

2004-05 BUDGET PAPER No. 3

**FEDERAL
FINANCIAL RELATIONS
2004-05**

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 2004-05
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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 2004-05, while the forward years refer to 2005-06, 2006-07 and 2007-08.

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

- From 2004-05 onwards, every State and Territory (the States) will receive more revenue from the GST than they would have under the previous system of Financial Assistance Grants and the state taxes that were abolished by *The New Tax System*. In 2004-05, the States will be better off by a total of \$1.6 billion due to the Australian Government's tax reforms. From 2004-05 onwards, no State will require Budget Balancing Assistance.
- After only four years since the introduction of the GST, tax reform has delivered to the States a secure, growing and broad-based revenue source that has more than replaced various narrow and inefficient state taxes. The States now have the ability to deliver better services on a sustainable long term basis.
- In 2004-05, the States will receive GST revenue totalling an estimated \$34.5 billion (Chart 1). This amount will be distributed among the States in accordance with recommendations of the Commonwealth Grants Commission set out in its *Report on State Revenue Sharing Relativities 2004 Review* of 25 February 2004.
- The Australian Government and the States have agreed to abolish bank account debits tax by 1 July 2005 and to review the need to retain certain state business stamp duties. As GST revenue grows, it can fund these tax reductions.
- In addition, the Australian Government will provide the States with Specific Purpose Payments (SPPs) and National Competition Policy Payments totalling an estimated \$25.4 billion in 2004-05. Specific Purpose Payments comprise the overwhelming majority of these funds (Chart 2).
- Fiscal developments in the States indicate most States are expected to record small general government fiscal deficits in 2004-05, partly reflecting the expected downturn in revenue from property-related taxes, and higher expenses. By 2006-07, all States forecast an increase in their fiscal balances, with most expected to achieve small surpluses. Most States are also set to continue the trend of reducing non-financial public sector net debt. An increasing number of States are forecasting a net financial asset position in their general government sector by 2006-07.

Chart 1: GST revenue provision to the States in 2004-05 (estimated)

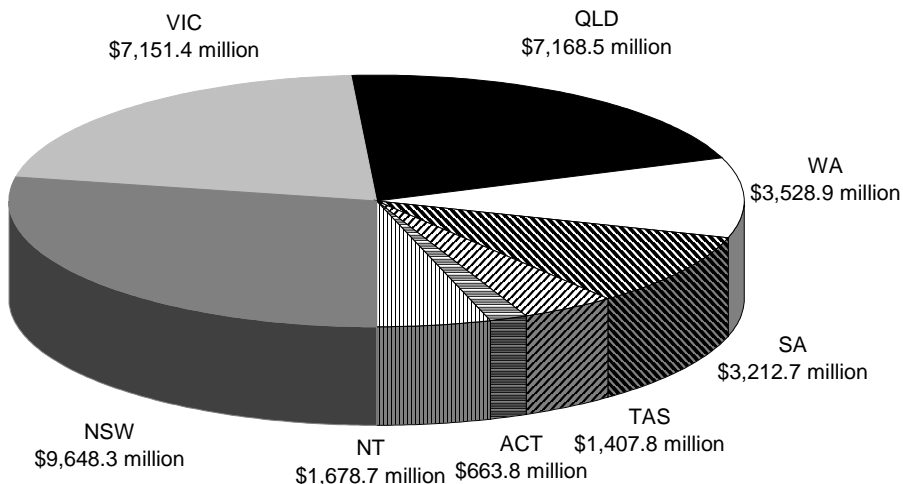
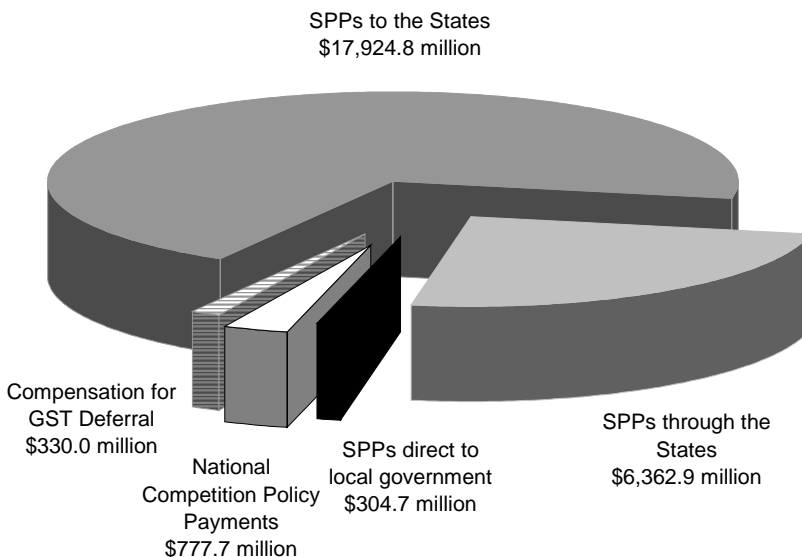


Chart 2: Australian Government payments to the state/local sector in 2004-05 (estimated)



Note: Specific Purpose Payments 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 revenue and payments totalling an estimated \$57.0 billion in 2003-04 (Table 1) and \$60.2 billion in 2004-05 (Table 2).

All GST revenue is paid to the States under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*. The GST revenue pool is distributed to the States on the basis of recommendations by the Commonwealth Grants Commission (CGC). The CGC's recommendations are based on the principles of Horizontal Fiscal Equalisation.

From 2004-05 onwards, all States will fully benefit from tax reform, with GST revenues for each State and Territory in excess of what they would have received from Australian Government Financial Assistance Grants and their own inefficient taxes abolished under tax reform.

