Court ruling on tobacco franchise fees in New South Wales (*Ha and Lim v. New South Wales* and *Walter Hammond & Associates v. New South Wales*) cast into doubt the constitutional validity of all State business franchise fees (BFFs).

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

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

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

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

On 1 November 1999, a single 'per stick' rate of excise replaced both the weight based Commonwealth tobacco excise and the safety net surcharge, which was mainly based on the wholesale list price of tobacco products. As it is no longer possible to separately identify the tobacco safety net revenues to be passed to the States, weekly RRPs from 1 November 1999 are based on estimates, agreed with all jurisdictions, of collections that would have occurred under the previous surcharge arrangements.

Under the Intergovernmental Agreement, safety net arrangements will cease on 1 July 2000. However, due to a lag in collections, a small payment will be made in 2000-01 related to the 1999-2000 collections. Table 16 shows estimated RRPs for 1999-2000 and 2000-01, including the agreed estimates following the introduction of the 'per stick' tobacco excise regime.

Table 16: Revenue Replacement Payments, 1999-2000 and 2000-01 (estimated)

			NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
			\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
1999-00											
Tobacco	Share	(Per cent)	0.32492	0.21803	0.19065	0.11100	0.08988	0.03226	0.01456	0.01870	1.00000
	Amount	(\$m)	1072.1	719.4	629.1	366.3	296.6	106.4	48.0	61.7	3299.7
Petroleum	Share	(Per cent)	0.30039	0.20153	0.19593	0.17118	0.07549	0.02453	0.01291	0.01804	1.00000
	Amount	(\$m)	785.3	526.8	512.2	447.5	197.3	64.1	33.7	47.2	2614.2
Alcohol	Share	(Per cent)	0.33796	0.22332	0.19314	0.11147	0.07857	0.02415	0.01569	0.01569	1.00000
	Amount	(\$m)	356.3	235.4	203.6	117.5	82.8	25.5	16.5	16.5	1054.3
Total			2213.7	1481.7	1344.9	931.3	576.8	196.0	98.3	125.4	6968.2
2000-01											
Tobacco	Share	(Per cent)	0.32492	0.21803	0.19065	0.11100	0.08988	0.03226	0.01456	0.01870	1.00000
	Amount	(\$m)	20.9	14.1	12.3	7.2	5.8	2.1	0.9	1.2	64.5
Petroleum	Share	(Per cent)	0.30039	0.20153	0.19593	0.17118	0.07549	0.02453	0.01291	0.01804	1.00000
	Amount	(\$m)	65.3	43.8	42.6	37.2	16.4	5.3	2.8	3.9	217.4
Alcohol	Share	(Per cent)	0.33796	0.22332	0.19314	0.11147	0.07857	0.02415	0.01569	0.01569	1.00000
	Amount	(\$m)	27.6	18.2	15.7	9.1	6.4	2.0	1.3	1.3	81.5
Total			113.8	76.1	70.6	53.4	28.6	9.4	5.0	6.4	363.3