

2006-07 BUDGET PAPER No. 3

**FEDERAL
FINANCIAL RELATIONS
2006-07**

CIRCULATED BY
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SENATOR THE HONOURABLE NICK MINCHIN
MINISTER FOR FINANCE AND ADMINISTRATION
FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 2006-07
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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 2006-07, while the forward years refer to 2007-08, 2008-09 and 2009-10.

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 2006-07, 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 2006-07, the States will be better off by an estimated \$1.9 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 2006-07, the States will receive GST revenue totalling an estimated \$39.1 billion (Chart 1). This amount will be distributed among the States in accordance with the recommendations of the Commonwealth Grants Commission.
- In addition, the Australian Government will provide the States with Specific Purpose Payments (SPPs) and compensation payments for GST deferred totalling an estimated \$28.3 billion in 2006-07. SPPs comprise the overwhelming majority of these funds (Chart 2).
- The Australian Government has now agreed timetables with all States for the abolition of most of the taxes listed in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*. The abolition of these taxes is expected to save taxpayers approximately \$4.4 billion over the four years from 1 July 2006.
- Most States are expected to record operating surpluses in 2006-07, although smaller than in previous years, reflecting the downturn in revenue from property related taxes and higher expenses in areas such as health and wages. Most States are expected to experience a deterioration in their net debt position in 2006-07 but their net debt levels will remain low as a percentage of output.

Chart 1: GST revenue provision to the States in 2006-07 (estimated)

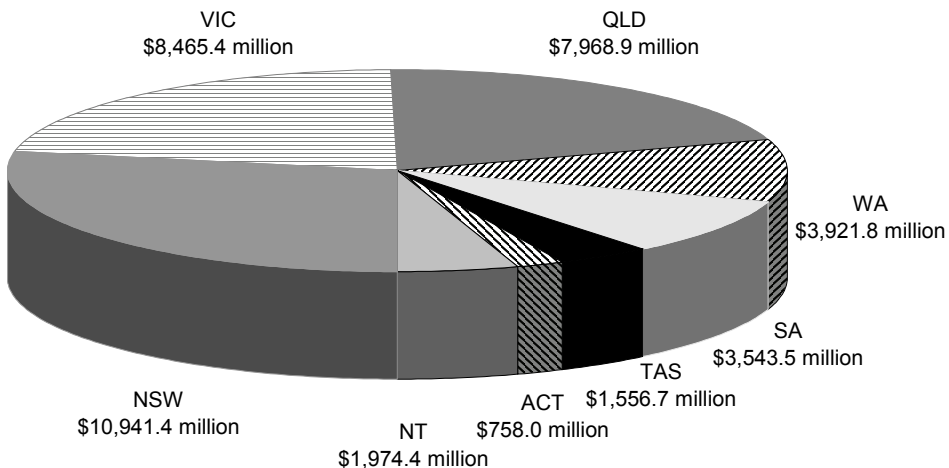
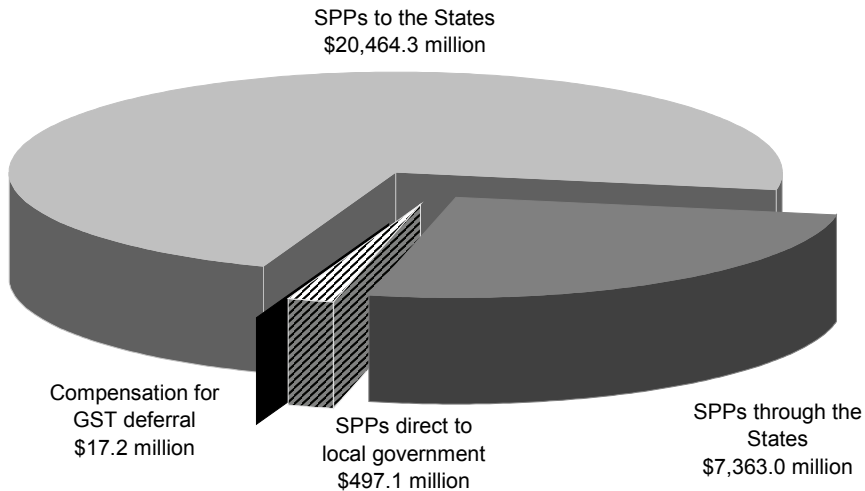


Chart 2: Australian Government payments to the State/local sector in 2006-07 (estimated)



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 \$64.6 billion in 2005-06 (Table 1) and \$67.5 billion in 2006-07 (Table 2).

All GST revenue is paid to the States in accordance with 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 principle of Horizontal Fiscal Equalisation (HFE).

In 2005-06, the States are estimated to receive \$1.2 billion 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. Only New South Wales will require Budget Balancing Assistance (BBA) in 2005-06. In 2006-07, all States and Territories are estimated to receive a GST windfall. This windfall is estimated to be \$1.9 billion in 2006-07.

The Australian Government has now reached agreement with all States on a schedule for the abolition of most taxes listed for review in the IGA. Inefficient state taxes such as stamp duty on mortgages, leases, and credit and rental arrangements will be abolished, as was originally intended under the IGA. The abolition of these taxes is expected to save taxpayers approximately \$4.4 billion over the four years from 1 July 2006.

The Australian Government will also extend the transitional period from 30 June 2006 to 30 June 2009. This is a guarantee by the Australian Government that ensures that no State is worse off as a result of tax reform. Given current estimates, this is a sufficient timeframe to ensure the States will no longer require transitional assistance even after the abolition of the IGA taxes.

The Australian Government will provide payments to the States under the *Agreement to Implement the National Competition Policy and Related Reforms* of an estimated \$820.4 million in 2005-06. The 2005-06 National Competition Policy Payments are the final payments under the current National Competition Policy arrangements. At its 10 February 2006 meeting, the Council of Australian Governments (COAG) agreed to a new National Reform Agenda comprising human capital, competition and regulatory reform streams. COAG agreed that, if funding is needed to ensure a fair sharing of the costs and benefits of reform, the Australian Government will provide funding to the States on a case-by-case basis once specific implementation plans have been developed.

The Australian Government will also provide the States with 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 2005-06 (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)	10,258.2	7,750.7	7,612.9	3,764.7	3,408.5	1,480.8	715.0	1,821.7	36,812.6
(2) Budget Balancing Assistance	43.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.8
(3) Compensation for GST deferral(b)	36.6	27.5	25.9	12.9	11.6	4.7	2.3	5.5	127.0
(4) Residual adjustment amounts	-13.9	11.1	38.8	-0.5	1.4	2.9	0.7	11.0	51.4
(5) National Competition Policy Payments	291.9	187.7	178.8	70.9	51.3	19.0	12.8	8.0	820.4
(6) Total Specific Purpose Payments (6.1)+(6.2)+(6.3)	8,592.3	6,229.4	5,118.0	3,177.0	2,092.2	659.5	413.7	418.9	26,701.0
(6.1) Specific Purpose Payments to the States	6,250.8	4,403.7	3,719.2	2,429.0	1,506.7	482.1	269.1	338.5	19,399.1
(6.2) Specific Purpose Payments through the States	2,232.5	1,733.7	1,313.2	699.3	542.4	161.7	138.3	70.2	6,891.3
(6.3) Specific Purpose Payments direct to local government	109.0	92.0	85.6	48.7	43.1	15.7	6.3	10.2	410.6
(7) Total Australian Government payments to the State/local sector (2)+(3)+(4)+(5)+(6)	8,950.7	6,455.7	5,361.5	3,260.3	2,156.5	686.1	429.5	443.4	27,743.7
(8) GST revenue and total Australian Government payments (1)+(7)	19,208.8	14,206.4	12,974.4	7,025.0	5,565.0	2,167.0	1,144.5	2,265.1	64,556.3

(a) The GST estimate has been adjusted to account for the final 2004-05 outcome, reflecting that payments in 2004-05 exceeded final collections in that year. (Further details are provided on page 17.)

(b) 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.

Table 2: GST revenue provision and total Australian Government payments to the State/local sector in 2006-07 (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	10,941.4	8,465.4	7,968.9	3,921.8	3,543.5	1,556.7	758.0	1,974.4	39,130.0
(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	5.0	3.8	3.5	1.7	1.5	0.6	0.3	0.7	17.2
(4) Total Specific Purpose Payments (4.1)+(4.2)+(4.3)	9,112.9	6,531.2	5,423.1	3,485.2	2,197.1	698.3	443.5	431.8	28,324.4
(4.1) Specific Purpose Payments to the States(a)	6,591.6	4,578.2	3,897.8	2,675.6	1,586.0	503.2	288.0	342.5	20,464.3
(4.2) Specific Purpose Payments through the States	2,374.5	1,846.3	1,421.7	747.6	576.9	172.1	148.1	75.8	7,363.0
(4.3) Specific Purpose Payments direct to local government	146.8	106.7	103.5	61.9	34.2	23.0	7.5	13.5	497.1
(5) Total Australian Government payments to the State/local sector (2)+(3)+(4)	9,117.9	6,535.0	5,426.5	3,486.9	2,198.6	698.9	443.8	432.6	28,341.6
(6) GST revenue and total Australian Government payments (1)+(5)	20,059.3	15,000.4	13,395.4	7,408.7	5,742.1	2,255.6	1,201.8	2,407.0	67,471.6

(a) For one SPP agreement, individual State splits cannot be specifically identified (see footnote (d) in Table B3). Therefore, the sum of the individual State splits which include 'Specific Purpose Payments to the States' as a component will not match the total.

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 since 2000-01

	2000-01	2005-06	2006-07	Increase from 2000-01 to 2006-07	Increase %	Average annual increase %
	\$m	(a) \$m	(a) \$m	\$m		
NSW	7,257.6	10,258.2	10,941.4	3,683.8	50.8	7.1
VIC	5,099.3	7,750.7	8,465.4	3,366.1	66.0	8.9
QLD	4,658.2	7,612.9	7,968.9	3,310.7	71.1	9.5
WA	2,374.6	3,764.7	3,921.8	1,547.2	65.2	8.8
SA	2,278.9	3,408.5	3,543.5	1,264.6	55.5	7.7
TAS	988.1	1,480.8	1,556.7	568.6	57.5	8.0
ACT	472.6	715.0	758.0	285.4	60.4	8.3
NT	1,225.6	1,821.7	1,974.4	748.8	61.1	8.4
Total	24,354.9	36,812.6	39,130.0	14,775.1	60.7	8.3

(a) Estimates.

GST revenue

Estimates of GST revenue in accrual terms for the years 2005-06 to 2008-09 are shown in Table 4. These estimates have been revised since the 2005-06 Budget and the *Mid-Year Economic and Fiscal Outlook 2005-06* (MYEFO) to account for policy decisions and parameter variations.

Table 4: Reconciliation of GST revenue (accrual), 2005-06 to 2008-09 (estimated)

	2005-06 \$m	2006-07 \$m	2007-08 \$m	2008-09 \$m
GST revenue at 2005-06 Budget	38,000	40,060	42,270	44,520
<i>Changes from 2005-06 Budget to MYEFO</i>				
Effect of policy decisions	-57	-9	-20	-10
Effect of parameter and other variations	-23	189	160	120
Total variations	-80	180	140	110
GST revenue at 2005-06 MYEFO	37,920	40,240	42,410	44,630
<i>Changes from MYEFO to 2006-07 Budget</i>				
Effect of policy decisions	0	51	88	87
Effect of parameter and other variations	-60	-291	-288	-277
Total variations	-60	-240	-200	-190
GST revenue at 2006-07 Budget	37,860	40,000	42,210	44,440

Despite cash collections being up, estimated GST revenue in 2005-06 has been revised down by \$60 million since MYEFO as a result of moderation in expected receivables. The GST revenue estimate for 2006-07 has been revised down since MYEFO by

\$240 million, reflecting the impact of downward revisions to consumption and dwelling investment forecasts and the expected impact of moderation in receivables in 2006-07. Estimates of GST receipts in cash terms are shown in Table 5.

Table 5: GST receipts (cash), 2006-07 to 2009-10 (estimated)

	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m
GST receipts	39,130	41,300	43,480	45,670

GST revenue measures

Policy decisions affecting GST revenue estimates include: providing funding for additional compliance activities for GST; aligning the import entry level threshold for postal and courier imports; allowing a broader range of personal aquatic survival skills to be GST-free; simplifying and improving alignment of various small business concessions contained in the tax laws; and amending the GST law to ensure it applies appropriately to non-resident enterprises.

The estimated revenue effect of GST measures introduced since the 2005-06 Budget is shown in Table 6. Detailed information on each measure is in Appendix A.

Table 6: GST revenue (accrual) measures since the 2005-06 Budget (estimated)

	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m
Additional free supplies provided by telecommunications suppliers not subject to GST	-	-	-	-
Additional GST compliance funding	50.6	93.0	93.0	-
Alignment of import entry thresholds for courier and postal imports - GST component	-8.0	-8.0	-8.0	-9.0
Change in GST treatment of certain public ancillary and prescribed private funds	..	..	..	..
GST and representatives of incapacitated entities	..	..	..	..
GST and the sale of real property - deferral of integrity measure	*	*	*	*
GST and the sale of real property - margin scheme	*	*	*	*
GST concessions for diplomatic and consular missions	..	..	..	..
GST concession for the Melbourne 2006 Commonwealth Games	-	-	-	-
GST - simplified accounting arrangement for vouchers	..	..	..	..
GST - treatment of residential premises	-	-	-	-
Personal aquatic survival skills courses - change in GST treatment	-1.1	-1.5	-1.6	-1.8
Small business - aligning definitions in the tax laws	-	-5.0	-6.0	-1.5
Supplies of options and rights offshore - deregistration and change to start date	-	-10.0	-	-
Total impact of GST revenue measures	41.5	68.5	77.4	-12.3

GST revenue provision

As agreed by all States, the Australian Government distributes GST revenue among the States in accordance with the recommendations of the CGC, which are based on the principle of HFE.

The CGC recommends relativities to calculate each State's share of GST so that, if each State made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each State would have the capacity to provide services at the same standard. However, as previously noted, States can spend their GST revenue according to their own budgetary priorities.

The CGC takes into account differences in the States' capacities to raise revenues and differences in the costs the States would incur in providing an average standard of government services. GST relativities for 2005-06 and 2006-07 are shown in 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 12 and 13).

Table 7: GST relativities and Financial Assistance Grants forgone relativities, 2005-06 and 2006-07

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
GST relativities								
2005-06	0.86846	0.87552	1.04389	1.02500	1.20325	1.55299	1.14300	4.26682
2006-07(a)	0.87332	0.89559	1.02387	1.00480	1.18862	1.54931	1.14575	4.32755
FAGs relativities								
2005-06	0.80494	0.84699	1.08397	0.99807	1.30342	1.75127	1.17714	5.30427
2006-07(a)	0.80893	0.87406	1.05636	0.96845	1.28415	1.75660	1.17823	5.47833

(a) These relativities take account of amended data provided by South Australia after the release of the CGC's 2006 Update report.

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. The calculations underpinning the estimated distribution of GST revenue in 2005-06 and 2006-07 are shown in Tables 8 and 9.

Table 8: Distribution of GST revenue in 2005-06 (estimated)

	Projected population as at 31 December 2005	Per capita relativities	Weighted population(a) (1)x(2)	Share of weighted population %	Share of GST revenue/ HCGs pool \$m	Unquarantined HCGs \$m	GST revenue (5)-(6) \$m
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	6,807,152	0.86846	5,911,739	28.9	12,912.4	2,654.2	10,258.2
VIC	5,053,080	0.87552	4,424,073	21.6	9,663.0	1,912.3	7,750.7
QLD	4,002,096	1.04389	4,177,748	20.4	9,125.0	1,512.1	7,612.9
WA	2,028,737	1.02500	2,079,455	10.2	4,541.9	777.3	3,764.7
SA	1,547,010	1.20325	1,861,440	9.1	4,065.7	657.2	3,408.5
TAS	486,797	1.55299	755,991	3.7	1,651.2	170.4	1,480.8
ACT	326,408	1.14300	373,084	1.8	814.9	99.9	715.0
NT	204,928	4.26682	874,391	4.3	1,909.8	88.1	1,821.7
Total	20,456,208	na	20,457,921	100.0	44,684.1	7,871.5	36,812.6

Table 9: Distribution of GST revenue in 2006-07 (estimated)

	Projected population as at 31 December 2006	Per capita relativities	Weighted population(a) (1)x(2)	Share of weighted population %	Share of GST revenue/ HCGs pool \$m	Unquarantined HCGs \$m	GST revenue (5)-(6) \$m
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	6,865,892	0.87332	5,996,121	28.9	13,728.8	2,787.4	10,941.4
VIC	5,109,494	0.89559	4,576,012	22.1	10,477.3	2,011.9	8,465.4
QLD	4,083,985	1.02387	4,181,470	20.2	9,573.9	1,605.1	7,968.9
WA	2,062,530	1.00480	2,072,430	10.0	4,745.1	823.3	3,921.8
SA	1,554,896	1.18862	1,848,180	8.9	4,231.6	688.1	3,543.5
TAS	489,203	1.54931	757,927	3.7	1,735.4	178.7	1,556.7
ACT	329,086	1.14575	377,050	1.8	863.3	105.3	758.0
NT	208,681	4.32755	903,077	4.4	2,067.7	93.3	1,974.4
Total	20,703,767	na	20,712,268	100.0	47,423.0	8,293.0	39,130.0

(a) The total weighted populations differ from the total populations in column (1) as the CGC calculates the per capita relativities using historical population numbers.