Since tax reform commenced on 1 July 2000, the Australian Government has been paying Budget Balancing Assistance to the States to cover any difference between GST revenue and a State's Guaranteed Minimum Amount. This has ensured that no State is worse off after the changes made to Commonwealth-State financial relations as part of the Australian Government's *New Tax System*. From 2004-05 onwards, Budget Balancing Assistance will no longer be required as each State and Territory will receive an amount in excess of its entitlement had the old system continued.

The Australian Government also provides the States with National Competition Policy Payments to implement National Competition Policy and related reforms, as well as Specific Purpose Payments, including Financial Assistance Grants to local government, to contribute towards the costs of state and local government responsibilities.

Other features of Commonwealth-State financial relations include the First Home Owners Scheme and mirror tax arrangements.

Table 1: GST revenue provision and total Australian Government payments to the state/local sector in 2003-04 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
(1) Provision of GST revenue to the States(a)	9,690.5	6,973.6	6,574.9	3,159.8	3,154.3	1,399.0	660.7	1,684.2	33,297.0
(2) Budget Balancing Assistance	46.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	46.0
(3) National Competition Policy Payments	203.5	178.7	87.9	33.6	40.7	17.2	11.0	5.9	578.5
(4) Total Specific Purpose Payments (4.1)+(4.2)+(4.3)	7,731.6	5,401.5	4,327.7	2,540.5	1,803.5	569.0	400.6	342.4	23,116.9
(4.1) Specific Purpose Payments to the States	5,658.0	3,810.0	3,145.2	1,882.3	1,327.0	417.2	274.6	273.3	16,787.6
(4.2) Specific Purpose Payments through the States	1,961.0	1,510.1	1,112.6	610.1	450.7	138.3	121.0	63.4	5,967.3
(4.3) Specific Purpose Payments direct to local government	112.6	81.5	69.8	48.1	25.8	13.4	5.0	5.7	361.9
(5) Total Commonwealth payments to the state/local sector (2)+(3)+(4)	7,981.2	5,580.2	4,415.5	2,574.1	1,844.2	586.1	411.6	348.4	23,741.4
(6) GST revenue and total Commonwealth payments (1)+(5)	17,671.7	12,553.8	10,990.5	5,733.8	4,998.6	1,985.1	1,072.3	2,032.5	57,038.4

(a) The GST estimate has been adjusted by \$57 million to account for the final 2002-03 outcome, reflecting cash collections in 2002-03 exceeding the Commissioner's determination. (Further details are provided on p17.)

Table 2: GST revenue provision and total Australian Government payments to the state/local sector in 2004-05 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
(1) Provision of GST revenue to the States	9,648.3	7,151.4	7,168.5	3,528.9	3,212.7	1,407.8	663.8	1,678.7	34,460.0
(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	95.9	70.6	67.6	33.5	30.2	12.3	6.0	13.9	330.0
(4) National Competition Policy Payments	259.8	191.8	151.4	76.6	59.2	18.8	12.4	7.7	777.7
(5) Total Specific Purpose Payments (5.1)+(5.2)+(5.3)(a)	7,684.1	5,473.7	4,325.0	2,640.1	1,845.9	560.5	404.7	335.1	24,592.4
(5.1) Specific Purpose Payments to the States(a)	5,509.0	3,792.5	3,071.5	1,956.6	1,333.4	399.0	272.5	267.0	17,924.8
(5.2) Specific Purpose Payments through the States	2,086.3	1,609.7	1,192.3	642.8	490.8	149.6	128.0	63.2	6,362.9
(5.3) Specific Purpose Payments direct to local government	88.8	71.5	61.2	40.7	21.7	11.8	4.2	4.9	304.7
(6) Total Commonwealth payments to the state/local sector (2)+(3)+(4)+(5)	8,039.8	5,736.1	4,543.9	2,750.2	1,935.3	591.7	423.1	356.6	25,700.1
(7) GST revenue and total Commonwealth payments (1)+(6)(a)	17,688.1	12,887.5	11,712.4	6,279.1	5,148.0	1,999.4	1,086.9	2,035.3	60,160.1

(a) Individual state and territory AusLink allocations are not yet available and accordingly are not included in individual state and territory estimated amounts for 2004-05. These allocations will be announced as part of the *AusLink White Paper* in June 2004. The aggregate AusLink amount of \$1,323.4 million for 2004-05 is included in the aggregate state and territory 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. States can spend the GST revenue according to their own budgetary priorities. The States' GST revenue has grown significantly since its introduction in 2000-01 (Table 3).

Table 3: GST revenue provision to the States (cash), 2000-01 to 2004-05 (estimated)

	2000-01	2001-02	2002-03	2003-04	2004-05	Increase from 2000-01 to 2004-05	Increase	Average annual increase
	\$m	\$m	\$m	\$m	\$m	\$m	%	%
NSW	7,257.6	8,132.0	9,080.2	9,690.5	9,648.3	2,390.7	32.9	7.5
VIC	5,099.3	5,593.1	6,365.1	6,973.6	7,151.4	2,052.1	40.2	8.9
QLD	4,658.2	5,018.6	5,887.6	6,574.9	7,168.5	2,510.3	53.9	11.4
WA	2,374.6	2,518.1	2,910.2	3,159.8	3,528.9	1,154.3	48.6	10.5
SA	2,278.9	2,476.6	2,859.1	3,154.3	3,212.7	933.8	41.0	9.1
TAS	988.1	1,059.8	1,246.7	1,399.0	1,407.8	419.6	42.5	9.4
ACT	472.6	543.9	615.7	660.7	663.8	191.2	40.5	9.0
NT	1,225.6	1,289.8	1,514.5	1,684.2	1,678.7	453.1	37.0	8.4
Total	24,354.9	26,632.0	30,479.1	33,297.0	34,460.0	10,105.1	41.5	9.1

GST revenue

Estimates of GST revenue in accrual terms for the years 2003-04 to 2006-07 are shown in Table 4. These estimates have been revised since the 2003-04 Budget and the *Mid-Year Economic and Fiscal Outlook 2003-04* (MYEFO) to account for policy decisions and parameter variations.