The effect of Horizontal Fiscal Equalisation

One way to view the effect of the CGC's application of 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 2006-07, approximately \$3.2 billion (or 6.8 per cent) of the total GST revenue/Health Care Grants pool will be redistributed amongst the States, compared with an equal per capita distribution (Table 10).

Table 10: Effect of Horizontal Fiscal Equalisation in 2006-07

	GST/HCG pool distributed under HFE	Equal per capita distribution of GST/HCG pool	Difference	Population	Per capita redistribution
	\$m	\$m	\$m	million	\$
NSW	13,728.8	15,726.7	-1,997.9	6.9	-291.0
VIC	10,477.3	11,703.6	-1,226.3	5.1	-240.0
QLD	9,573.9	9,354.6	219.4	4.1	53.7
WA	4,745.1	4,724.3	20.7	2.1	10.1
SA	4,231.6	3,561.6	670.0	1.6	430.9
TAS	1,735.4	1,120.5	614.8	0.5	1,256.8
ACT	863.3	753.8	109.5	0.3	332.8
NT	2,067.7	478.0	1,589.7	0.2	7,617.9
Total	47,423.0	47,423.0	0.0	20.7	na

HCG means Health Care Grants.

Review of Horizontal Fiscal Equalisation methodology

As agreed between the Australian Government and all the States at the 2005 meeting of the Ministerial Council for Commonwealth-State Financial Relations, the CGC was provided with terms of reference to guide it in simplifying its methodology by 2010 and developing a continuous programme for the improvement of its assessments. The work programme is intended to place HFE on a sounder and more sustainable basis.

The CGC reported to the Ministerial Council in March 2006 on its progress with the 2010 Review, and the CGC report was endorsed by the Ministerial Council. The CGC will report again to the Ministerial Council in 2007 on its progress, ahead of its final reporting date of 2010. The CGC's 2006 progress report is available on its website at www.cgc.gov.au.

COMPENSATION PAYMENTS FOR GST REVENUE DEFERRED

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, the States will be paid \$127 million in 2005-06 and \$17.2 million in 2006-07.

This will ensure that the full financial impact of the decision is borne by the Australian Government and that 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.

Table 11 shows estimates of each State's compensation payments for 2005-06 and 2006-07.

Table 11: Compensation for GST deferral (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2005-06	36.6	27.5	25.9	12.9	11.6	4.7	2.3	5.5	127.0
2006-07	5.0	3.8	3.5	1.7	1.5	0.6	0.3	0.7	17.2

DELIVERING MORE FUNDING TO THE STATES

In 2006-07, all States will receive a GST windfall over the Guaranteed Minimum Amount (GMA). The GMA is an estimate of the funding each State would have had available to it had the Australian Government not implemented tax reform. The States will receive a total gain from tax reform in 2006-07 of approximately \$1.9 billion more than the GMA (Table 14).

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 already been abolished under tax reform include financial institutions duty, stamp duty on quoted marketable securities, accommodation taxes (bed taxes) and bank account debits tax. Agreement has been reached with the States to abolish most of the state taxes listed for review under the IGA. Estimates of the revenue forgone from each of these taxes will be included in the GMA once a tax is completely abolished in all States.

The States' gains from tax reform are estimated to grow to nearly \$4.1 billion by 2009-10 (Table 14).

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 BBA to any State whose GMA exceeds its GST revenue entitlement.

In 2005-06, each State, except New South Wales, will receive a windfall over the GMA. The States will be collectively better off from tax reform by approximately \$1.2 billion in 2005-06. The Australian Government will provide BBA to New South Wales to ensure that it receives its GMA and is, hence, no worse off in 2005-06 due to tax reform.

As part of the agreement with the States to abolish most of the state taxes listed for review under the IGA, the Australian Government will extend the transitional period to 30 June 2009. Given current estimates, this is a sufficient timeframe to ensure the States will no longer require BBA even after the abolition of the IGA taxes.

Tables 12 and 13 show the estimated GMA components, GST revenue entitlement and the BBA calculation for each State in 2005-06 and 2006-07. Table 14 shows the estimated GMA, GST revenue entitlement, BBA and gains from tax reform for each State from 2005-06 to 2009-10.

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

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
State revenues forgone									
Financial Assistance Grants	5,372.2	4,357.1	4,842.6	2,188.8	2,296.5	1,078.4	462.9	1,504.2	22,102.7
Revenue Replacement Payments	2,708.0	1,811.7	1,639.9	1,124.3	703.3	238.5	120.5	152.3	8,498.7
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
plus Reduced revenues									
Gambling taxes	637.7	422.4	287.0	74.8	104.9	28.7	23.5	22.5	1,601.5
plus Interest costs									
Interest costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
plus Additional expenditures									
First Home Owners Scheme	288.5	293.9	181.1	128.3	66.8	18.3	16.0	10.3	1,003.4
GST administration costs	200.8	149.1	118.1	59.9	45.6	14.4	9.6	6.0	603.5
plus Other items									
WST payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
minus Reduced expenditures									
Off-road diesel subsidies	143.4	60.2	143.5	183.7	38.1	2.3	0.0	4.1	575.5
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
minus Growth dividend									
Remaining state taxes	149.1	96.2	50.4	30.0	24.2	6.1	4.7	3.3	364.0
minus Compensation payments									
Compensation for GST deferral	36.6	27.5	25.9	12.9	11.6	4.7	2.3	5.5	127.0
plus Adjustments									
2004-05 GMA adjustment	-22.0	-3.7	-13.4	-2.8	-5.1	-2.7	-0.3	0.6	-49.5
Total Guaranteed Minimum Amount (1)	10,302.0	7,648.1	7,087.8	3,579.8	3,268.7	1,394.5	668.3	1,704.5	35,653.7
GST revenue provision (2)	10,258.2	7,750.7	7,612.9	3,764.7	3,408.5	1,480.8	715.0	1,821.7	36,812.6
Budget Balancing Assistance (1)-(2)(a)	43.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.8

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

Table 13: Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance in 2006-07 (estimated)

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
State revenues forgone									
Financial Assistance Grants	5,611.2	4,741.4	4,918.6	2,197.2	2,331.2	1,120.8	481.0	1,635.4	23,036.8
Revenue Replacement Payments	2,788.7	1,865.5	1,687.3	1,153.3	724.1	245.5	124.2	156.6	8,745.3
Financial Institutions Duty	808.7	435.4	na	166.4	111.2	26.0	21.5	21.5	1,590.7
Debits tax	357.0	283.9	385.0	126.5	63.6	24.2	19.8	8.6	1,268.7
Marketable Securities Duty	544.9	281.8	30.1	34.8	18.6	0.8	26.6	1.2	938.8
Marketable Securities Duty Needs	-24.7	12.5	13.2	2.4	1.0	2.9	-8.2	0.8	0.0
Accommodation taxes	104.7	na	na	na	na	na	na	10.5	115.3
Cheque Duty	na	na	na	5.5	3.2	na	na	2.8	11.4
plus Reduced revenues									
Gambling taxes	662.1	446.4	301.0	77.7	109.5	31.0	24.1	23.6	1,675.4
plus Interest costs									
Interest costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
plus Additional expenditures									
First Home Owners Scheme	292.0	297.4	183.2	129.8	67.6	18.6	16.2	10.4	1,015.3
GST administration costs	205.3	152.8	122.1	61.7	46.5	14.6	9.8	6.2	619.1
plus Other items									
WST payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
minus Reduced expenditures									
Off-road diesel subsidies	144.2	60.7	146.0	186.2	38.2	2.3	0.0	4.2	581.9
Savings from tax reform	218.0	154.2	123.0	72.1	53.3	18.2	10.9	15.9	665.6
Low alcohol beer subsidies	27.4	19.0	5.3	8.7	5.1	1.9	1.1	1.3	69.9
minus Growth dividend									
Remaining state taxes	174.0	112.3	58.8	35.0	28.2	7.2	5.5	3.9	424.8
minus Compensation payments									
Compensation for GST deferral	5.0	3.8	3.5	1.7	1.5	0.6	0.3	0.7	17.2
Total Guaranteed Minimum Amount (1)	10,781.3	8,167.1	7,304.0	3,651.5	3,350.2	1,454.3	697.4	1,851.6	37,257.4
GST revenue provision (2)	10,941.4	8,465.4	7,968.9	3,921.8	3,543.5	1,556.7	758.0	1,974.4	39,130.0
Budget Balancing Assistance (1)-(2)(a)	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 14: Forward estimates of Budget Balancing Assistance and State and Territory gains from tax reform^(a)

2005-06 (\$m)(b)	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Guaranteed Minimum Amount(c)	10,302.0	7,648.1	7,087.8	3,579.8	3,288.7	1,394.5	668.3	1,704.5	35,653.7
(2) GST revenue	10,258.2	7,750.7	7,612.9	3,764.7	3,408.5	1,480.8	715.0	1,821.7	36,812.6
(3) Budget Balancing Assistance(d)	43.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.8
(4) State and Territory gains from tax reform (2)-(1)(d)	0.0	102.6	525.2	184.8	139.8	86.3	46.7	117.3	1,202.7
2006-07 (\$m)									
(1) Guaranteed Minimum Amount(e)	10,781.3	8,167.1	7,304.0	3,651.5	3,350.2	1,454.3	697.4	1,851.6	37,257.4
(2) GST revenue	10,941.4	8,465.4	7,968.9	3,921.8	3,543.5	1,556.7	758.0	1,974.4	39,130.0
(3) Budget Balancing Assistance(d)	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)(d)	160.1	298.2	664.9	270.2	193.4	102.4	60.6	122.8	1,872.6
2007-08 (\$m)									
(1) Guaranteed Minimum Amount	11,230.0	8,420.6	7,459.8	3,694.2	3,462.3	1,491.9	720.7	1,965.7	38,445.1
(2) GST revenue	11,728.3	8,993.4	8,288.6	4,080.3	3,719.9	1,605.4	799.2	2,084.9	41,300.0
(3) Budget Balancing Assistance(d)	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)(d)	498.3	572.8	828.8	386.1	257.6	113.5	78.5	119.2	2,854.9
2008-09 (\$m)									
(1) Guaranteed Minimum Amount	11,807.3	8,721.1	7,614.3	3,741.8	3,552.1	1,526.0	743.8	2,063.4	39,769.9
(2) GST revenue	12,614.0	9,536.7	8,564.0	4,224.3	3,871.2	1,650.8	836.2	2,182.8	43,480.0
(3) Budget Balancing Assistance(d)	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)(d)	806.7	815.7	949.7	482.5	319.1	124.8	92.4	119.4	3,710.1
2009-10 (\$m)									
(1) Guaranteed Minimum Amount(f)	12,586.9	9,049.9	7,917.0	3,869.8	3,676.3	1,563.4	779.0	2,165.9	41,608.1
(2) GST revenue	13,533.2	9,949.6	8,888.6	4,391.5	4,029.2	1,697.3	879.6	2,301.1	45,670.0
(3) State and Territory gains from tax reform (2)-(1)(d)	946.2	899.6	971.6	521.8	352.9	133.9	100.6	135.2	4,061.9

(a) Projections from 2005-06 will be affected by variations in Guaranteed Minimum Amount (GMA) components and GST revenue. In addition to these factors, projections from 2007-08 will be affected by recommendations by the Commonwealth Grants Commission on the distribution of GST to each of the States.

(b) As part of the agreement with the States to abolish most of the state taxes listed for review under the IGA, the Australian Government will extend the transitional period from 30 June 2006 to 30 June 2009.

(c) As agreed at the 26 March 2004 meeting of the Ministerial Council for Commonwealth-State Financial Relations, bank account debits tax was abolished by 1 July 2005. The revenue forgone by the States is included in their GMAs from 2005-06.

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

(e) As part of the agreement with the States to abolish most of the state taxes listed for review under the IGA, stamp duties on cheques, bills of exchange and promissory notes have been abolished in all States. The revenue forgone by the States is included in their GMAs from 2006-07.

(f) As part of the agreement with the States to abolish most of the state taxes listed for review under the IGA, all States will have abolished stamp duties on credit arrangements, instalment purchase arrangements and rental arrangements, and stamp duties on leases by 1 July 2009. The revenue forgone by the States from these taxes is included in their GMAs from 2009-10.

GST adjustment in 2005-06

GST revenue provision to the States in 2005-06 has been adjusted to account for the final 2004-05 outcome. In 2004-05, the final GST cash collections outcome was \$287.4 million lower than the amount determined by the Commissioner of Taxation in June 2005 and provided to the States in 2004-05 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 2005-06 will take account of the difference between the final GST cash collections outcome for 2004-05 and the amount paid to the States in 2004-05. The residual adjustment amount for New South Wales for 2005-06 has been calculated to account for this variation (Table 15).

Residual adjustments

The Australian Government introduced residual adjustments to ensure that all States receive their appropriate payments under the Act as they move on or off BBA. Residual adjustments offset any underestimate or overestimate of payments that cannot be paid or recovered using other mechanisms under the Act.

Current estimates show that New South Wales will require a negative residual adjustment amount of \$43.8 million in 2005-06 to enable the 2004-05 GST overpayment to be recovered from New South Wales.

As final payments for 2005-06 will not be known until the June 2006 determinations of GST provision and payments to the States, final residual adjustment amounts for 2005-06 will not be known until that time.

Table 15 shows final residual adjustment amounts for 2002-03, 2003-04 and 2004-05, and the estimate of New South Wales' 2005-06 residual adjustment amount.

Table 15: Residual adjustment amounts, from 2002-03 to 2005-06^(a)

	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	29.9	0.0	0.0	0.0	0.0	0.0	0.0	0.0	29.9
2005-06(b)	-43.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-43.8
Total	-13.9	11.1	38.8	-0.5	1.4	2.9	0.7	11.0	51.4

(a) Residual adjustment amounts for 2002-03, 2003-04 and 2004-05 were paid or recovered in 2005-06 as the Australian Government and the States had to agree on the methodology for the calculation of the adjustments before they could be made.

(b) Estimates.

Excess Budget Balancing Assistance advances

Consistent with the provisions of the IGA, the Australian Government has advanced BBA to New South Wales, the only State estimated to require BBA in 2005-06. These advances were based on the estimated BBA entitlement for New South Wales at the time of each advance. The upward revision to GST in 2005-06 in the Budget has resulted in a lower than previously estimated BBA entitlement for New South Wales. Based on current estimates, the advances to New South Wales in the year to date exceed its entitlement to BBA in 2005-06 by \$30.8 million (Table 16).

Consistent with the provisions of the Act, the Australian Government will deduct the amount of excess BBA paid in 2005-06 from payments to be made to New South Wales under the Act in 2006-07. The final amount to be deducted from New South Wales' payments in 2006-07 will be known when the final determination of each State's BBA entitlement is made under the Act in June 2006.

Table 16: Excess Budget Balancing Assistance advanced in 2005-06 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Payments to date	74.6	0.0	0.0	0.0	0.0	0.0	0.0	0.0	74.6
BBA entitlement	43.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	43.8
Excess BBA advanced	30.8	0.0	0.0	0.0	0.0	0.0	0.0	0.0	30.8

DELIVERING FURTHER TAX REFORM

One of the objectives of 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.

The clear intent of the IGA was that if GST revenue proved to be sufficient, the States would agree to abolish these inefficient taxes.

At the March 2006 meeting of the Ministerial Council for Commonwealth-State Financial Relations, the Australian Government agreed with seven of the States on schedules for the abolition of most of the taxes listed for review under the IGA. The Australian Government has since agreed on an abolition schedule with New South Wales as well.

Timetables are now in place for the abolition of mortgage duty, rental duty, lease duty, cheque duty, non-real non-residential conveyance duty, and unlisted marketable securities duty. The abolition of these taxes is expected to save taxpayers approximately \$4.4 billion over the four years from 1 July 2006.

The Australian Government will also continue to pursue the abolition of stamp duty on business conveyances of real property, at a date to be determined by the Ministerial Council on the basis that no State will be worse off in any year. This is the last remaining tax listed for review under the IGA.

The abolition of these taxes is in addition to the taxes already abolished under the IGA: wholesale sales tax, accommodation tax, financial institutions duty, stamp duty on quoted marketable securities and bank account debits tax.

To ensure no financial disadvantage to any State as a result of their agreement to abolish state taxes, the Australian Government has agreed to extend the period for transitional assistance 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. However, current estimates indicate payment of BBA will not be required.

First Home Owners Scheme

Eligible home buyers have received over \$6.2 billion through the First Home Owners Scheme 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 828,000 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 12 and 13).

In March 2001, the Australian Government made an additional \$7,000 grant available to first home buyers building or purchasing new homes before 31 December 2001. The Australian Government fully funds the additional First Home Owners Scheme with a Specific Purpose Payment through the States to meet the cost of grants. The Australian Government extended the additional First Home Owners Scheme at a rate of \$3,000 for new homes built or purchased 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 (NCPPs) 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.

NCPPs 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 NCPPs to State governments up to and including 2005-06.

Each State's NCPPs are subject to that State making satisfactory progress with the implementation of reform commitments. Previously, prior to the scheduled payment of NCPPs in each year, the National Competition Council (NCC) assessed whether each State had met the specified conditions and provided recommendations for consideration by the Australian Government.

However, in 2005-06, for the first time, the Australian Government also considered recommendations from the National Water Commission (NWC) in relation to States' progress on water reform.

The estimated maximum level of payments in 2005-06 is \$799.9 million. The Australian Government decided to permanently deduct \$40.7 million and suspend \$39.2 million of the 2005-06 NCPP maximum entitlement and reimburse \$100.5 million of 2004-05 suspensions. These figures do not include the NWC recommended suspension of \$4 million to Western Australia's NCP payments as the Australian Government has not yet taken a decision due to the delay in the NWC completing its assessment of Western Australia's water reform obligations. These figures are currently estimates and will be finalised in accordance with updated Consumer Price Index and population data.

In relation to the 2005-06 suspensions, the NWC has indicated that it will recommend that suspensions be lifted or reduced subject to the satisfactory assessment by the NWC in 2007.

Table 17 shows estimates of NCPPs for 2005-06. Each State's amount for 2005-06 reflects reimbursements for 2004-05 suspensions, permanent deductions for 2005-06 and suspensions for 2005-06, as outlined above.

Table 17: National Competition Policy Payments

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2005-06	291.9	187.7	178.8	70.9	51.3	19.0	12.8	8.0	820.4

The 2005-06 NCPPs are the final payments under the current NCP arrangements. At its 10 February 2006 meeting, COAG agreed to a new National Reform Agenda comprising human capital, competition and regulatory reform streams.

COAG agreed that, if funding is needed to ensure a fair sharing of the costs and benefits of reform, the Australian Government will provide funding to the States on a case-by-case basis once specific implementation plans have been developed. Payments to the States, and where appropriate, to local government, would be linked to achieving agreed actions or progress measures and demonstrable economic benefits.

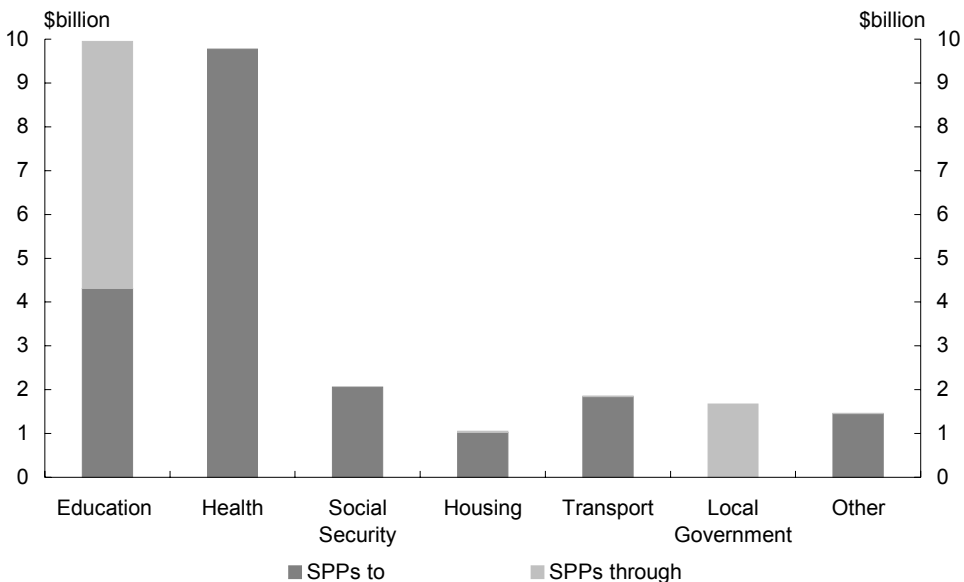
SPECIFIC PURPOSE PAYMENTS

Specific Purpose Payments (SPPs) constitute a significant amount of Australian Government expenditure. In 2006-07, SPPs to and through the States are estimated to total \$27.8 billion. In addition, the Australian Government will provide SPPs direct to local government totalling \$497.1 million in 2006-07. In total, SPPs are estimated to represent around 12.9 per cent of total Australian Government expenditure in 2006-07.

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 functional areas, including education, health, social security, housing and transport (Chart 3).

In 2006-07, SPPs for health, education and transport are estimated to account for 77.5 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 2006-07 (estimated)



More detailed information, including payments on a State-by-State basis for 2005-06 and 2006-07, 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 \$20.5 billion in 2006-07;
- 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 \$7.4 billion in 2006-07; and
- those paid direct to local government to help fund local government programmes, such as roads. These payments are estimated to total \$497.1 million in 2006-07.

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 \$1.6 billion in Financial Assistance Grants to local government in 2005-06 and an estimated \$1.7 billion in 2006-07 (Table 18). 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 2006-07, 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.

In addition to Financial Assistance Grants, the Australian Government provides a number of SPPs direct to local government authorities to help fund roads, child care programmes, disability and other services administered by local governments. These payments are estimated to total \$410.6 million in 2005-06 and expected to increase to \$497.1 million in 2006-07.

Table 18: Financial Assistance Grants to local government in 2005-06 and 2006-07 (estimated)^(a)

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
2005-06									
General Purpose Assistance	375.9	278.0	218.3	111.1	85.5	26.9	18.1	11.2	1,125.1
Untied local road funding	144.8	102.9	93.5	76.3	27.4	26.5	16.0	11.7	499.2
Total Financial Assistance Grants ^(b)	520.7	381.0	311.9	187.4	113.0	53.4	34.1	22.9	1,624.3
2006-07									
General Purpose Assistance	386.3	286.6	227.8	115.0	87.8	27.7	18.5	11.6	1,161.4
Untied local road funding	149.5	106.2	96.6	78.8	28.3	27.3	16.5	12.1	515.4
Total Financial Assistance Grants^(c)	535.8	392.9	324.4	193.8	116.2	55.0	35.1	23.7	1,676.8

(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 2005-06 figure takes into account an underpayment of \$7.5 million in 2004-05. The Treasurer will determine the final 2005-06 escalation factor in June 2006; currently the 2005-06 escalation factor is estimated to be 1.0401.

(c) The 2006-07 figure includes an estimate of the amount necessary to adjust for the difference between the 2005-06 escalation factor estimated in June 2005 and used to calculate payments in 2005-06 and the final factor for 2005-06 to be determined in June 2006. On the basis of the current estimate of the 2005-06 escalation factor, this adjustment is estimated to be an increase of \$0.6 million. The 2006-07 escalation factor is currently estimated to be 1.0363. Financial Assistance Grants in 2006-07 will be paid on the basis of the escalation factor that the Treasurer will estimate in June 2006. The Treasurer will determine the final escalation factor for 2006-07 in June 2007.

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 with respect to 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 19 shows estimates of mirror taxes from 2005-06 to 2009-10.

Table 19: Accrued mirror taxes on behalf of the States, 2005-06 to 2009-10 (estimated)

	2005-06	2006-07	2007-08	2008-09	2009-10
	\$m	\$m	\$m	\$m	\$m
Mirror taxes	371.6	389.5	406.9	427.7	449.8

FISCAL DEVELOPMENTS IN THE STATES

Most States are expected to record net operating surpluses in 2006-07, with improvements in their balances over the forward years. After allowing for capital investment, most States are expecting general government fiscal and cash deficits in 2006-07. The States are generally forecasting an improvement in their fiscal and cash balances by 2008-09.

Most States are expected to experience a deterioration in their net debt position in 2006-07 but their net debt levels remain low as a percentage of output. As a whole, the States eliminated net debt in 2001-02 and this strong position is expected to remain in future. This trend is primarily due to States implementing medium-term fiscal strategies.

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

This section provides an overview of fiscal developments in the States to provide context to the discussion of the Australian Loan Council arrangements that follows.

STATE GENERAL GOVERNMENT SECTOR NET OPERATING BALANCE

The aggregate State general government sector net operating position is expected to be in balance in 2006-07, compared with a small surplus in 2005-06 (Chart 4). The 2005-06 and 2006-07 estimates are lower than in previous years, partly reflecting the impact of a softer housing market on revenue collections from property-related taxes¹ and higher expenditure, for example on health and wages.² However, the net operating balances are expected to improve in the forward years.

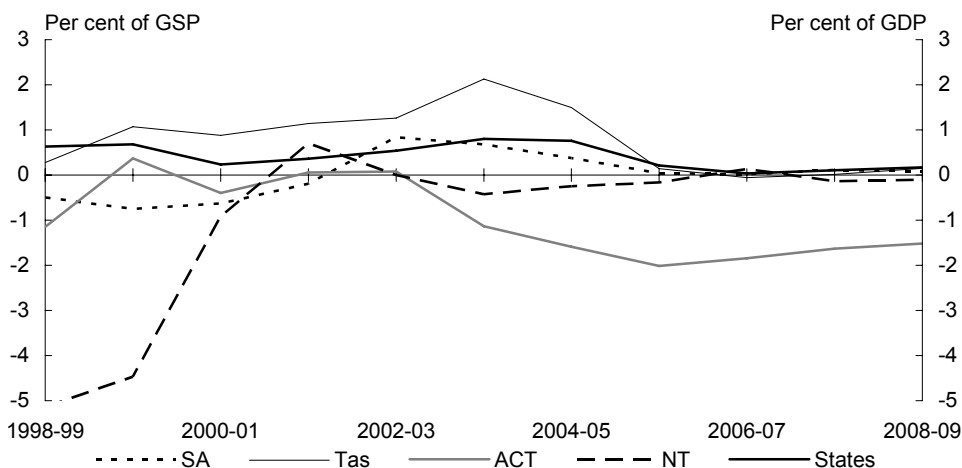
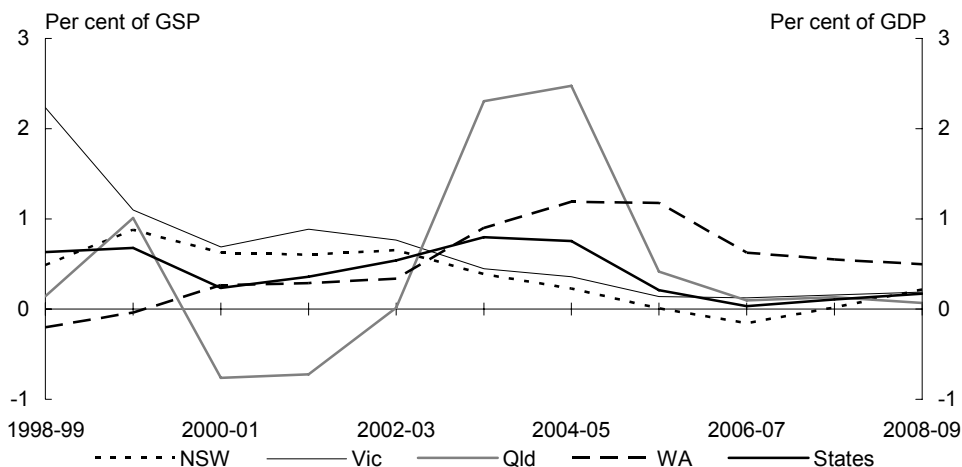
The net operating balance measures, in accrual terms, the gap between a government's expenses and revenue for a given period, and provides a good indication of the sustainability of the existing level of government services. An operating surplus indicates that a government can finance the services it 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.

1 See, for example, New South Wales' *2005-06 Half-Yearly Budget Review*, p 1.

2 See, for example, Queensland's October 2005 *Special Economic and Fiscal Statement*, p 5, South Australia's *2005-06 Mid-Year Budget Review*, p 1, and Western Australia's *2005-06 Government Mid-Year Financial Projections Statement*, p 12.

New South Wales, Tasmania and the Australian Capital Territory are expected to record operating deficits in 2006-07. Both the Territories are expected to have operating deficits in the forward years.

Chart 4: Individual State general government sector net operating balance^(a)



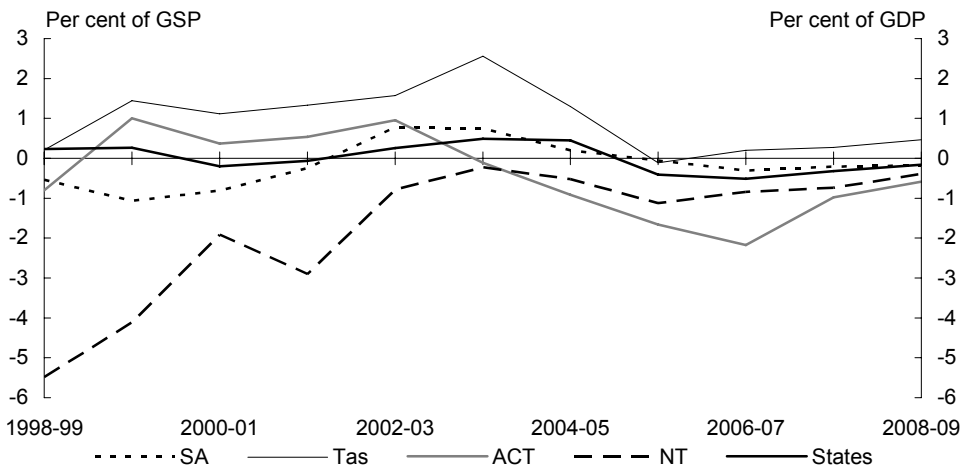
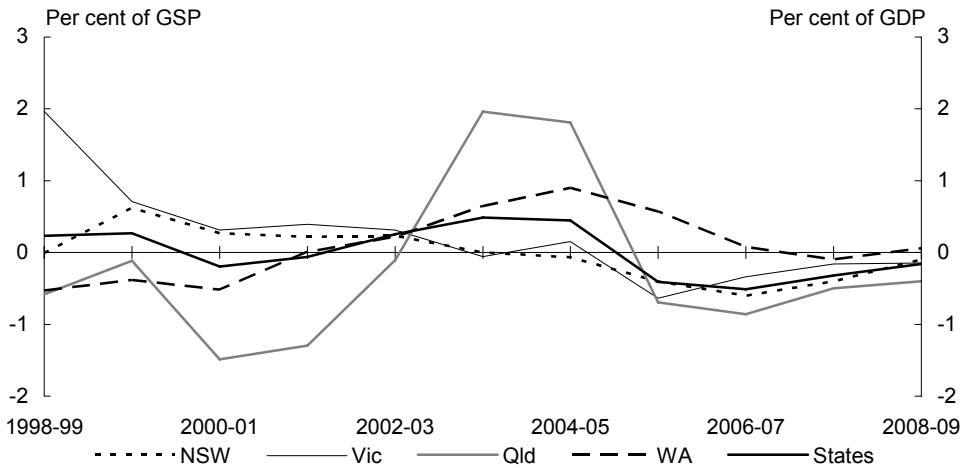
(a) States' net operating balances are expressed as a percentage of Gross State Product (GSP) (left hand axis) and the States' aggregate net operating balance is expressed as a percentage of Gross Domestic Product (GDP) (right hand axis).

Sources: ABS cat. no. 5512.0, State 2005-06 mid-year reports, Northern Territory 2006-07 Budget and Treasury estimates.

STATE GENERAL GOVERNMENT SECTOR FISCAL BALANCE

The aggregate State fiscal balance for the general government sector is estimated to be in deficit by 0.5 per cent of GDP in 2006-07 (Chart 5), a slightly larger deficit than in 2005-06 due to expected lower operating balances of the States. The aggregate balance is expected to be in smaller deficits in the forward years.

Chart 5: Individual State general government sector fiscal balance^(a)



(a) 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 2005-06 mid-year reports, Northern Territory 2006-07 Budget and Treasury estimates.