Table 4: Reconciliation of GST revenue (accrual), 2003-04 to 2006-07 (estimated)

	2003-04	2004-05	2005-06	2006-07
	\$m	\$m	\$m	\$m
GST revenue at 2003-04 Budget	32,050	33,815	35,680	37,690
<i>Changes from 2003-04 Budget to MYEFO</i>				
Effect of policy decisions	-26	-20	-20	-20
Effect of parameter and other variations	1,026	835	940	1,040
Total variations	1,000	815	920	1,020
GST revenue at 2003-04 MYEFO	33,050	34,630	36,600	38,710
<i>Changes from MYEFO to 2004-05 Budget</i>				
Effect of policy decisions	0	-332	-18	-19
Effect of parameter and other variations	1,125	892	788	839
Total variations	1,125	560	770	820
GST Revenue at 2004-05 Budget	34,175	35,190	37,370	39,530

Estimated GST revenue in 2003-04 has been revised upwards by \$1.1 billion in accrual terms, reflecting upward revisions in the consumption and dwellings forecasts.

The GST revenue estimate for 2004-05 has been revised up since MYEFO by \$560 million, reflecting the flow-on effect of the stronger expected outlook for GST revenue in 2003-04. Some unwinding of this strength is expected in the forward years. Estimates of GST receipts in cash terms are shown in Table 5.

Table 5: GST receipts (cash), 2004-05 to 2007-08 (estimated)

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
GST receipts	34,460.0	36,610.0	38,720.0	40,850.0

GST revenue measures

Policy decisions affecting GST revenue estimates include: the decision to allow taxpayers (mainly small businesses) that are voluntarily registered for GST to pay and lodge annually; changes to Australia's duty-free concessions; changing the treatment of barter trade exchange schemes; and changing the treatment of first aid and life saving courses. The revenue effect of these GST measures is estimated for 2004-05 to 2007-08 (Table 6). Detailed information on each measure is in Appendix A.

The measure to allow annual payment and lodgement of GST is an important means of improving the operation of *The New Tax System* through reducing compliance costs for up to 740,000 small businesses and up to 30,000 non-profit organisations. Given the reduction in GST revenue in 2004-05 associated with this measure (because GST remitted by the eligible taxpayers will be deferred until 2005-06), the Australian Government will offer to fully compensate the States should each of them agree to the policy. This compensation will mean that the full financial impact of the measure will be taken by the Australian Government and none of the impact will affect the States.

Table 6: GST revenue measures since the 2003-04 Budget (estimated)

	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m
Barter trade exchange schemes	-2.0	-2.0	-2.0	-2.0
Changes to Australia's duty free concessions	-17.0	-17.0	-17.0	-17.0
Compulsory third party insurance transactions	*	*	*	*
Extension of the GST-free car concessions for injured veterans
GST-free ibuprofen	-	-	-	-
Income tax consolidation - interaction with the GST	-	-	-	-
Long-term non-reviewable contracts	-	*	*	*
Payments out of the National Guarantee Fund	-	-	-	-
Small business - annual payment and lodgement	-330.0	-16.4	-17.2	-18.2
Small business - annual private apportionment	*	*	*	*
Treatment of first aid and life saving courses	-3.0	-3.0	-3.0	-3.0
Total impact of GST revenue measures	-352.0	-38.4	-39.2	-40.2

GST revenue provision

The Australian Government will distribute 2004-05 GST revenue among the States in accordance with the recommendations of the Commonwealth Grants Commission (CGC).

The CGC recommends relativities to calculate each State's share of GST by applying the principles of Horizontal Fiscal Equalisation. Broadly, the CGC recommends relativities 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 could provide services at the same standard.

The CGC takes into account differences in States' capacities to raise revenues and differences in the costs States incur in providing an average standard of government services. The CGC's recommended relativities reflect these differences. GST relativities are shown for 2003-04 and 2004-05 (Table 7).

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

Table 7: GST relativities and Financial Assistance Grants forgone relativities, 2003-04 and 2004-05

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
GST relativities								
2003-04	0.89117	0.87010	1.01902	0.96946	1.21215	1.59948	1.14979	4.38638
2004-05	0.86750	0.86534	1.05504	1.03054	1.20407	1.55939	1.12930	4.26538
FAGs relativities								
2003-04	0.84317	0.84030	1.04870	0.92093	1.30919	1.79057	1.19727	5.34163
2004-05	0.80363	0.83480	1.10104	1.00781	1.30402	1.74908	1.16529	5.22707

Source: CGC Report on State Revenue Sharing Relativities 2004 Review.

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 combined GST revenue and unquarantined Health Care Grants, less its unquarantined Health Care Grants. This calculation determines the distribution of GST revenue in 2003-04 and 2004-05 (Tables 8 and 9).

Table 8: Distribution of GST revenue in 2003-04 (estimated)

	(1) Projected population as at 31 December 2003	(2) Per capita relativities	(3) Weighted population (1)×(2)	(4) Share of weighted population (%)	(5) GST revenue/HCGs pool according to (4) (\$m)	(6) Unquarantined HCGs (\$m)	(7) Distribution of GST revenue (\$m)
NSW	6,718,063	0.89117	5,986,936	30.0	12,108.1	2,417.5	9,690.5
VIC	4,947,771	0.87010	4,305,056	21.5	8,706.6	1,733.0	6,973.6
QLD	3,841,027	1.01902	3,914,083	19.6	7,915.9	1,340.9	6,574.9
WA	1,966,423	0.96946	1,906,368	9.5	3,855.5	695.7	3,159.8
SA	1,531,880	1.21215	1,856,868	9.3	3,755.4	601.0	3,154.3
TAS	480,149	1.59948	767,989	3.8	1,553.2	154.2	1,399.0
ACT	323,329	1.14979	371,760	1.9	751.9	91.2	660.7
NT	198,613	4.38638	871,192	4.4	1,761.9	77.7	1,684.2
Total	20,007,255	na	19,980,253	100.0	40,408.3	7,111.3	33,297.0

(a) Total weighted population differs from the total population in column (1) as the CGC calculates the per capita relativities using population numbers for 1997-98 to 2001-02, then rounds these figures.

Note: HCGs means Health Care Grants.

Table 9: Distribution of GST revenue in 2004-05 (estimated)

Projected population as at 31 December 2004	Per capita relativities	Weighted population (1)X(2)	Share of weighted population (%)	GST revenue/HCGs pool according to (4)	Unquarantined HCGs	Distribution of GST revenue (5)-(6) (\$m)
(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	6,776,851	5,878,918	29.1	12,183.2	2,534.9	9,648.3
VIC	5,003,201	4,329,470	21.4	8,972.2	1,820.8	7,151.4
QLD	3,927,404	4,143,568	20.5	8,586.9	1,418.4	7,168.5
WA	1,996,095	2,057,056	10.2	4,262.9	734.0	3,528.9
SA	1,539,177	1,853,277	9.2	3,840.6	628.0	3,212.7
TAS	485,402	756,931	3.7	1,568.6	160.9	1,407.8
ACT	324,575	366,543	1.8	759.6	95.8	663.8
NT	199,107	849,267	4.2	1,760.0	81.3	1,678.7
Total	20,251,812	20,235,030	100.0	41,934.1	7,474.1	34,460.0

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

Note: HCGs means Health Care Grants.

The Effect of Horizontal Fiscal Equalisation

One way to view the effect of the Commonwealth Grants Commission's (CGC) application of Horizontal Fiscal Equalisation is to compare each State's distribution of the GST revenue/Health Care Grants pool using the CGC's relativities with the distribution on an equal per capita basis. In 2004-05, approximately \$3.2 billion (7.7 per cent) of the total GST revenue/Health Care Grants pool will be redistributed among the States, compared with an equal per capita distribution (Table 10).

Table 10: Effect of Horizontal Fiscal Equalisation 2004-05

	GST/HCG pool distributed under HFE (\$m)	Equal per capita distribution of GST/HCG pool (\$m)	Difference (1) - (2) (\$m)	Population (million)	Per capita redistribution (3) / (4) (\$)
	(1)	(2)	(3)	(4)	(5)
NSW	12,183.2	14,032.4	-1,849.2	6.8	-272.9
VIC	8,972.2	10,359.8	-1,387.6	5.0	-277.3
QLD	8,586.9	8,132.2	454.7	3.9	115.8
WA	4,262.9	4,133.2	129.8	2.0	65.0
SA	3,840.6	3,187.1	653.6	1.5	424.6
TAS	1,568.6	1,005.1	563.5	0.5	1,161.0
ACT	759.6	672.1	87.5	0.3	269.7
NT	1,760.0	412.3	1,347.7	0.2	6,768.7
Total	41,934.1	41,934.1	0.0	20.3	na

Note: HCG means Health Care Grants.

HFE means Horizontal Fiscal Equalisation.

New South Wales and Victoria receive less than equal per capita shares under the Horizontal Fiscal Equalisation arrangements because the CGC assessed their fiscal capacities to be relatively strong. For example, the CGC assessed that New South Wales has a relatively stronger capacity to raise revenue from land tax and stamp duty on property transfers and payroll tax, while Victoria has a relatively lower cost in providing state government services. The remaining States receive more than an equal per capita share of funding because the CGC assessed their revenue capacities to be lower and/or their costs of service delivery to be higher.

The CGC finalised its five-yearly review into its methodology in February 2004, under terms of reference developed in consultation with all the States and Territories. The changes the CGC made to its methodology have been incorporated in its recommended relativities for 2004-05.

Review of Horizontal Fiscal Equalisation Methodology

At the March 2004 meeting of the Ministerial Council for Commonwealth-State Financial Relations, the majority of States and Territories, with the support of the Australian Government, agreed to a work programme to examine aspects of the Commonwealth Grants Commission's (CGC) methodology for the allocation of the GST to the States.

There was also majority agreement that the Australian Government and State and Territory Heads of Treasuries will undertake the work programme, and will draw on the expertise of the CGC. The work programme will include a consideration of whether the present approach is appropriate and necessary, the size and trend of the redistributions, simplification, and data issues. The work programme will not examine the underlying principles of horizontal fiscal equalisation.

Arrangements are underway to establish a steering committee to oversee the review and report to Heads of Treasuries. A secretariat will support the steering committee. The Australian Government Treasury will lead the organisational arrangements for conducting the review, with representation from the States and the CGC. Additional funding of \$1.3 million has been included in the budget for the secretariat (see Budget Paper No. 2, *Budget Measures 2004-05* for a description of the measure).

DELIVERING MORE FUNDING TO THE STATES

In 2004-05, all States will receive a windfall over the Guaranteed Minimum Amount (GMA). Including the compensation for the annual payment of GST (a measure which requires unanimous agreement from the States), the States will receive a total gain from tax reform of over \$1.6 billion more than the GMA (Table 13). The GMA is an estimate of funding each State would have had available to it had tax reform not been implemented. Components of the GMA comprise estimates of Australian Government Financial Assistance Grants forgone, state taxes abolished by tax reform and other items. Narrow and inefficient state taxes that have been abolished include Financial Institutions Duty, stamp duty on quoted marketable securities, and accommodation taxes (bed taxes).