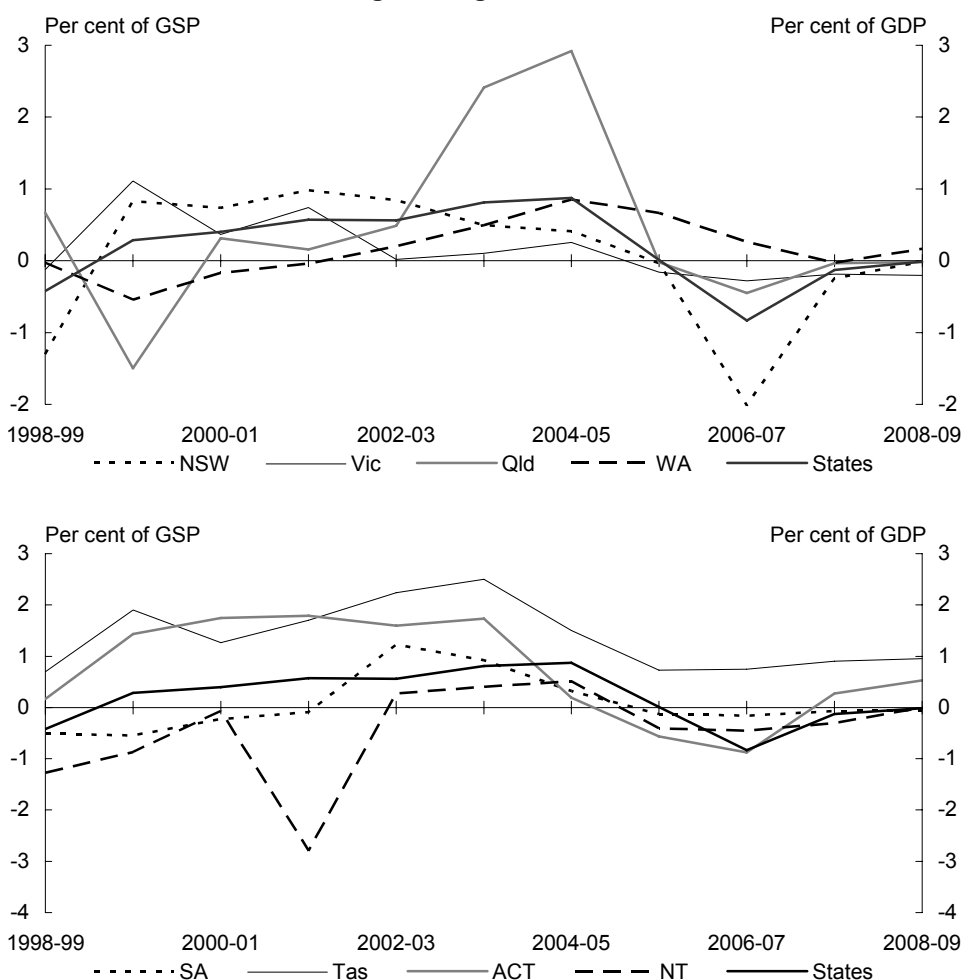
The fiscal balance measures, in accrual terms, the gap between government savings plus net capital transfers, and investment in non-financial assets. A fiscal surplus indicates that a government is lending to other sectors. A fiscal deficit indicates that a government is borrowing.

Trends in the aggregate fiscal balance for State/local general government, public non-financial corporation 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, the general government sector cash position is expected to be a deficit of 0.8 per cent of GDP in 2006-07, compared with an overall small cash surplus in 2005-06. In 2006-07, cash deficits are expected for all States except Western Australia and Tasmania (Chart 6). The general government sector cash deficit is expected to improve in the forward years, in aggregate terms.

Chart 6: Individual State general government sector cash balance^(a)



(a) States' cash balances are expressed as a percentage of GDP (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 2005-06 mid-year reports and Northern Territory 2006-07 Budget and Treasury estimates.

A 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). A cash deficit measures the extent to which a government requires cash, either by running down financial assets or by borrowing.

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

Most States are forecasting a deterioration in their levels of general government sector net debt in 2006-07 and the forward years as they borrow to finance significant capital expenditure programs (Chart 7).³ Queensland, Western Australia, Tasmania and the Australian Capital Territory are the only States to forecast a net debt position below zero in 2006-07 and the forward years.

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 related liabilities.

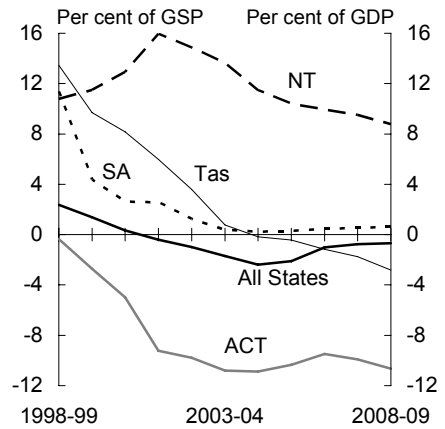
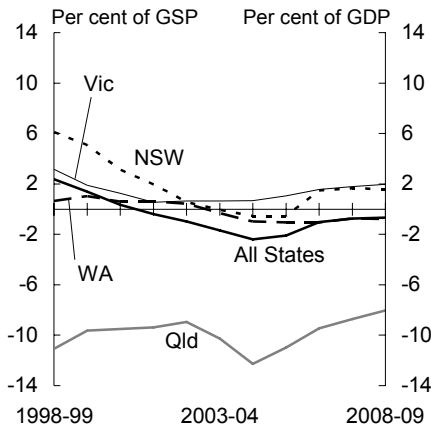
The higher the net debt of a government, the greater the call that will be imposed on the government's future revenue flows to service that debt.

In aggregate, the State general government sector continues to record net debt levels below zero. Its net debt is expected to be -1 per cent of GDP in 2006-07, falling to -0.7 per cent of GDP by 2008-09. Net debt for the aggregate State public non-financial corporations sector is estimated to be 4.5 per cent of GDP in 2005-06,⁴ up from 4.1 per cent in 2004-05. The public non-financial corporations sector owns nearly all of the stock of State non-financial public net debt.

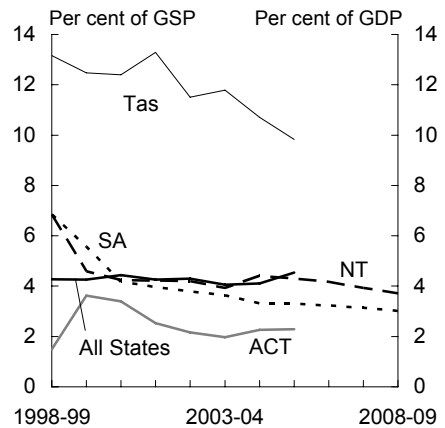
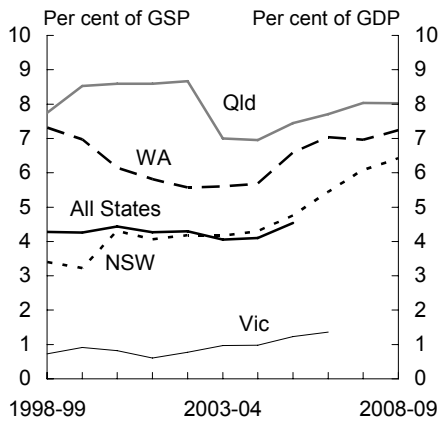
3 See, for example, New South Wales's *2005-06 Half-Yearly Budget Review*, p 5 and South Australia's *2005-06 Mid-Year Budget Review*, p 1.

4 Estimates for the public non-financial corporations sector and the non-financial public sector are unavailable after 2005-06 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.

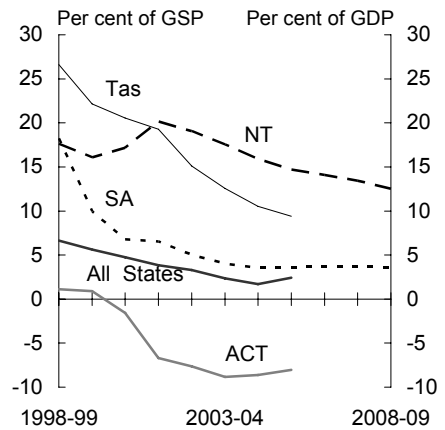
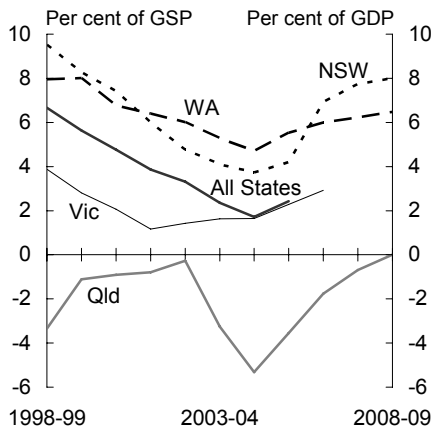
Chart 7: Individual State net debt by sector (as at end of financial year)^(a)
 General government



Public non-financial corporations



Non-financial public sector



(a) 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 2005-06 mid-year reports, Northern Territory 2006-07 Budget 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 consists of the Prime Minister of Australia and the Premier/Chief Minister of each State and Territory. However, in practice each member is represented by a nominee, usually the Treasurer of that jurisdiction, with the Australian Treasurer as Chairman.

Current 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 2006 Loan Council meeting

The Loan Council met on 31 March 2006 to consider Loan Council Allocation nominations for 2006-07. The Loan Council approved each jurisdiction's nominated allocation. In aggregate, the nominations represent a surplus of \$27.4 billion (Table 20).

Table 20: Loan Council Allocation (LCA) nominations for 2006-07^(a)

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	A/Gov \$m	Total \$m
Nominated 2006-07 LCAs										
General government sector cash deficit(+)/surplus(-)(e)	6,949	714	833	-311	105	-162	179	54	-11,591	
PNFC sector cash deficit(+)/surplus(-)	3,196	1,231	2,047	1,063	56	74	-16	3	924	
Non-financial public sector cash deficit(+)/surplus(-)(b)	10,145	1,942	2,882	752	161	-88	163	56	-10,667	
<i>minus</i> Net cash flows from investments										
in financial assets for policy purposes(c)	-28	1	0	0	22	-6	-2	-1	24,649	
<i>plus</i> Memorandum items(d)(e)	-7,187	2	118	-100	-234	19	-6	0	-694	
Loan Council Allocation	2,986	1,943	3,000	652	-95	-63	159	57	-36,010	-27,371
2006-07 tolerance limit	1,141	678	734	400	231	104	56	65	5,742	

(a) LCA nominations for 2006-07 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 purposes of their mid-year reports, and projected bottom lines for each jurisdiction's public non-financial corporations (PNFC) sector, where actual estimates are unavailable. Each jurisdiction will publish an updated LCA estimate as part of its budget documentation. The 2 per cent (of non-financial public sector cash receipts from operating activities in each jurisdiction) tolerance limits around each jurisdiction's 2006-07 LCA are designed, inter alia, to accommodate changes to the LCA resulting from changes in policy.

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

(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. The Australian Government's estimate for 2006-07 includes estimated cash flows from the possible sale of Telstra.

(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 the 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.

(e) New South Wales' cash deficit and memorandum items in 2006-07 are affected by a one-off \$8 billion contribution from the General Government Liability Management Fund towards the defined benefit superannuation schemes.

APPENDIX A: GST REVENUE MEASURES

Additional free supplies provided by telecommunications suppliers not subject to GST

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-

The Government has ensured that GST does not apply to additional bonus supplies (such as extra credits and bonus text messages) made by telecommunications suppliers to customers of prepaid phone cards (including recharges), with effect from 1 July 2000.

The GST voucher provisions operate so that GST is to be remitted on the face value of a voucher. Prior to this amendment, the GST law operated to include these additional supplies in the face value of a voucher and they were therefore subject to GST. This resulted in a significant mismatch between the face value of a voucher and the consideration paid by the customer.

Additional GST compliance funding

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	50.6	93.0	93.0	-

The Government will provide \$46.4 million over three years for additional compliance activities in relation to the collection of GST. The additional compliance activities are expected to increase GST revenue (on an accrual basis) by the amounts outlined above, which corresponds to increased GST cash collections of \$190.1 million over the three years for the States.

The funding for the additional compliance activities will be reviewed, in conjunction with the States, after three years – see also the related expense measure *Goods and services tax – additional compliance activities* in Budget Paper No. 2 under the Treasury portfolio.

Alignment of import entry thresholds for courier and postal imports — GST component

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-8.0	-8.0	-8.0	-9.0

The Government has aligned the import entry level threshold for postal and courier imports at \$1,000, with effect from 12 October 2005.

Previously, the threshold for air and sea consignments and postal consignments carried by private couriers was \$250, while the threshold for postal consignments carried by Australia Post was \$1,000. The alignment of these thresholds will promote competitive neutrality and will have the effect of reducing GST revenue.

Further information can be found in Australian Customs Notice No. 2005/57 of 7 October 2005 and the *Mid-Year Economic and Fiscal Outlook 2005-06*.

Change in GST treatment of certain public ancillary and prescribed private funds

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office

The Government will allow non-charitable public ancillary and prescribed private funds to register and operate as enterprises for GST purposes, with effect from 1 July 2005. Public ancillary funds and prescribed private funds are trusts that are established for the purpose of providing money and other benefits to organisations that are deductible-gift recipients (DGRs).

Previously, if these funds distributed to DGRs that were not charitable (such as public ambulance services and research authorities), the funds were unable to claim input tax credits or to fully utilise certain GST concessions, unlike charitable trusts. The change will put non-charitable public ancillary and prescribed private funds on the same GST footing as charitable funds.

This measure is subject to the unanimous agreement of the States.

The Government is also introducing a measure in relation to Australian Business Numbers for these funds – see the measure *Philanthropy – providing Australian Business Numbers to certain prescribed private funds and public ancillary funds* in Budget Paper No. 2 under the Treasury portfolio.

GST and representatives of incapacitated entities

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office

The Government will clarify the GST obligations for representatives that are appointed over entities that have become incapacitated. Incapacitated entities include entities that are in liquidation or receivership. The measure will have effect from the first tax period after the date of Royal Assent of the enabling legislation.

This measure will ensure that these rules operate as intended and provide certainty to representatives of incapacitated entities.

GST and the sale of real property — deferral of integrity measure

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	*	*	*	*

The Government has deferred the tax integrity measure concerning the interaction of the margin scheme with the GST-free going concern and the GST-free farm land provisions.

The Government has undertaken consultation with industry to ensure that the margin scheme provisions apply appropriately to these supplies.

Further information can be found in the press release of 7 June 2005 issued by the former Minister for Revenue and Assistant Treasurer.

GST and the sale of real property — margin scheme

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	*	*	*	*

The Government has changed the application of arrangements concerning the requirement to obtain written agreement for the use of the margin scheme so that it no longer affects contracts entered into before the date of Royal Assent.

Further information can be found in the press release of 7 June 2005 issued by the former Minister for Revenue and Assistant Treasurer.

GST concessions for diplomatic and consular missions

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office

The Government has provided refunds for GST in relation to certain countries' diplomatic and consular representation under the Indirect Tax Concession Scheme. The Government will also provide refunds for GST to a further group of countries under the Scheme.

Twelve countries' missions and consulates have received new or upgraded benefits as a result of this measure. These countries are Austria, East Timor, Ecuador, El Salvador, Kenya, New Zealand, North Korea, Pakistan, Philippines, Poland, Romania and Singapore. A further fourteen countries' missions and consulates will receive such benefits. The countries are Algeria, Cyprus, the Former Yugoslav Republic of Macedonia, Ghana, Italy, Jordan, Kuwait, Morocco, Papua New Guinea, Peru, Serbia and Montenegro, Switzerland, Syria and Uganda.

Those concessions already in operation took effect from the time provided in the implementing instruments issued by the Minister for Foreign Affairs.

The concessions still to be implemented will take effect from the time provided in new instruments to be issued by the Minister. The Government will also provide related concessions for certain indirect taxes – see the measure *Indirect tax concessions for diplomatic and consular missions* in Budget Paper No. 2 under the Treasury portfolio for those indirect tax concessions yet to be implemented.

GST concession for the Melbourne 2006 Commonwealth Games

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-

The Government has allowed certain goods of a non-commercial nature to be imported free of GST by ‘Commonwealth Games Family’ members for the Melbourne 2006 Commonwealth Games. The concession took effect from 1 January 2006 and runs until 30 June 2006.

A similar concession was provided for the Sydney 2000 Olympic and Paralympic Games.

The measure has an estimated cost to revenue of \$1 million in 2005-06 but is not expected to have a cost to revenue in subsequent years.

GST — simplified accounting arrangement for vouchers

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office

The Government has ensured that a simplified GST accounting arrangement is available for ‘eligible vouchers’ for GST purposes that are sold through a distribution chain, with effect from 1 July 2000.