As the GST is a secure, growing and broad based revenue source, the States' gain from tax reform is estimated to continue growing to over \$2.9 billion by 2007-08 (Table 13). This means that the Australian Government's tax reform will deliver to the States an extra \$1.6 billion in 2004-05, growing to over \$2.9 billion in 2007-08, to spend according to their own budgetary priorities. States can use this additional funding for essential community services such as hospitals, schools, public transport, roads and police, and to lower their tax burdens.

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

On the basis of the Budget estimates, in 2003-04 only New South Wales requires BBA to ensure that it is no worse off. All other States are estimated to benefit from a total gain from tax reform of over \$1.1 billion in 2003-04. As all States are expected to receive GST revenue in excess of their GMA from 2004-05, the Australian Government will no longer be required to provide BBA.

Tables 11 and 12 show the estimated GMA components, GST revenue entitlement and the BBA calculation for each State in 2003-04 and 2004-05. Table 13 shows the estimated GMA, GST revenue entitlement, BBA and gains from tax reform for each State from 2003-04 to 2007-08.

Table 11: Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance in 2003-04 (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	5,410.5	4,012.6	4,225.7	1,806.9	2,170.5	1,033.9	443.8	1,388.4	20,492.3
Revenue Replacement Payments	2,544.0	1,702.4	1,543.4	1,064.1	661.8	224.7	113.1	143.6	7,997.0
Financial Institutions Duty	703.0	398.3	na	150.7	100.1	24.2	20.0	16.7	1,413.0
Marketable Securities Duty	456.0	236.5	27.0	29.3	15.6	0.8	24.8	1.1	791.1
Marketable Securities Duty Needs	-22.7	11.2	13.6	2.8	3.9	2.6	-12.2	0.9	0.0
Accommodation Taxes	82.0	na	na	na	na	na	na	9.0	91.0
plus Reduced Revenues									
Gambling Taxes	583.2	393.3	236.7	62.7	98.5	25.9	24.3	17.4	1,442.0
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	237.9	195.8	168.8	93.9	57.0	19.5	11.3	7.8	792.0
GST Administration Costs	191.7	141.2	109.6	56.1	43.7	13.7	9.2	5.7	570.9
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	141.2	58.8	137.4	177.7	37.7	2.3	0.0	4.0	559.1
Savings from Tax Reform	179.1	122.9	101.6	60.6	44.1	14.9	10.1	14.8	548.0
Low Alcohol Beer Subsidies	25.3	17.5	4.9	8.0	4.7	1.7	1.0	1.2	64.4
minus Growth Dividend									
Remaining State Taxes	99.1	64.0	33.5	20.0	16.1	4.1	3.1	2.2	242.0
Plus Adjustments									
2002-03 GMA Adjustment	-4.4	6.5	-6.1	-2.5	-0.6	2.1	0.3	0.7	-4.0
Total Guaranteed Minimum Amount (1)	9,736.5	6,834.6	6,041.2	2,997.8	3,047.9	1,324.4	620.3	1,569.0	32,171.8
GST Revenue Provision (2)	9,690.5	6,973.6	6,574.9	3,159.8	3,154.3	1,399.0	660.7	1,684.2	33,297.0
Budget Balancing Assistance (1)-(2)	46.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	46.0

Table 12: Guaranteed Minimum Amount components, GST revenue provision and Budget Balancing Assistance in 2004-05 (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	5,184.2	4,099.1	4,710.6	2,117.3	2,216.9	1,042.5	440.3	1,393.8	21,204.7
Revenue Replacement Payments	2,614.0	1,749.1	1,584.9	1,090.6	679.7	230.7	116.3	147.4	8,212.6
Financial Institutions Duty	737.0	410.2	na	155.8	103.7	24.8	20.5	18.2	1,470.2
Marketable Securities Duty	483.0	250.7	28.0	31.1	16.5	0.8	25.4	1.1	836.6
Marketable Securities Duty Needs	-29.1	12.4	13.8	3.9	2.4	2.8	-7.5	1.1	0.0
Accommodation Taxes	88.0	na	na	na	na	na	na	9.5	97.5
plus Reduced Revenues									
Gambling Taxes	608.2	415.3	250.7	63.7	102.5	26.2	24.9	18.2	1,509.7
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	232.8	191.6	165.2	91.9	55.8	19.1	11.1	7.6	775.2
GST Administration Costs	194.9	143.9	112.9	57.4	44.3	14.0	9.3	5.7	582.3
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	142.7	59.6	140.8	180.7	37.9	2.3	0.0	4.0	568.0
Savings from Tax Reform	191.2	131.5	108.4	64.6	47.1	15.9	10.7	15.7	585.0
Low Alcohol Beer Subsidies	25.9	17.9	5.0	8.2	4.8	1.8	1.0	1.3	65.8
minus Growth Dividend									
Remaining State Taxes	122.9	79.3	41.5	24.7	19.9	5.1	3.9	2.7	300.0
Total Guaranteed Minimum Amount (1)	9,630.5	6,984.1	6,570.5	3,333.4	3,112.0	1,335.8	624.7	1,578.9	33,169.9
GST Revenue Provision (2)	9,648.3	7,151.4	7,168.5	3,528.9	3,212.7	1,407.8	663.8	1,678.7	34,460.0
Budget Balancing Assistance (1)-(2)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