The GST law provides a simplified accounting arrangement for GST between principals and agents where the supplies are taxable supplies. This arrangement is not currently available for ‘eligible vouchers’ as these vouchers are not taxable supplies. 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 measure ensures that retailers and distributors of the vouchers will not be required to remit GST on any commissions or similar payments and the supplier of the voucher will not claim an input tax credit.

GST — treatment of residential premises

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-	-	-

The Government will amend the GST law to clarify that supplies involving certain types of properties, including serviced apartments and strata titled units leased to hotel operators, are input taxed. The measure will have effect from 1 July 2000.

In general, residential premises are input taxed to the extent that the premises are to be used predominately for residential accommodation. In contrast, supplies of commercial residential premises and the first sale of new residential premises are taxable.

The measure will ensure supplies of certain types of real property continue to be input taxed following the decision of the Full Federal Court of Australia in *Marana Holdings Pty Ltd v Commissioner of Taxation* [2004] FCAFC 307. This measure is consistent with the Government's policy intent and will avoid the need for many small investors to register for GST.

Further information can be found in the press release of 27 February 2006 issued by the Minister for Revenue and Assistant Treasurer.

Personal aquatic survival skills courses — change in GST treatment

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-1.1	-1.5	-1.6	-1.8

The Government will issue regulations to allow a broader range of personal aquatic survival skills courses to be GST-free with effect from a date to be specified in the enabling regulations.

Broadly, if an instructor for a course holds a certificate in certain competencies in aquatic survival skills training, the courses provided by the instructor will be GST-free. The certificate in the particular competencies will have been recognised under the Australian Quality Training Framework. The precise content of the regulations is the subject of consultations with the aquatic survival skills industry.

This measure is subject to the unanimous agreement of the States.

Small business — aligning definitions in the tax laws

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-5.0	-6.0	-1.5

The Government will introduce a package of measures to simplify and improve alignment of various small business concessions contained in the tax laws, including the simplified tax system (STS), capital gains tax (CGT), goods and services tax (GST), fringe benefits tax (FBT) and pay-as-you-go (PAYG) instalments. The measures will apply from the start of the 2007-08 income year.

This measure will:

- align the STS and GST definitions of turnover, with turnover calculated including input taxed supplies, and the period over which turnover is calculated; and
- increase the GST cash accounting turnover threshold from \$1 million to \$2 million.

The Government will consult with relevant parties on the development of the legislation implementing these changes.

Currently, GST small business concessions are based on annual turnover (excluding input taxed supplies) of up to \$1 million for the cash accounting turnover threshold, or \$2 million for the annual apportionment turnover threshold and the instalment turnover threshold, with eligibility determined generally on an annual basis but with reference to current and projected annual turnover.

This measure is subject to the unanimous agreement of the States. See also the related measure *Small business – aligning definitions in the tax laws* in Budget Paper No. 2 under the Treasury portfolio.

Supplies of options and rights offshore — deregistration and change to start date

Revenue (\$m)	2006-07	2007-08	2008-09	2009-10
Australian Taxation Office	-	-10.0	-	-

The Government has amended the GST law effective from 1 October 2005 to address an anomaly in its operation. Previously, non-resident tour operators were able to supply certain Australian holiday packages GST-free whilst resident tour operators were subject to GST. The amendments require non-resident enterprises either to remit all necessary GST or choose to deregister and neither remit GST on affected supplies, nor claim corresponding input tax credits for Australian holiday packages.

The GST integrity measure was originally estimated to affect GST revenue in 2004-05. However, deferral of the start date to 1 October 2005 to give affected enterprises time to adjust to the changes and to allow non-resident enterprises to deregister has resulted in no impact on GST revenue in 2004-05 and will result in a reduction in revenue raised in 2005-06 and 2007-08.

Further information can be found in the press release of 20 June 2005 issued by the former Minister for Revenue and Assistant Treasurer.

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 2005-06 to 2009-10. Payments are categorised 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 2005-06 and 2006-07 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 these cases, the relevant sections of the tables have been marked 'not for publication' (nfp).

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 2006-07 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 2005-06 to 2009-10. Tables B5 and B6 present estimates of State-by-State distributions of payments direct to local government for 2005-06 and 2006-07.

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000)

<i>Function</i> Payment title Description	2005-06	2006-07	2007-08	2008-09	2009-10
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Public Order and Safety					
Legal aid Funding is provided to State and Territories' legal aid commissions for the provision of legal assistance in Australian Government matters.	38,779	39,537	40,638	41,124	40,321
Film and literature classifications Payments to the States and Territories for participation in the Cooperative National Censorship Scheme as per the intergovernmental agreement signed on 28 November 1995. Classification decisions are made in accordance with the <i>Classification (Publications, Films and Computer Games) Act 1995</i> and the National Classifications Code. Complementary enforcement arrangements are in place with all States and Territories.	766	817	850	884	909
Education					
Government schools(a) Provides supplementary assistance to State and Territory 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.	1,693,642	1,835,286	1,960,259	nfp	nfp
* Non-government schools(a) 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.	4,752,178	5,207,454	5,594,949	nfp	nfp
Skilling Australia's Workforce(a)(b) Funds are used to promote a national vocational education and training system.	1,210,174	1,239,776	1,249,956	nfp	nfp
Targeted programmes - government schools and joint(a) 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.	404,546	431,467	453,213	nfp	nfp
* Targeted programmes - non-government schools(a) 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.	209,389	223,183	235,024	nfp	nfp

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i> Payment title Description	2005-06	2006-07	2007-08	2008-09	2009-10
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Education (continued)					
Indigenous Education Strategic Initiatives Programme - government(a) 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.	160,734	111,280	105,533	nfp	nfp
Australian Technical Colleges(a)(c) 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.	6,177	5,805	1,734	1,015	nfp
Health					
Hepatitis C Settlement Fund 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.	3,500	3,615	2,000	0	0
Health Programme Grants 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 and Territory governments.	1,825	1,160	1,183	1,206	1,231
Health Care Grants(a)(d) Grants to the States and Territories under the Australian Health Care Agreements to assist with the provision of public hospital services free of charge to eligible persons.	8,324,664	8,813,052	9,235,612	nfp	nfp
Highly specialised drugs 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.	526,790	580,024	637,502	694,841	748,584
Youth health services Funding is provided on a matched basis to develop and implement innovative primary health care services for homeless and at-risk youth.	2,471	2,510	2,559	2,610	2,658

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>		2005-06	2006-07	2007-08	2008-09	2009-10
Payment title						
Description						
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES						
Health (continued)						
National public health(a)		222,044	234,447	234,375	238,438	nfp
Payments to the States and Territories, 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).						
Essential vaccines(a)		109,328	117,104	117,724	119,936	nfp
Funds for essential vaccines for immunisation under the bilateral Australian Immunisation Agreements for inclusion in the National Vaccine Schedule.						
Repatriation general hospitals		6,693	4,883	4,966	5,061	5,157
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 State and Territory governments in accordance with agreements reached on integration of repatriation general hospitals.						
Supporting Western Sydney - Positron Emission Tomography scanner Westmead		1,000	1,100	1,200	1,300	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 an annual grant towards running costs.						
Royal Darwin Hospital - Equipped, Prepared and Ready		20,994	13,184	13,408	13,634	13,892
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.						
Organ Transplantation Services		1,758	1,795	1,829	1,864	1,899
The Australian Government will contribute to certain transplantation costs in NSW and SA. Under long-standing arrangements, the Australian Government is committed to reimburse these States for 40 per cent of the cost of certain organ and tissue transplantation-related services that are conducted by the Australian Red Cross Blood Service.						
Organ and tissue donation		0	1,350	3,900	2,550	525
To fund initiatives that will assist with improving rates of organ and tissue donation in Australia.						

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Social Security and Welfare					
Aged care assessment	55,461	64,835	68,228	71,682	75,038
Funds are provided to enable aged care assessment teams to conduct holistic assessments of frail aged clients and refer them to appropriate residential or community care services.					
Home and community care(a)	857,835	928,401	1,003,787	nfp	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.					
Disabilities services(a)	606,033	616,908	nfp	nfp	nfp
Under the terms of the Commonwealth State and Territory Disability Agreements, the Australian Government provides funds to the States and Territories to assist in the provision of accommodation support and other services for people with disabilities.					
Children's services	11,248	11,411	11,610	11,813	12,020
Funds are provided to ensure access to affordable quality childcare in programmes administered by the State and Territory governments on behalf of the Australian Government.					
Supported Accommodation Assistance(e)	178,530	175,256	175,797	190,383	194,384
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> .					
Unaccompanied humanitarian minors	2,196	2,253	2,265	2,320	2,378
To assist humanitarian minors without parents in Australia and the families providing their care through early intervention, counselling and assistance by State and Territory welfare agencies.					
Extension of fringe benefits	197,538	201,834	205,096	209,851	215,140
This funding compensates the States and Territories for the extra costs resulting from the liberalisation of access to the Australian Government's Pensioner Concession Card in 1993. In return the States and Territories agree to provide a core group of concessions to all cardholders.					
Native Title	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 the States and Territories implement a consistent framework for dealing with native title issues and meeting native title compensation costs.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Social Security and Welfare (continued)					
Young people with disabilities(f)	0	4,000	14,000	28,000	38,000
Provides funding to the States and Territories on a matched basis for the purpose of reducing the numbers of younger people with a disability in residential aged care, with priority given to people aged less than 50 years.					
Assistance to Solomon Island evacuees	80	0	0	0	0
Funding to reimburse the Queensland Government for meeting the living costs of Solomon Islanders evacuated from the Solomon Islands in April 2006.					
Housing and Community Amenities					
Assistance for water and sewerage	9,250	9,435	9,614	9,798	9,984
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.					
Natural Heritage Trust of Australia - Bushcare(g)	21,958	15,292	14,738	0	0
To conserve and restore habitat for Australia's unique native flora and fauna that underpin the health of our landscapes.					
Natural Heritage Trust of Australia - Coastcare(g)	4,690	5,791	5,576	0	0
To protect our coastal catchments, ecosystems and the marine environment.					
Natural Heritage Trust of Australia - Landcare(g)	8,703	11,729	11,309	0	0
To reverse land degradation and promote sustainable agriculture.					
Natural Heritage Trust of Australia - Rivercare(g)	7,665	12,128	11,686	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
National Water Initiative - Living Murray	2,484	55,226	53,575	48,715	40,000
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.					
Recreation and Culture					
Melbourne 2006 Commonwealth Games	72,900	0	0	0	0
Payment to the Victorian Government as a contribution to the costs of staging the Melbourne 2006 Commonwealth Games.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i> Payment title Description	2005-06	2006-07	2007-08	2008-09	2009-10
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Recreation and Culture (continued)					
Natural Heritage Trust of Australia - Bushcare(g) To conserve and restore habitat for Australia's unique native flora and fauna that underpin the health of our landscapes.	9,982	6,953	6,700	0	0
Natural Heritage Trust of Australia - Coastcare(g) To protect our coastal catchments, ecosystems and the marine environment.	2,131	2,631	2,534	0	0
Natural Heritage Trust of Australia - Landcare(g) To reverse land degradation and promote sustainable agriculture.	3,955	5,330	5,139	0	0
Natural Heritage Trust of Australia - Rivercare(g) To improve water quality and environmental conditions in our river systems and wetlands.	3,484	5,514	5,314	0	0
Strengthening Tasmania To undertake refurbishment of buildings in the Low Head Historic Precinct to promote increased visitation, and economic viability and long-term sustainability to the precinct through the generation of sufficient revenue to provide for adequate management and maintenance of the site's heritage assets as a public facility.	150	50	0	0	0
Fuel and Energy					
Snowy Hydro Ltd - company tax compensation(h) To compensate VIC and NSW for company tax payments made by Snowy Hydro Ltd.	49,510	0	0	0	0
Agriculture, Forestry and Fishing					
Natural Heritage Trust of Australia - Bushcare(g) To conserve and restore habitat for Australia's unique native flora and fauna that underpin the health of our landscapes.	34,653	24,098	23,225	0	0
Natural Heritage Trust of Australia - Coastcare(g) To protect our coastal catchments, ecosystems and the marine environment.	7,388	9,122	8,785	0	0
Natural Heritage Trust of Australia - Landcare(g) To reverse land degradation and promote sustainable agriculture.	13,712	18,484	17,817	0	0
Natural Heritage Trust of Australia - Rivercare(g) To improve water quality and environmental conditions in our river systems and wetlands.	12,081	19,108	18,417	0	0

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Agriculture, Forestry and Fishing (continued)</i>					
Exotic Disease Preparedness	324	379	387	387	387
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.					
Exceptional Circumstances assistance	302,993	100,913	0	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 delivery of Exceptional Circumstance Interest Rate Subsidies.					
National Landcare Programme (NLP)	29,029	25,275	26,743	0	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 and Territory agency projects are also supported. This funding is managed in conjunction with Natural Heritage Trust allocations to the NLP.					
Regional Assistance	0	989	259	0	0
To provide support to farm business enterprises to improve farm productivity, profitability and sustainability.					
Great Artesian Basin Sustainability Initiative	5,663	10,216	8,123	8,282	0
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, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i> Payment title Description	2005-06	2006-07	2007-08	2008-09	2009-10
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Agriculture, Forestry and Fishing (continued)</i> Skilling farmers for the future					
A programme which integrates and enhances the successful FarmBis and Property Management Planning Programmes and incorporate the wild catch fishing industry. It facilitates farmer self reliance and promotes a positive approach to change and a culture of continuous improvement by providing financial assistance to improve skills in business and resource management.	8,582	13,350	15,350	0	0
Eradication of Red Imported Fire Ant	12,283	5,137	0	0	0
To provide funding for the eradication of red imported fire ant infestations detected in Australia.					
National Action Plan for Salinity and Water Quality	160,638	128,797	91,745	0	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 and Territory governments which have signed bilateral agreements with the Australian Government.					
Plant Disease and Eradication	8,996	724	730	408	0
This programme provides assistance under a national strategy of eradication of Citrus Canker, to mitigate its potential impact on Australia's citrus industry.					
Tasmanian Forests package	18,000	18,000	19,000	0	0
To fund additional plantation establishment and productivity improvements in existing plantations and native forests, with the aim of ensuring long-term supply of sawlogs and veneer logs.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Transport and Communication					
Interstate road transport	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 and Territories which equal total revenue received from the States and Territories from registrations made under the Federal Inter-State Registration Scheme (FIRS). Payment of amounts equal to penalties arising from prosecutions under the Act are also made by the Australian Government.					
*Supplementary funding to SA councils for local roads	9,000	13,000	0	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 Grants arrangements.					
Petroleum Products Freight Subsidy Scheme	3,500	750	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.					
Other Purposes					
Debt Redemption Assistance	219,985	0	0	0	0
Covers the payment of compensation to the six States and the 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.					
* Financial Assistance Grants for local government					
<i>General Purpose Assistance</i>	1,120,663	1,160,658	1,203,021	1,248,014	1,294,440
Provides united general purpose assistance to local government authorities. The grants are distributed between the States and Territories on an equal per capita basis.					
<i>United Local Roads Grants</i>	497,120	515,167	533,817	553,780	574,382
Provides united assistance to local government authorities in place of specific purpose payments formerly passed on to local government by the States for expenditure on local roads.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Other Purposes (continued)					
Compensation - companies regulation	163,742	168,492	172,703	177,022	181,448
Under the terms of the Corporations Agreement 2002, 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.					
Natural Disaster Relief	89,540	89,540	89,540	89,540	89,540
Reimbursement of part of the expenditure incurred by the States and Territories for personal hardship and distress payments made to persons adversely affected by natural disaster.					
Royalties	611,526	707,828	708,639	591,135	441,389
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.					
ACT national capital influences	23,004	23,463	23,908	24,363	24,825
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.					
ACT national capital services	0	1181	1204	1227	1250
Funding assists the ACT Government to provide educational, cultural and civil services associated with being the national capital.					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
Education					
Government schools(a)	537,257	689,283	412,926	nfp	nfp
Provides supplementary assistance to State and Territory education authorities for the provision, maintenance and upgrading of school facilities, which can include, amongst other things, land or building purchases, capital works or the provision of equipment.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
Education (continued)					
* Non-government schools(a)	265,665	207,857	210,711	nfp	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.					
Health					
Organ Transplantation Services	220	224	229	233	238
The Australian Government will contribute to certain capital costs associated with transplantation services provided in NSW and SA. Under long-standing arrangements, the Australian Government is committed to reimburse these States for 50 per cent of the agreed capital cost for certain organ and tissue transplantation-related services that are conducted by the Australian Red Cross Blood Service.					
Social Security and Welfare					
Crisis accommodation assistance(a)	40,674	41,155	41,597	nfp	nfp
To provide funds to the States and Territories under the Commonwealth-State Housing Agreement (CSHA) for the acquisition of accommodation for use under the Supported Accommodation Assistance Program.					
Housing and Community Amenities					
Housing assistance for Indigenous people(a)	93,339	94,439	95,458	nfp	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.					
Community housing(a)	65,635	66,409	67,124	nfp	nfp
To develop community housing which provides appropriate and affordable rental accommodation for low to moderate income earners. Funds are provided under the CSHA.					
CSHA Block Assistance/Base Funding(a)	743,871	752,633	760,753	nfp	nfp
The Australian Government, through the CSHA, provides funds to the States and Territories primarily for the provision of public rental housing for low to moderate income households. The States and Territories are required to contribute to housing assistance in amounts as set in the CSHA.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Housing and Community Amenities (continued)</i>					
Social Housing Subsidy Programme	1,995	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 only. Funding to other states and the NT was removed in the 1996-97 Budget, while funding to the ACT ceased in 2004-05.					
* Disaster Mitigation Package	26,003	22,447	27,600	0	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.					
* Additional First Home Owners Scheme	1,317	2,304	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.					
* Bushfire Mitigation Package	5,000	5,000	0	0	0
The Bushfire Mitigation Programme provides partnership funding to the States and Territories for the construction and maintenance of fire trails and associated accessibility measures such as the provision of access gates.					
Fuel and Energy					
* Photovoltaic Rebate Programme	5,000	5,965	0	0	0
To provide rebates to householders and community groups who install photovoltaic equipment to make electricity from sunlight for domestic use.					
Renewable Remote Power Generation	26,655	27,874	26,563	22,784	15,034
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.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
<i>Payment title</i>					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
Agriculture, Forestry and Fishing					
Natural Heritage Trust of Australia - Landcare(g)	0	0	0	0	0
To reverse land degradation and promote sustainable agriculture.					
Natural Heritage Trust of Australia - Rivercare(g)	0	0	0	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
Tasmanian Water Infrastructure	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.					
Transport and Communication					
Auslink(a)(i)	1,260,617	1,776,095	2,289,996	2,514,816	nfp
The Australian Government will contribute funding for the development, construction and maintenance of land transport projects on the National Land Transport Network, some continuing projects off the Network, Black Spot projects and for roads in unincorporated areas.					
Federation Funds Projects - NSWVIC	0	15,000	0	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.					
Other Purposes	380	0	0	0	0
Sinking Fund on State Debt					
Contributions to the Debt Retirement Reserve Trust Account by the Australian Government on behalf of the six States and the NT in accordance with the <i>Financial Agreement Act 1994</i> .					
REPAYMENTS					
Supplementary contributions	134,396	0	0	0	0
Debt Retirement Reserve Trust Account 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.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
Description					
REPAYMENTS					
Payments to Debt Sinking Funds	1,536	0	0	0	0
Debt Retirement Reserve Trust Account 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> .					
Repayments of Australian Government Loans					
ACT debt repayments	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.					
Loan Council - housing nominations	18,677	19,509	20,378	21,287	22,238
Principal repayments by the six States and the NT of advances made to them under the various States (Works and Housing) Assistance Acts.					
Defence					
Housing for servicemen	1,555	1,661	1,776	1,902	2,038
Principal repayments by the States and Territories of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.					
Housing and Community Amenities					
CSHA Loans	64,900	66,156	67,367	69,036	70,577
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.					
Other housing	8,712	8,995	9,318	9,696	10,056
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.					
Urban water supply and treatment	972	1,084	1,207	1,276	1,354
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.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
REPAYMENTS					
Housing and Community Amenities (continued)					
NT - water and sewerage assistance	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.					
Growth centres	94	0	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.					
Captains Flat (Abatement of Pollution) Agreement	10	11	9	5	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.					
Sewerage	5,409	5,867	6,373	6,865	7,407
Repayment of the principal of loans provided under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> to all States and Territories to undertake programmes connected with provision of sewerage facilities with particular objectives of eliminating the backlog of sewerage works.					
Agriculture, Forestry and Fishing					
War Service Land Settlement Scheme	996	1,066	1,069	1,113	877
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.					
Transport and Communication					
Railway projects	573	575	574	570	552
Repayment of the principal of loans provided by the Australian Government to upgrade and standardise railways in mainland Australia.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
<i>Description</i>					
REPAYMENTS					
Other Purposes					
Natural Disaster Relief	3,408	3,408	5,359	15,860	16,486
Repayment by States and Territories of loans made by the Australian Government under the Natural Disaster Relief Arrangements and the repayment of overpaid monies.					
ADVANCES					
Natural Disaster Relief	15,600	100,000	5,000	5,000	5,000
Concessional interest rate loans to the States and Territories in respect of loans made by them to individuals affected by natural disasters.					
INTEREST					
Interest on Loan Council and NT Government Borrowings	684	0	0	0	0
Receipts from the six States and the NT of interest on Australian Government securities outstanding on their behalf.					
Interest on Australian Government Loans	3,605	3,071	2,536	2,002	1,467
Receipts from the ACT of interest on Australian Government loans and on Australian Government securities nominally outstanding on its behalf.					
Housing nominations	66,890	66,055	65,187	64,276	63,326
Interest received from the six States and the NT on outstanding advances made to them under the States (Works and Housing) Assistance Acts.					
Defence					
Housing for servicemen	4,126	4,059	3,987	3,909	3,826
Interest payments by the States and Territories of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.					
Housing and Community Amenities					
CSHA loans	88,862	86,131	83,323	80,444	77,474
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.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
Description					
INTEREST					
Housing and Community Amenities (continued)					
Other housing	13,676	13,277	12,867	12,440	11,997
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.					
Urban water supply and treatment	1,004	949	887	817	740
Payment of interest on loans to SA for water quality improvement via Adelaide and Northern Towns Water Treatment and to WA for salinity mitigation via the Harding River Dam project.					
NT - water and sewerage assistance	616	610	603	596	589
Payment of interest on loans relating to assets transferred from the Australian Government to the NT at the time of self-government in 1978.					
Growth centres	7	0	0	0	0
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.					
Sewerage	6,395	5,977	5,519	5,016	4,462
Payment of interest on loans provided under the <i>Urban and Regional Development (Financial Assistance) Act 1974</i> to all States and Territories to undertake programmes connected with provision of sewerage facilities with particular objectives of eliminating the backlog of sewerage works.					
Captains Flat (Abatement of Pollution) Agreement	4	3	1	0	0
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.					
Agriculture, Forestry and Fishing					
Rural Adjustment Scheme	4	0	0	0	0
Payment of interest on loans under the States Grants (Rural Adjustment) Acts 1976 and 1979 to provide assistance to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

<i>Function</i>	2005-06	2006-07	2007-08	2008-09	2009-10
Payment title					
Description					
INTEREST					
<i>Agriculture, Forestry and Fishing (continued)</i>					
War Service Land Settlement Scheme	234	196	158	118	77
Payment of interest on loans to veterans of WWII or the Korea/Malaya campaigns which were for the purpose of providing working capital funding, paying and effecting improvements and acquiring stock, plant and equipment.					
<i>Transport and Communication</i>					
Railway projects	328	295	263	231	201
Payment of interest on loans provided by the Australian Government to upgrade and standardise railways in mainland Australia.					
<i>Other Purposes</i>					
Natural Disaster Relief	454	922	3,522	3,652	3,782
Interest payable by the States and Territories in respect of loans made by the Australian Government to them under the Natural Disaster Relief Arrangements.					

Table B1: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 to 2009-10 (\$'000) (continued)

* 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 the relevant 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 and Territories each year were previously set out and reported under the *Vocational Education and Training Funding Act 1992*. This Act has since been repealed and funding and reporting arrangements are now set out in the *Skilling Australia's Workforce Act 2005* and subsequent agreements with the States and Territories.
- (c) The Australian Government will invest a total of \$377.9 million in recurrent and capital funding for Australian Technical Colleges over four years. Most of this funding is classified as Australian Government own purpose expenditure.
- (d) The Australian Health Care Agreements expire on 30 June 2008. The estimates for 2005-06 onwards represent the expected Australian Government's maximum funding position subject to changes in wage costs and population profiles. If the States and Territories fail to meet the terms and conditions of the agreements, these amounts may be reduced. This line also includes payments to the States and Territories to improve care for older patients in public hospitals under the COAG Health Services package.
- (e) The Australian Government's funding to the State and Territory governments for the fifth Supported Accommodation Assistance Program Agreement over the period 2005-06 to 2009-10 includes funding for an Innovation and Investment Fund of which \$7.2 million in 2006-07 and \$10.7 million in 2007-08 is to be administered as Australian Government own purpose expenditure.
- (f) Provision of funding is subject to the signing of a five-year bilateral agreement between the Australian Government and each State or Territory government.
- (g) All figures are indicative only.
- (h) Compensation payments to VIC and NSW for company tax paid to the Australian Government by Snowy Hydro Limited will cease following the sale of the company in 2006-07. Refer 2006-07 Budget Paper No. 2, *Snowy Hydro Limited - cost of sale and reduction of tax-equivalent payments to States* for further information.
- (i) An amount of \$30 million will be provided under the Roads to Recovery programme for work on roads in unincorporated areas over the period 2005-06 to 2008-09. Unincorporated areas will also receive the equivalent of an additional year's Roads to Recovery funding allocation in 2005-06 under the *Investing in the nation's infrastructure – improving local roads* Budget measure.

Table B2: 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
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Public Order and Safety</i>									
Legal aid	0	0	0	13,597	13,104	4,904	3,812	3,362	38,779
Film and literature classifications	97	96	97	96	97	95	96	92	766
<i>Public Order and Safety - total</i>	97	96	97	13,693	13,201	4,999	3,908	3,454	39,545
<i>Education</i>									
Government schools	561,963	403,785	342,896	167,790	121,933	46,633	27,892	20,750	1,693,642
*Non-government schools	1,541,283	1,222,708	915,234	467,929	373,568	98,746	94,826	37,884	4,752,178
Skilling Australia's Workforce(a)	402,504	299,639	234,411	121,017	91,005	28,318	20,694	12,586	1,210,174
Targeted programmes - government schools and joint	151,533	92,760	65,885	35,895	34,996	11,418	3,992	8,067	404,546
*Targeted programmes - non-government schools	75,687	59,778	30,915	17,309	16,844	3,361	3,032	2,463	209,389
Indigenous Education Strategic Initiatives									
Programme - government	43,398	8,444	37,035	27,249	10,338	4,650	1,238	28,382	160,734
Australian Technical Colleges(b)	0	6,177	0	0	0	0	0	0	6,177
<i>Education - total</i>	2,776,368	2,093,291	1,626,376	837,189	648,684	193,126	151,674	110,132	8,436,840
<i>Health</i>									
Hepatitis C Settlement Fund	2,800	0	0	190	210	60	210	30	3,500
Health Programme Grants	0	1,141	0	0	0	0	0	684	1,825
Health Care Grants(c)	2,795,799	2,002,707	1,614,989	817,103	697,800	185,309	107,206	103,751	8,324,664
Highly specialised drugs	188,136	140,555	92,293	42,830	39,657	9,750	8,516	5,053	526,790
Youth health services	827	612	430	223	203	62	57	57	2,471
National public health	72,042	55,151	42,924	21,986	17,730	5,791	3,381	3,039	222,044
Essential vaccines	37,871	24,823	21,504	10,341	8,756	2,881	1,773	1,379	109,328
Repatriation general hospitals	3,487	1,990	0	0	1,155	61	0	0	6,693
Supporting Western Sydney - Positron Emission Tomography									
Scanner Westmead	1,000	0	0	0	0	0	0	0	1,000
Royal Darwin Hospital - Equipped, Prepared and Ready	0	0	0	0	0	0	0	20,994	20,994
Organ Transplantation Services	1,369	0	0	0	389	0	0	0	1,758
Organ and Tissue Donation	0	0	0	0	0	0	0	0	0
<i>Health - total</i>	3,103,331	2,226,979	1,772,140	892,673	765,900	203,914	121,143	134,987	9,221,067

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Social Security and Welfare									
Aged care assessment	19,361	13,266	9,307	5,470	5,232	1,475	525	825	55,461
Home and community care	269,010	213,657	178,603	85,745	72,604	22,039	10,238	5,939	857,835
Disabilities services	202,316	136,007	116,385	48,058	68,035	20,543	8,454	6,235	606,033
Children's services	993	986	494	379	7,625	228	61	482	11,248
Supported accommodation assistance	57,508	38,223	29,594	17,624	16,927	7,579	6,038	5,037	178,530
Unaccompanied humanitarian minors	695	796	472	4	229	0	0	0	2,196
Extension of fringe benefits	68,700	49,113	34,293	17,268	19,538	6,275	1,394	957	197,538
Native Title	2,000	0	3,000	2,000	2,000	0	0	2,000	11,000
Young people with disabilities	0	0	0	0	0	0	0	0	0
Assistance to Solomon Island evacuees	0	0	80	0	0	0	0	0	80
Social Security and Welfare - total	620,583	452,048	372,228	176,548	192,190	58,139	26,710	21,475	1,919,921
Housing and Community Amenities									
Assistance for water and sewerage	0	0	0	0	0	0	9,250	0	9,250
Natural Heritage Trust of Australia - Bushcare(d)	4,324	3,492	3,495	5,962	3,129	710	151	695	21,958
Natural Heritage Trust of Australia - Coastcare(d)	704	635	2,108	381	388	0	0	474	4,690
Natural Heritage Trust of Australia - Landcare(d)	2,056	2,455	1,271	555	1,470	113	151	632	8,703
Natural Heritage Trust of Australia - Rivercare(d)	2,439	1,022	2,420	640	194	459	103	388	7,665
National Water Initiative - Living Murray	0	2,484	0	0	0	0	0	0	2,484
Housing and Community Amenities - total	9,523	10,088	9,294	7,538	5,181	1,282	9,655	2,189	54,750
Recreation and Culture									
Melbourne 2006 Commonwealth Games	0	72,900	0	0	0	0	0	0	72,900
Natural Heritage Trust of Australia - Bushcare(d)	1,966	1,587	1,589	2,710	1,422	323	69	316	9,982
Natural Heritage Trust of Australia - Coastcare(d)	320	289	958	173	176	0	0	215	2,131
Natural Heritage Trust of Australia - Landcare(d)	935	1,116	577	252	668	51	69	287	3,955
Natural Heritage Trust of Australia - Rivercare(d)	1,109	464	1,100	291	88	209	47	176	3,484
Strengthening Tasmania	0	0	0	0	0	150	0	0	150
Recreation and Culture - total	4,330	76,356	4,224	3,426	2,354	733	185	994	92,602
Fuel and Energy									
Snowy Hydro Ltd - company tax compensation	33,007	16,503	0	0	0	0	0	0	49,510
Fuel and Energy - total	33,007	16,503	0	0	0	0	0	0	49,510

Table B2: 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
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Agriculture, Forestry and Fishing</i>									
Natural Heritage Trust of Australia - Bushcare(d)	6,815	5,502	5,557	9,395	4,930	1,119	239	1,096	34,653
Natural Heritage Trust of Australia - Coastcare(d)	1,109	1,001	3,321	600	611	0	0	746	7,388
Natural Heritage Trust of Australia - Landcare(d)	3,240	3,868	2,002	874	2,316	178	238	996	13,712
Natural Heritage Trust of Australia - Rivercare(d)	3,845	1,610	3,814	1,008	307	723	163	611	12,081
Exotic Disease Preparedness	195	78	29	22	0	0	0	0	324
Exceptional Circumstances assistance	136,028	62,132	98,799	2,608	3,426	0	0	0	302,993
National Landcare Programme (NLP)	6,620	5,620	6,370	3,725	3,610	1,575	184	1,325	29,029
Regional Assistance	0	0	0	0	0	0	0	0	0
Great Artesian Basin Sustainability Initiative	1,521	0	4,042	0	100	0	0	0	5,663
Skilling Farmers for the Future	0	1,545	2,203	1,198	2,397	756	0	483	8,582
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	16,728	53,923	13,457	1,800	500	500	160,638
Plant Disease and Eradication	0	0	8,996	0	0	0	0	0	8,996
Tasmanian Forests package	0	0	0	0	0	18,000	0	0	18,000
<i>Agriculture, Forestry and Fishing - total</i>	205,251	109,208	164,144	73,353	31,154	24,151	1,324	5,757	614,342
<i>Transport and Communication</i>									
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	296	0	1,671	0	282	0	0	1,251	3,500
<i>Transport and Communication - total</i>	22,429	12,878	6,231	1,906	15,115	240	240	1,491	60,530
<i>Other Purposes</i>									
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									
<i>General Purpose Assistance</i>	374,275	276,955	217,675	110,645	85,178	26,823	17,976	11,136	1,120,663
<i>Untied Local Roads Grants</i>	144,230	102,488	93,143	76,010	27,320	26,344	15,940	11,645	497,120
Compensation - companies regulation	54,412	47,567	26,788	16,489	12,264	3,799	0	2,423	163,742
Natural Disaster Relief	21,000	200	66,000	650	400	540	200	550	89,540