Table 13: Estimates of Budget Balancing Assistance and State and Territory gains from tax reform^(a)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2003-04 (\$m)									
(1) Guaranteed Minimum Amount	9,736.5	6,834.6	6,041.2	2,997.8	3,047.9	1,324.4	620.3	1,569.0	32,171.8
(2) GST Revenue	9,690.5	6,973.6	6,574.9	3,159.8	3,154.3	1,399.0	660.7	1,684.2	33,297.0
(3) Budget Balancing Assistance (1) - (2)(b)	46.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	46.0
(4) State and Territory gains from tax reform (2) - (1)(b)	0.0	139.0	533.7	162.0	106.4	74.6	40.4	115.1	1,171.2
2004-05 (\$m)									
(1) Guaranteed Minimum Amount	9,630.5	6,984.1	6,570.5	3,333.4	3,112.0	1,335.8	624.7	1,578.9	33,169.9
(2) GST Revenue	9,648.3	7,151.4	7,168.5	3,528.9	3,212.7	1,407.8	663.8	1,678.7	34,460.0
(3) Budget Balancing Assistance (1) - (2)(b)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(4) Compensation for GST Deferral	95.9	70.6	67.6	33.5	30.2	12.3	6.0	13.9	330.0
(5) State and Territory gains from tax reform (2)+(4)-(1)	113.7	237.9	665.6	229.1	130.9	84.3	45.1	113.6	1,620.1
2005-06 (\$m)(c)									
(1) Guaranteed Minimum Amount(d)	10,228.1	7,522.6	7,159.4	3,487.3	3,260.6	1,412.3	655.5	1,649.8	35,375.6
(2) GST Revenue	10,317.4	7,691.1	7,629.9	3,660.1	3,371.6	1,486.8	696.5	1,756.5	36,610.0
(3) Budget Balancing Assistance (1) - (2)(b)	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
(4) State and Territory gains from tax reform (2)-(1)	89.2	168.5	470.5	172.9	111.0	74.5	41.0	106.7	1,234.4
2006-07 (\$m)(e)									
(1) Guaranteed Minimum Amount	10,601.9	7,940.5	7,449.6	3,541.4	3,390.7	1,463.6	674.9	1,723.8	36,786.4
(2) GST Revenue	10,921.8	8,268.9	8,067.7	3,763.4	3,556.4	1,560.3	726.8	1,834.7	38,720.0
(3) State and Territory gains from tax reform (2)-(1)	319.9	328.4	618.2	242.0	165.7	96.7	51.8	110.9	1,933.6
2007-08 (\$m)									
(1) Guaranteed Minimum Amount	10,825.9	8,278.0	7,720.4	3,628.9	3,497.9	1,503.9	692.3	1,796.5	37,943.7
(2) GST Revenue	11,446.6	8,839.6	8,540.7	3,988.7	3,734.0	1,623.1	763.4	1,914.1	40,850.0
(3) State and Territory gains from tax reform (2)-(1)	620.7	561.6	820.3	359.8	236.1	119.1	71.1	117.6	2,906.3

(a) Projections will be affected by variations in Guaranteed Minimum Amount components, GST revenue growth and recommendations by the Commonwealth Grants Commission on the distribution of GST to each of the States and Territories in future years.

(b) Where the difference between the Guaranteed Minimum Amount and GST Revenue (and vice versa) is less than zero, the reported amount is zero.

(c) In 2005-06 and beyond there may be small flow-on effects from compensation for the GST deferral which will be subject to negotiation with the States.

(d) As agreed at the 26 March 2004 meeting of the Ministerial Council for Commonwealth-State Financial Relations, bank account debits tax is to be abolished by 1 July 2005. The revenue forgone by the States and Territories is included in their Guaranteed Minimum Amount from 2005-06 to ensure the States are no worse off. Accordingly, State and Territory gains from tax reform decrease in 2005-06 compared to 2004-05. However, the estimates of Guaranteed Minimum Amounts do not contain reductions in the following state taxes: non-residential conveyances; non-quotable marketable securities; leases; mortgages, bonds, debentures and other loan securities; credit arrangements, instalment purchase arrangements and rental arrangements; cheques, bills of exchange and promissory notes, which are the subject of review by the Ministerial Council in 2005.

(e) The transition period in which the Australian Government guarantees that no State will be worse off due to tax reform expires on 30 June 2006.

Adjustments in 2003-04

GST revenue provision in 2003-04 has been adjusted to account for the final 2002-03 outcome (Table 1). In 2002-03 the final GST cash collections outcome was \$57 million higher than the amount determined by the Commissioner of Taxation in June 2003 and provided to the States in 2002-03 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 2003-04 will take account of this variation. The BBA entitlement for New South Wales for 2003-04 has also been calculated to account for this variation (Table 11).

Adjustments in 2004-05

Consistent with the terms of the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, the Australian Government has advanced BBA to the States in four quarterly instalments in 2003-04. These advances were based on the estimated BBA entitlements of the States at the time of each advance. The upward revision to GST revenue estimates and the downward revision to GMA in the Budget have resulted in lower than previously estimated BBA entitlements of the States. Based on current estimates, the advances to the States in the year to date exceed the States' entitlements to BBA in 2003-04 by \$397 million (Table 14).

Consistent with the provisions of the Act, the Australian Government will deduct the amount of excess BBA paid in 2003-04 from payments to be made to the States under the Act in 2004-05. The final amount to be deducted from State payments in 2004-05 will be known when the final determination of each State's BBA entitlement is made under the Act in June 2004.

Table 14: Overpayment of Budget Balancing Assistance in 2003-04 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Payments to date	316.7	104.2	0.0	0.0	22.0	0.0	0.0	0.0	443.0
BBA entitlement	46.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	46.0
BBA overpayment	270.7	104.2	0.0	0.0	22.0	0.0	0.0	0.0	397.0

Residual Adjustments

The Australian Government has introduced a mechanism to ensure that all States receive their appropriate payments under the Act as they come off BBA. It came into effect when the *A New Tax System (Commonwealth-State Financial Arrangements) Amendment Act 2004* received Royal Assent on 23 March 2004.