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Other Purposes (continued)</i>									
Royalties	0	0	0	608,196	0	0	0	3,330	611,526
ACT national capital influences	0	0	0	0	0	0	23,004	0	23,004
ACT national capital services	0	0	0	0	0	0	0	0	0
Other Purposes - total	667,916	462,140	428,281	835,591	155,009	79,864	57,120	39,659	2,725,580
TOTAL CURRENT	7,442,835	5,459,587	4,383,015	2,841,917	1,828,788	566,448	371,959	320,138	23,214,687
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
<i>Education</i>									
Government schools	176,952	127,487	108,638	54,611	39,718	14,571	8,489	6,791	537,257
*Non-government schools	86,942	68,405	46,977	25,386	19,788	5,301	5,821	7,045	265,665
Education - total	263,894	195,892	155,615	79,997	59,506	19,872	14,310	13,836	802,922
<i>Health</i>									
Organ Transplantation Services	171	0	0	0	49	0	0	0	220
Health - total	171	0	0	0	49	0	0	0	220
<i>Social Security and Welfare</i>									
Crisis accommodation assistance	13,913	10,161	7,213	3,971	3,285	1,031	676	424	40,674
Social Security and Welfare - total	13,913	10,161	7,213	3,971	3,285	1,031	676	424	40,674
<i>Housing and Community Amenities</i>									
Housing assistance for Indigenous people	18,233	3,733	25,865	16,269	8,555	732	0	19,952	93,339
Community housing	22,456	16,394	11,634	6,409	5,302	1,664	1,090	686	65,635
CSHA Block Assistance/Base Funding	248,973	181,742	128,995	71,050	58,781	22,734	17,601	13,995	743,871
Social Housing Subsidy Programme	1,995	0	0	0	0	0	0	0	1,995
*Disaster Mitigation Package	5,847	1,535	7,651	1,108	8,612	715	535	0	26,003
*Additional First Home Owners Scheme	1,163	0	0	0	0	154	0	0	1,317
*Bushfire Mitigation Package	1,665	974	805	728	459	166	203	0	5,000
Housing and Community Amenities - total	300,332	204,378	174,950	95,564	81,709	26,165	19,429	34,633	937,160
<i>Fuel and Energy</i>									
*Photovoltaic Rebate Programme	1,381	902	800	197	1,596	106	0	18	5,000
Renewable Remote Power Generation	0	0	9,393	9,638	166	710	0	6,748	26,655
Fuel and Energy - total	1,381	902	10,193	9,835	1,762	816	0	6,766	31,655

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
Agriculture, Forestry and Fishing									
Natural Heritage Trust of Australia - Landcare(d)	0	0	0	0	0	0	0	0	0
Natural Heritage Trust of Australia - Rivercare(d)	0	0	0	0	0	0	0	0	0
Tasmanian Water Infrastructure	0	0	0	0	0	2,100	0	0	2,100
Agriculture, Forestry and Fishing - total	0	0	0	0	0	2,100	0	0	2,100
Transport and Communication									
Auslink(e)	460,442	266,474	301,423	97,052	73,886	27,396	1,042	32,902	1,260,617
Federation Fund Projects - NSW/VIC	0	0	0	0	0	0	0	0	0
Transport and Communication - total	460,442	266,474	301,423	97,052	73,886	27,396	1,042	32,902	1,260,617
Other Purposes									
Sinking Fund on State Debt	271	5	0	0	84	20	0	0	380
Other Purposes - total	271	5	0	0	84	20	0	0	380
TOTAL CAPITAL	1,040,404	677,812	649,394	286,419	220,281	77,400	35,457	88,561	3,075,728
REPAYMENTS									
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
Total	96,932	1,740	0	0	30,081	7,179	0	0	135,932
Repayments of Australian Government Loans									
ACT Debt Repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - Housing Nominations	5,787	0	2,286	3,684	3,446	1,552	0	1,922	18,677
Repayments of Australian Government Loans - total	5,787	0	2,286	3,684	3,446	1,552	4,647	1,922	23,324
Defence									
Housing for servicemen	850	0	520	164	21	0	0	0	1,555
Defence - total	850	0	520	164	21	0	0	0	1,555
Housing and Community Amenities									
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	972	0	0	0	972

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
REPAYMENTS									
<i>Housing and Community Amenities (continued)</i>									
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	4,428	0	975	6	0	0	0	0	5,409
Housing and Community Amenities - total	37,216	0	9,756	8,489	11,429	3,962	6,389	2,992	80,233
<i>Agriculture, Forestry and Fishing</i>									
War Service Land Settlement Scheme	479	509	0	0	0	8	0	0	996
Agriculture, Forestry and Fishing - total	479	509	0	0	0	8	0	0	996
<i>Transport and Communication</i>									
Railway projects	96	96	0	381	0	0	0	0	573
Transport and Communication - total	96	96	0	381	0	0	0	0	573
<i>Other Purposes</i>									
Natural Disaster Relief	1,309	0	1,770	0	0	0	0	329	3,408
Other Purposes - total	1,309	0	1,770	0	0	0	0	329	3,408
TOTAL REPAYMENTS	142,669	2,345	14,332	12,718	44,977	12,701	11,036	5,243	246,021
ADVANCES									
<i>Other Purposes</i>									
Natural Disaster Relief	1,500	0	13,600	0	0	0	0	500	15,600
Other Purposes - total	1,500	0	13,600	0	0	0	0	500	15,600
TOTAL ADVANCES	1,500	0	13,600	0	0	0	0	500	15,600
INTEREST									
Interest on Loan Council and NT Government borrowings	528	54	0	0	82	20	0	0	684
Total	528	54	0	0	82	20	0	0	684
<i>Interest on Australian Government Loans</i>									
ACT Government debt	0	0	0	0	0	0	3,605	0	3,605
Housing nominations	20,938	0	7,542	12,908	12,662	5,559	0	7,281	66,890
Interest on Australian Government Loans - total	20,938	0	7,542	12,908	12,662	5,559	3,605	7,281	70,495
<i>Defence</i>									
Housing for servicemen	2,390	0	1,356	279	101	0	0	0	4,126
Defence - total	2,390	0	1,356	279	101	0	0	0	4,126

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	INTEREST								
Housing and Community Amenities									
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	9,859	3,817	13,676
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
Captains Flat (Abatement of Pollution) Agreement	4	0	0	0	0	0	0	0	4
Housing and Community Amenities - total	46,640	0	12,872	11,069	18,585	5,656	9,859	5,883	110,564
Agriculture, Forestry and Fishing									
Rural Adjustment Scheme	4	0	0	0	0	0	0	0	4
War Service Land Settlement Scheme	114	119	0	0	0	1	0	0	234
Agriculture, Forestry and Fishing - total	118	119	0	0	0	1	0	0	238
Transport and Communication									
Railway projects	29	29	0	270	0	0	0	0	328
Transport and Communication - total	29	29	0	270	0	0	0	0	328
Other Purposes									
Natural Disaster Relief	229	0	206	0	0	0	0	19	454
Other Purposes - total	229	0	206	0	0	0	0	19	454
TOTAL INTEREST	70,872	202	21,976	24,526	31,430	11,236	13,464	13,183	186,889

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2005-06 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments	8,483,239	6,137,399	5,032,409	3,128,336	2,049,069	643,848	407,416	408,699	26,290,415
Total 'To'	6,250,766	4,403,654	3,719,209	2,429,024	1,506,704	482,132	269,083	338,508	19,399,080
Total 'Through'	2,232,473	1,733,745	1,313,200	699,312	542,365	161,716	138,333	70,191	6,891,335

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

- (a) The arrangements for the allocation of funds to the States and Territories each year were previously set out and reported under the *Vocational Education and Training Funding Act 1992*. This Act has since been repealed and funding and reporting arrangements are now set out in the *Skilling Australia's Workforce Act 2005* and subsequent agreements with the States and Territories.
- (b) The Australian Government will invest a total of \$377.9 million in recurrent and capital funding for Australian Technical Colleges over four years. Most of this funding is classified as Australian Government own purpose expenditure.
- (c) The Australian Health Care Agreements expire on 30 June 2008. The estimates for 2005-06 onwards represent the expected Australian Government's maximum funding position subject to changes in wage costs and population profiles. If the States and Territories fail to meet the terms and conditions of the agreements, these amounts may be reduced. This line also includes payments to the States and Territories to improve care for older patients in public hospitals under the COAG Health Services package.
- (d) All figures are indicative only.
- (e) An amount of \$30 million will be provided under the Roads to Recovery programme for work on roads in unincorporated areas over the period 2005-06 to 2008-09. Unincorporated areas will also receive the equivalent of an additional year's Roads to Recovery funding allocation in 2005-06 under the *Investing in the nation's infrastructure – improving local roads* Budget measure.

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Public Order and Safety									
Legal aid	0	0	0	13,862	13,360	4,999	3,887	3,429	39,537
Film and literature classifications	104	102	104	102	104	101	102	98	817
Public Order and Safety - total	104	102	104	13,964	13,464	5,100	3,989	3,527	40,354
Education									
Government schools	609,138	437,510	371,462	181,819	132,087	50,534	30,270	22,466	1,835,286
*Non-government schools	1,681,015	1,329,995	1,019,838	512,837	410,167	107,742	104,255	41,605	5,207,454
Skilling Australia's Workforce(a)	412,348	306,969	240,145	123,978	93,231	29,011	21,200	12,894	1,239,776
Targeted programmes - government schools and joint	161,796	99,256	69,833	38,174	37,506	12,053	4,290	8,559	431,467
*Targeted programmes - non-government schools	80,670	63,700	32,979	18,472	17,940	3,590	3,217	2,615	223,183
Indigenous Education Strategic Initiatives									
Programme - government	27,352	5,837	24,731	18,605	7,171	3,040	901	23,643	111,280
Australian Technical Colleges(b)	0	5,805	0	0	0	0	0	0	5,805
Education - total	2,972,319	2,249,072	1,758,988	893,885	698,102	205,970	164,133	111,792	9,054,251
Health									
Hepatitis C Settlement Fund	2,700	0	0	190	210	75	310	130	3,615
Health Programme Grants	0	1,160	0	0	0	0	0	0	1,160
Health Care Grants(c)	2,939,974	2,133,917	1,705,188	870,968	740,871	195,402	115,887	110,845	8,813,052
Highly Specialised Drugs	207,292	154,667	101,664	47,098	43,668	10,706	9,343	5,586	580,024
Youth health services	840	621	439	226	205	63	58	58	2,510
National public health	78,810	56,237	43,667	23,343	19,008	6,210	3,776	3,396	234,447
Essential vaccines	41,361	25,853	23,033	11,727	8,646	3,076	1,957	1,451	117,104
Repatriation general hospitals	3,479	100	0	0	1,154	150	0	0	4,883
Supporting Western Sydney - Positron Emission Tomography									
Scanner Westmead	1,100	0	0	0	0	0	0	0	1,100
Royal Darwin Hospital - Equipped, Prepared and Ready	0	0	0	0	0	0	0	13,184	13,184
Organ Transplantation Services	1,398	0	0	0	397	0	0	0	1,795
Organ and Tissue Donation(d)	nfp	nfp	nfp	nfp	nfp	nfp	nfp	nfp	1,350
Health - total(e)	3,276,954	2,372,555	1,873,991	953,552	814,159	215,682	131,331	134,650	9,774,224

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Social Security and Welfare									
Aged care assessment	21,455	15,627	10,056	6,532	6,115	2,695	849	1,506	64,835
Home and community care	291,650	226,552	197,567	93,224	77,862	23,891	11,223	6,432	928,401
Disabilities services	205,902	139,232	118,371	49,659	67,755	20,922	8,628	6,439	616,908
Children's services	1,005	1,001	501	384	7,738	231	62	489	11,411
Supported Accommodation Assistance(f)	58,773	35,721	28,914	17,330	16,300	7,446	5,873	4,899	175,256
Unaccompanied humanitarian minors	716	820	486	4	227	0	0	0	2,253
Extension of fringe benefits	70,194	50,181	35,039	17,644	19,963	6,411	1,425	977	201,834
Native Title	2,000	0	3,000	2,000	2,000	0	0	2,000	11,000
Young people with disabilities	1331	988	783	397	302	95	64	40	4,000
Assistance to Solomon Island evacuees	0	0	0	0	0	0	0	0	0
Social Security and Welfare - total	653,026	470,122	394,717	187,174	198,262	61,691	28,124	22,782	2,015,898
Housing and Community Amenities									
Assistance for water and sewerage	0	0	0	0	0	0	9,435	0	9,435
Natural Heritage Trust - Bushcare(g)	3,390	2,606	3,209	2,567	1,765	802	151	802	15,292
Natural Heritage Trust of Australia - Coastcare(g)	1,296	997	1,227	982	675	307	0	307	5,791
Natural Heritage Trust of Australia - Landcare(g)	2,592	1,993	2,454	1,963	1,350	613	151	613	11,729
Natural Heritage Trust of Australia - Rivercare(g)	2,692	2,070	2,548	2,039	1,402	637	103	637	12,128
National Water Initiative - Living Murray	31,497	21,932	0	0	1,797	0	0	0	55,226
Housing and Community Amenities - total	41,467	29,598	9,438	7,551	6,989	2,359	9,840	2,359	109,601
Recreation and Culture									
Melbourne 2006 Commonwealth Games	0	0	0	0	0	0	0	0	0
Natural Heritage Trust of Australia - Bushcare(g)	1,541	1,185	1,459	1,167	802	365	69	365	6,953
Natural Heritage Trust of Australia - Coastcare(g)	589	453	558	446	307	139	0	139	2,631
Natural Heritage Trust of Australia - Landcare(g)	1,178	906	1,115	892	613	278	69	279	5,330
Natural Heritage Trust of Australia - Rivercare(g)	1,224	941	1,158	927	637	290	47	290	5,514
Strengthening Tasmania	0	0	0	0	0	50	0	0	50
Recreation and Culture - total	4,532	3,485	4,290	3,432	2,359	1,122	185	1,073	20,478

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Fuel and Energy	0	0	0	0	0	0	0	0	0
Snowy Hydro Ltd - company tax compensation(h)									
Fuel and Energy - total	0	0	0	0	0	0	0	0	0
Agriculture, Forestry and Fishing									
Natural Heritage Trust of Australia - Bushcare(g)	5,341	4,107	5,057	4,045	2,781	1,264	239	1,264	24,098
Natural Heritage Trust of Australia - Coastcare(g)	2,042	1,570	1,933	1,547	1,063	484	0	483	9,122
Natural Heritage Trust of Australia - Landcare(g)	4,084	3,141	3,867	3,093	2,127	967	238	967	18,484
Natural Heritage Trust of Australia - Rivercare(g)	4,241	3,261	4,015	3,212	2,208	1,004	163	1,004	19,108
Exotic Disease Preparedness	78	55	55	55	34	34	34	34	379
Exceptional Circumstances assistance	26,478	41,687	30,211	609	1,928	0	0	0	100,913
National Landcare Programme (NLP)	6,100	4,791	5,041	4,035	2,775	1,262	131	1,140	25,275
Regional Assistance	989	0	0	0	0	0	0	0	989
Great Artesian Basin Sustainability Initiative	4,733	0	4,727	756	0	0	0	0	10,216
Skilling Farmers for the Future	5,020	1,800	2,603	1,197	1,980	450	0	300	13,350
Eradication of Red Imported Fire Ant	0	0	5,137	0	0	0	0	0	5,137
National Action Plan for Salinity and Water Quality	37,881	22,499	10,498	41,753	13,366	1,797	503	500	128,797
Plant Disease and Eradication	0	0	724	0	0	0	0	0	724
Tasmanian Forests package	0	0	0	0	0	18,000	0	0	18,000
Agriculture, Forestry and Fishing - total	96,987	82,911	73,868	60,302	28,262	25,262	1,308	5,692	374,592
Transport and Communication									
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	13,000	0	0	0	13,000
Petroleum Products Freight Subsidy Scheme	50	0	300	50	50	0	0	300	750
Transport and Communication - total	22,183	12,878	4,860	1,956	18,883	240	240	540	61,780

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Other Purposes	0	0	0	0	0	0	0	0	0
Debt Redemption Assistance									
*Financial Assistance Grants for local government									
<i>General Purpose Assistance</i>	386,256	286,634	227,139	115,043	87,801	27,628	18,526	11,631	1,160,658
<i>Unified Local Roads Grants</i>	149,467	106,209	96,523	78,770	28,311	27,300	16,519	12,068	515,167
Compensation - companies regulation	55,990	48,947	27,565	16,967	12,620	3,909	0	2,494	168,492
Natural Disaster Relief	20,000	540	55,000	8,000	0	0	0	6,000	89,540
Royalties	0	0	0	704,160	0	0	0	3,668	707,828
ACT national capital influences	0	0	0	0	0	0	23,463	0	23,463
ACT national capital services	0	0	0	0	0	0	1,181	0	1,181
Other Purposes - total	611,713	442,330	406,227	922,940	128,732	58,837	59,689	35,861	2,666,329
TOTAL CURRENT(e)	7,679,285	5,663,053	4,526,483	3,044,756	1,909,212	576,263	398,839	318,266	24,117,507
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
Education									
Government schools	226,660	163,405	139,997	69,971	50,958	18,717	10,854	8,721	689,283
*Non-government schools	67,634	53,251	36,499	19,730	15,382	4,158	4,537	6,666	207,857
Education - total	294,294	216,656	176,496	89,701	66,340	22,875	15,391	15,387	897,140
Health									
Organ Transplantation Services	174	0	0	0	50	0	0	0	224
Health - total	174	0	0	0	50	0	0	0	224
Social Security and Welfare									
Crisis accommodation assistance	14,085	10,278	7,296	4,018	3,321	1,043	683	431	41,155
Social Security and Welfare - total	14,085	10,278	7,296	4,018	3,321	1,043	683	431	41,155
Housing and Community Amenities									
Housing assistance for indigenous people	18,447	3,779	26,163	16,459	8,657	750	0	20,184	94,439
Community housing	22,719	16,587	11,773	6,484	5,367	1,683	1,103	693	66,409
CSHA Block Assistance/Base Funding	251,833	183,831	130,475	71,867	59,457	23,053	17,878	14,239	752,633
Social Housing Subsidy Programme	1,995	0	0	0	0	0	0	0	1,995
*Disaster Mitigation Package	6,559	2,043	6,755	1,970	2,100	1,256	834	930	22,447
*Additional First Home Owners Scheme	0	2,304	0	0	0	0	0	0	2,304
*Bushfire Mitigation Package	1,370	965	965	550	425	275	200	250	5,000
Housing and Community Amenities - total	302,923	209,509	176,131	97,330	76,006	27,017	20,015	36,296	945,227

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
Fuel and Energy									
* Photovoltaic Rebate Programme	1,531	1,208	1,026	235	1,749	196	0	20	5,965
Renewable Remote Power Generation	353	0	116	17,224	441	1,808	0	7,932	27,874
Fuel and Energy - total	1,884	1,208	1,142	17,459	2,190	2,004	0	7,952	33,839
Agriculture, Forestry and Fishing									
Natural Heritage Trust of Australia - Landcare(g)	0	0	0	0	0	0	0	0	0
Natural Heritage Trust of Australia - Rivercare(g)	0	0	0	0	0	0	0	0	0
Tasmanian Water Infrastructure	0	0	0	0	0	1,100	0	0	1,100
Agriculture, Forestry and Fishing - total	0	0	0	0	0	1,100	0	0	1,100
Transport and Communication									
Auslink(i)	673,467	308,778	431,988	169,972	105,760	45,016	1,142	39,972	1,776,095
Federation Fund Projects - NSW/VIC	0	15,000	0	0	0	0	0	0	15,000
Transport and Communication - total	673,467	323,778	431,988	169,972	105,760	45,016	1,142	39,972	1,791,095
Other Purposes									
Sinking Fund on State Debt	0	0	0	0	0	0	0	0	0
Other Purposes - total	0	0	0	0	0	0	0	0	0
TOTAL CAPITAL	1,286,827	761,429	793,053	378,480	253,667	99,055	37,231	100,038	3,709,780
REPAYMENTS									
Supplementary contributions	0	0	0	0	0	0	0	0	0
Payments to Debt Sinking Funds	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0
Repayments of Australian Government Loans									
ACT debt repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - housing nominations	6,047	0	2,381	3,850	3,601	1,621	0	2,009	19,509
Repayments of Australian Government Loans - total	6,047	0	2,381	3,850	3,601	1,621	4,647	2,009	24,156

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

<i>Function</i> Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
REPAYMENTS									
<i>Defence</i>									
Housing for servicemen	910	0	553	174	24	0	0	0	1,661
Defence - total	910	0	553	174	24	0	0	0	1,661
<i>Housing and Community Amenities</i>									
CSHA loans	33,077	0	8,855	8,620	10,916	4,131	0	557	66,156
Other housing	0	0	0	0	0	0	6,561	2,434	8,995
Urban water supply and treatment	0	0	0	0	1,084	0	0	0	1,084
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Growth centres	0	0	0	0	0	0	0	0	0
Captains Flat (Abatement of Pollution) Agreement	11	0	0	0	0	0	0	0	11
Sewerage	4,791	0	1,070	6	0	0	0	0	5,867
Housing and Community Amenities - total	37,879	0	9,925	8,626	12,000	4,131	6,561	3,127	82,249
<i>Agriculture, Forestry and Fishing</i>									
War Service Land Settlement Scheme	497	528	0	0	27	14	0	0	1,066
Agriculture, Forestry and Fishing - total	497	528	0	0	27	14	0	0	1,066
<i>Transport and Communication</i>									
Railway projects	96	96	0	383	0	0	0	0	575
Transport and Communication - total	96	96	0	383	0	0	0	0	575
<i>Other Purposes</i>									
Natural Disaster Relief	1,309	0	1,770	0	0	0	0	329	3,408
Other Purposes - total	1,309	0	1,770	0	0	0	0	329	3,408
TOTAL REPAYMENTS	46,738	624	14,629	13,033	15,652	5,766	11,208	5,465	113,115
ADVANCES									
<i>Other Purposes</i>									
Natural Disaster Relief	1,000	0	98,500	0	0	0	0	500	100,000
Other Purposes - total	1,000	0	98,500	0	0	0	0	500	100,000
TOTAL ADVANCES	1,000	0	98,500	0	0	0	0	500	100,000
INTEREST									
Interest on Loan Council and NT Government borrowings	0	0	0	0	0	0	0	0	0
Total	0	0	0	0	0	0	0	0	0

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
INTEREST									
Interest on Australian Government Loans									
ACT Government debt	0	0	0	0	0	0	3,071	0	3,071
Housing nominations	20,678	0	7,446	12,741	12,507	5,489	0	7,194	66,055
Interest on Australian Government Loans - total	20,678	0	7,446	12,741	12,507	5,489	3,071	7,194	69,126
Defence									
Housing for servicemen	2,353	0	1,334	272	100	0	0	0	4,059
Defence - total	2,353	0	1,334	272	100	0	0	0	4,059
Housing and Community Amenities									
CSHA loans	40,194	0	11,194	10,709	17,121	5,487	0	1,426	86,131
Other housing	0	0	0	0	0	0	9,571	3,706	13,277
Urban water supply and treatment	0	0	0	0	949	0	0	0	949
NT - water and sewerage assistance	0	0	0	0	0	0	0	610	610
Growth centres	0	0	0	0	0	0	0	0	0
Sewerage	4,741	0	1,229	7	0	0	0	0	5,977
Captains Flat (Abatement of Pollution) Agreement	3	0	0	0	0	0	0	0	3
Housing and Community Amenities - total	44,938	0	12,423	10,716	18,070	5,487	9,571	5,742	106,947
Agriculture, Forestry and Fishing									
Rural Adjustment Scheme	0	0	0	0	0	0	0	0	0
War Service Land Settlement Scheme	96	100	0	0	0	0	0	0	196
Agriculture, Forestry and Fishing - total	96	100	0	0	0	0	0	0	196
Transport and Communication									
Railway projects	24	24	0	247	0	0	0	0	295
Transport and Communication - total	24	24	0	247	0	0	0	0	295
Other Purposes									
Natural Disaster Relief	268	0	622	0	0	0	0	32	922
Other Purposes - total	268	0	622	0	0	0	0	32	922
TOTAL INTEREST	68,357	124	21,825	23,976	30,677	10,976	12,642	12,968	181,545

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2006-07 (\$'000) (continued)

Function Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments(e)	8,966,112	6,424,482	5,319,536	3,423,236	2,162,879	675,318	436,070	418,304	27,827,287
Total 'To(e)	6,591,610	4,578,173	3,897,812	2,675,629	1,586,004	503,173	287,982	342,519	20,464,252
Total 'Through'	2,374,502	1,846,309	1,421,724	747,607	576,875	172,145	148,088	75,785	7,363,035

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

- (a) The arrangements for the allocation of funds to the States and Territories each year were previously set out and reported under the *Vocational Education and Training Funding Act 1992*. This Act has since been repealed and funding and reporting arrangements are now set out in the *Skilling Australia's Workforce Act 2005* and subsequent agreements with the States and Territories.
- (b) The Australian Government will invest a total of \$377.9 million in recurrent and capital funding for Australian Technical Colleges over four years. Most of this funding is classified as Australian Government own purpose expenditure.
- (c) The Australian Health Care Agreements expire on 30 June 2008. The estimates for 2005-06 onwards represent the expected Australian Government's maximum funding position subject to changes in wage costs and population profiles. If the States and Territories fail to meet the terms and conditions of the agreements, these amounts may be reduced. This line also includes payments to the States and Territories to improve care for older patients in public hospitals under the COAG Health Services package.
- (d) Provision has been made for funding in the forward estimates. However, agreements with the States and Territories have not been negotiated and therefore the amounts payable under the agreements cannot be specifically identified.
- (e) Totals for each State and Territory exclude estimates for the new Organ and Tissue Donation programme (refer footnote (d)). However, totals for all States and Territories include funding for this programme.
- (f) The Australian Government's funding to the State and Territory governments for the fifth Supported Accommodation Assistance Program Agreement over the period 2005-06 to 2009-10 includes funding for an Innovation and Investment Fund of which \$7.2 million in 2006-07 and \$10.7 million in 2007-08 is to be administered as Australian Government own purpose expenditure.
- (g) All figures are indicative only.
- (h) Compensation payments to VIC and NSW for company tax paid to the Australian Government by Snowy Hydro Limited will cease following the sale of the company in 2006-07. Refer 2006-07 Budget Paper No. 2, *Snowy Hydro Limited - cost of sale and reduction of tax-equivalent payments to States* for further information.
- (i) An amount of \$30 million will be provided under the Roads to Recovery programme for work on roads in unincorporated areas over the period 2005-06 to 2008-09. Unincorporated areas will also receive the equivalent of an additional year's Roads to Recovery funding allocation in 2005-06 under the *Investing in the nation's infrastructure - improving local roads* Budget measure.

Table B4: Estimated Specific Purpose Payments direct to local government authorities, 2005-06 to 2009-10 (\$'000)

Payment title	2005-06	2006-07	2007-08	2008-09	2009-10
Description					
DIRECT PAYMENTS - CURRENT					
Disability services	1,457	1,489	1,527	1,556	1,599
Payments to local government authorities in order to provide services for people with disabilities.					
Children's services(a)	58,667	58,832	61,741	63,952	64,979
Funds are provided to ensure access to affordable quality childcare in programmes administered by local governments on behalf of the Australian Government.					
AusLink - Roads to Recovery	307,624	404,651	483,800	412,526	0
The Roads to Recovery programme operates from 2005-06 to 2008-09 under AusLink, the national land transport plan. An amount of \$300 million a year will be made available to local councils for upgrading and maintenance works on local roads. Local governments will also receive the equivalent of an additional year's Roads to Recovery funding allocation in 2005-06 under the <i>Investing in the nation's infrastructure - improving local roads</i> Budget measure. A further \$220 million over four years will be allocated for land transport infrastructure off the AusLink network of strategic regional importance to be administered by both local and some State governments.					
Weipa Structural Adjustment Package	2,200	2,200	2,200	0	0
This payment is to compensate for the loss of the diesel fuel rebate when responsibility for Weipa's electricity generation transfers from Comalco Ltd.					
Regulation Reduction Incentive Fund	22,335	20,347	0	0	0
A competitive grants programme to encourage local governments to reduce regulatory complexity and compliance requirements for home-based businesses.					
Strengthening Tasmania	3,225	7,920	750	0	0
Funding for projects to enhance infrastructure, community facilities and services in TAS.					
TOTAL CURRENT	395,508	495,439	550,018	478,034	66,578

Table B4: Estimated Specific Purpose Payments direct to local government authorities, 2005-06 to 2009-10 (\$'000)(continued)

Payment title Description	2005-06	2006-07	2007-08	2008-09	2009-10
DIRECT PAYMENTS - CAPITAL					
Bert Hinkler Hall of Aviation	0	1,450	0	0	0
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.					
Development of Sewerage Schemes for Boat Harbour Beach and Sisters Beach	108	200	0	0	0
To support the establishment of environmentally sustainable sewerage treatment facilities at Sisters Beach and Boat Harbour communities, TAS.					
South Australian State Aquatic Centre	15,000	0	0	0	0
Contribution to assist in the establishment of the South Australian State Aquatic Centre in Marion, SA.					
TOTAL CAPITAL	15,108	1,650	0	0	0
TOTAL DIRECT PAYMENTS	410,616	497,089	550,018	478,034	66,578

(a) The Children's 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, 2005-06 (\$'000)

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Disability services	191	593	673	0	0	0	0	0	1,457
Children's services(a)	19,340	19,794	8,361	2,812	1,208	2,366	0	4,786	58,667
Auslink - Roads to Recovery	85,510	68,160	63,498	45,228	25,000	10,000	5,000	5,228	307,624
Weipa Structural Adjustment Package	0	0	2,200	0	0	0	0	0	2,200
Regulation Reduction Incentive Fund	3,994	3,449	10,844	637	1,886	0	1,326	199	22,335
Strengthening Tasmania	0	0	0	0	0	3,225	0	0	3,225
TOTAL CURRENT	109,035	91,996	85,576	48,677	28,094	15,591	6,326	10,213	395,508
DIRECT PAYMENTS - CAPITAL									
Bert Hinkler Hall of Aviation	0	0	0	0	0	0	0	0	0
Development of Sewerage Schemes for Boat Harbour	0	0	0	0	0	108	0	0	108
Beach and Sisters Beach	0	0	0	0	15,000	0	0	0	15,000
South Australian State Aquatic Centre	0	0	0	0	15,000	0	0	0	15,000
TOTAL CAPITAL	0	0	0	0	15,000	108	0	0	15,108
TOTAL DIRECT PAYMENTS	109,035	91,996	85,576	48,677	43,094	15,699	6,326	10,213	410,616

(a) The Children's 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, 2006-07 (\$'000)

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Disability services	194	607	688	0	0	0	0	0	1,489
Children's services(a)	19,395	19,849	8,385	2,819	1,212	2,373	0	4,799	58,832
Auslink - Roads to Recovery	123,550	83,125	80,925	58,531	31,250	12,500	6,250	8,520	404,651
Weipa Structural Adjustment Package	0	0	2,200	0	0	0	0	0	2,200
Regulation Reduction Incentive Fund	3,638	3,142	9,880	580	1,718	0	1,208	181	20,347
Strengthening Tasmania	0	0	0	0	0	7,920	0	0	7,920
TOTAL CURRENT	146,777	106,723	102,078	61,930	34,180	22,793	7,458	13,500	495,439
DIRECT PAYMENTS - CAPITAL									
Bert Hinkler Hall of Aviation	0	0	1,450	0	0	0	0	0	1,450
Development of Sewerage Schemes for Boat	0	0	0	0	0	200	0	0	200
Harbour Beach and Sisters Beach	0	0	0	0	0	0	0	0	0
South Australian State Aquatic Centre	0	0	0	0	0	0	0	0	0
TOTAL CAPITAL	0	0	1,450	0	0	200	0	0	1,650
TOTAL DIRECT PAYMENTS	146,777	106,723	103,528	61,930	34,180	22,993	7,458	13,500	497,089

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

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
2005-06	6,807	5,053	4,002	2,029	1,547	487	326	205	20,456
2006-07	6,866	5,109	4,084	2,063	1,555	489	329	209	20,704

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
2005-06	2 3/4	1 1/4	4
2006-07	3	1 1/4	4 1/4

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

The population parameters in 2005-06 and 2006-07 are based on the estimated annual growth in the Australian population to 31 December 2005 and 31 December 2006 respectively.

Some data presented in this paper are drawn from the Commonwealth Grants Commission *Report on State Revenue Sharing Relativities 2006 Update*, 2005-06 State mid-year budget updates and 2006-07 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)