Residual adjustments will give effect to any underestimate or overestimate of payments in a previous financial year that, prior to the amendments, could not be paid or reclaimed using existing mechanisms under the Act.

Queensland and the Northern Territory no longer required BBA in 2002-03. The residual adjustment amounts for 2002-03 will reflect an underestimate of payments in 2001-02. As the legislative requirements were not in place last year, these adjustments will be paid in 2003-04.

Current estimates show that Victoria, Western Australia, South Australia, Tasmania and the Australian Capital Territory will no longer require BBA in 2003-04. Based on the current estimates, the residual adjustment amounts for 2003-04 will reflect an overestimate of payments in 2002-03.

As final payments for 2003-04 will not be known until the June 2004 determinations, it will not be known until after that time whether a residual adjustment for 2004-05 will be needed.

Table 15 shows estimates of the residual adjustment amounts that will be paid in 2003-04.

Table 15: Residual adjustment amounts for 2002-03 and 2003-04 (estimated)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2002-03	0.0	0.0	38.8	0.0	0.0	0.0	0.0	11.0	49.8
2003-04	0.0	-5.7	0.0	-8.0	-5.9	-0.1	-0.7	0.0	-20.4
Total adjustment in 2003-04	0.0	-5.7	38.8	-8.0	-5.9	-0.1	-0.7	11.0	29.4

DELIVERING FURTHER TAX REFORM

Under the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, all the States and Territories committed to abolish the bank account debits tax, subject to review by the Ministerial Council for Commonwealth-State Financial Relations. At the March 2004 Ministerial Council meeting, the Australian Government and State governments agreed to abolish bank account debits tax by 1 July 2005.

The abolition of this tax continues the implementation of the reforms contained in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*, signed by Australian Government and all State and Territory leaders in 1999.

The Australian Government's tax reforms made it possible to abolish this narrow and inefficient tax. The abolition of bank account debits tax is expected to directly save taxpayers around \$1 billion each year.

The *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* also provides that the Ministerial Council will, by 2005, review the need to retain stamp duty on the following:

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

The Ministerial Council committed to this review at its March 2004 meeting and will consider the review at its March 2005 meeting.

First Home Owners Scheme

Eligible home buyers have received over \$4.4 billion through original and additional First Home Owners Scheme grants since July 2000.

The First Home Owners Scheme, introduced on 1 July 2000, is funded out of GST revenues and guaranteed by the Australian Government through Budget Balancing Assistance. The scheme provides all eligible first home buyers with a \$7,000 grant. The States administer the scheme which has provided over 568,000 grants. The Scheme is ongoing and its cost to the States is part of the Guaranteed Minimum Amount (Tables 11 and 12).

In March 2001, the Australian Government made an additional \$7,000 grant available to first home buyers 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 around 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 one-year period allowed to lodge an application, once construction is complete. Estimates of payments are shown in the Specific Purpose Payments tables (Appendix B).

NATIONAL COMPETITION POLICY PAYMENTS

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

NCPs commenced in July 1997 with the first of three tranches of payments. The third tranche commenced in July 2001 at an annual level of \$600 million in 1994-95 prices.

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

Out of an estimated maximum level of payments in 2003-04 of \$759 million, the NCC recommended permanent deductions of \$53.9 million and suspensions of \$126.9 million. The NCC has indicated that it will recommend that suspensions be lifted or reduced and the release of suspended monies if and when jurisdictions sufficiently progress reform.

Table 16 shows estimates of NCPs from 2003-04. Each State's amount for 2003-04 reflects that permanent deductions and suspensions recommended by the NCC have been applied. The amounts reported below for 2004-05 and 2005-06 are the current estimates of each State's maximum level of payment (that is, if no permanent deductions or suspensions apply).

Table 16: National Competition Policy Payments

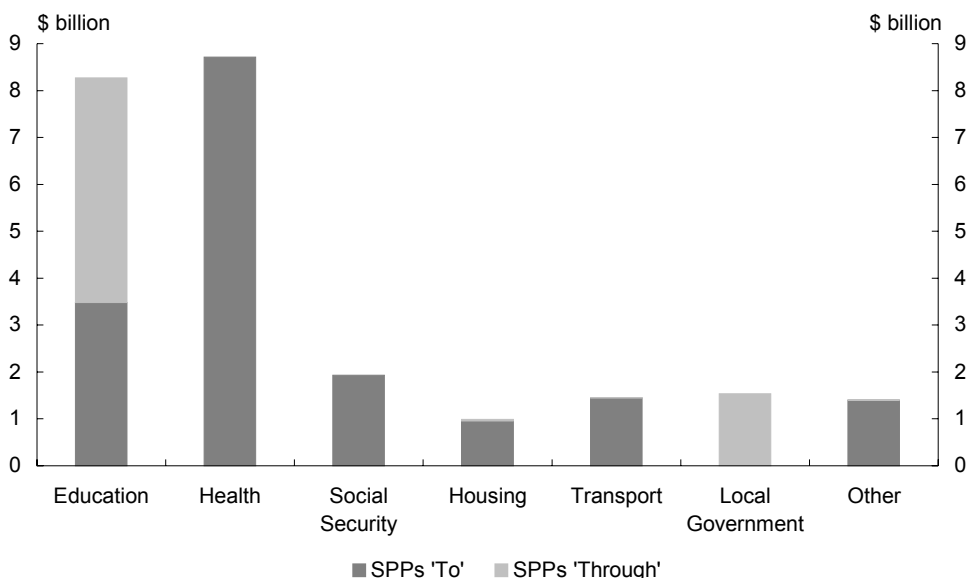
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2003-04	203.5	178.7	87.9	33.6	40.7	17.2	11.0	5.9	578.5
2004-05	259.8	191.8	151.4	76.6	59.2	18.8	12.4	7.7	777.7
2005-06	264.5	195.5	155.1	78.4	59.8	18.9	12.6	7.8	792.5

SPECIFIC PURPOSE PAYMENTS

Specific Purpose Payments (SPPs) constitute a significant amount of Australian Government funding to the States. In 2004-05, the Australian Government will provide the States with \$24.3 billion in SPPs. These payments represent almost 13 per cent of total Australian Government expenditure in 2004-05.

The Australian Government makes SPPs to the States as a contribution to important areas of state responsibility. In 2004-05, there will be over 90 different payments covering a broad range of policy areas such as education, health, social security, housing and transport (Chart 3).

Chart 3: Composition of Specific Purpose Payments 'to' and 'through' the States in 2004-05 (estimated)



More detailed information, including payments on a state-by-state basis, for 2003-04 and 2004-05 is in Appendix B.

SPPs can be classified into three groups:

- those paid 'to' the States – payments direct to State governments, totalling an estimated \$17.9 billion in 2004-05;
- those paid 'through' the States – payments to State governments to be passed on to local governments (for example, Financial Assistance Grants to local government) and to others (for example, to non-government schools). This category is estimated to total \$6.4 billion in 2004-05; and
- those paid direct to local government to help fund roads, child-care programmes and disability services administered by local governments. These payments are estimated to total \$304.7 million in 2004-05.

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.

SPP agreements generally contain conditions to help ensure those objectives are achieved. These conditions may include:

- general policy requirements (for example, the provision of free public hospital access for Medicare patients);
- matching funding arrangements; and
- reporting of performance information (see box below).

Accountability for SPPs

The Australian Government is seeking greater accountability in SPP agreements to improve policy outcomes and deliver better value for money.

All new and renegotiated SPP agreements will include statements of key objectives and the respective responsibilities of the Australian Government and the States, combined with agreed reporting of financial information and detailed performance indicators.

To encourage increased accountability, an amount appropriate to each SPP will be contingent on States' timely reporting of the agreed financial and performance information to the satisfaction of the responsible Australian Government Minister.

Financial Assistance Grants to local government

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

The Australian Government is providing a total of \$1.5 billion in Financial Assistance Grants to local government in 2003-04 and an estimated \$1.5 billion in 2004-05 (Table 17). The annual increase in funding is based on an escalation factor, which the Treasurer determines with reference to population growth and CPI.

This financial assistance is paid to the States as a SPP, on condition that all the funds are passed on to local government. In 2004-05, 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 (Table 17). State grants commissions determine the intra-state distribution of the grants to local governments.

Table 17: Financial Assistance Grants to local government in 2003-04 and 2004-05 (estimated)^(a)

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
2003-04									
General Purpose Assistance	353.2	260.0	199.2	103.0	80.9	25.2	17.0	10.4	1,049.0
Untied Local Road Funding	135.0	96.0	87.2	71.2	25.6	24.7	14.9	10.9	465.5
Total Financial Assistance Grants(b)	488.3	355.9	286.4	174.2	106.5	49.9	32.0	21.3	1,514.5
2004-05									
General Purpose Assistance	356.6	262.0	204.4	104.3	81.3	25.5	17.2	10.6	1,061.9
Untied Local Road Funding	136.7	97.1	88.3	72.0	25.9	25.0	15.1	11.0	471.2
Total Financial Assistance Grants(c)	493.3	359.2	292.6	176.4	107.2	50.5	32.3	21.6	1,533.1

- (a) Total Financial Assistance Grants are the cash payments that the State receives on behalf of local government. It is equal to the estimated entitlement for a given year adjusted for an overpayment or underpayment from the previous year.
- (b) The 2003-04 figure takes into account an underpayment of \$6 million in 2002-03. The Treasurer will determine the final 2003-04 escalation factor in June 2004; currently the 2003-04 escalation factor is estimated to be 1.0288.
- (c) The 2004-05 figure includes an estimate of the amount necessary to adjust for the difference between the 2003-04 escalation factor estimated in June 2003 and used to calculate payments in 2003-04 and the final factor for 2003-04 to be determined in June 2004. On the basis of the current estimate of the 2003-04 escalation factor, this adjustment is estimated to be a decrease of \$11.5 million. The 2004-05 escalation factor is currently estimated to be 1.0318. Financial Assistance Grants in 2004-05 will be paid on the basis of the escalation factor that the Treasurer will estimate in June 2004. The Treasurer will determine the final escalation factor for 2004-05 in June 2005.

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, debits tax and stamp duties on activities in or on Commonwealth places.

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

Table 18 shows estimates of accrued mirror taxes from 2003-04 to 2007-08.

Table 18: Accrued mirror taxes on behalf of the States, 2003-04 to 2007-08 (estimated)

	2003-04	2004-05	2005-06	2006-07	2007-08
	\$m	\$m	\$m	\$m	\$m
Mirror taxes	311.8	330.9	347.7	365.3	383.5

FISCAL DEVELOPMENTS IN THE STATES

Most States are expected to record small general government fiscal deficits in 2004-05, partly reflecting the expected downturn in revenue from property-related taxes,¹ and higher anticipated expenses.² However, by 2006-07, all States are forecasting an increase in their fiscal balances, with most expected to achieve small surpluses.

Most States are set to continue the trend of reducing non-financial public sector net debt as a per cent of gross state product (GSP). An increasing number of States are forecasting to be in a net financial asset position in their general government sector by 2006-07. This trend is primarily due to States implementing medium term fiscal strategies and asset sales.

STATE GENERAL GOVERNMENT SECTOR FISCAL BALANCE

The aggregate state fiscal balance for the general government sector is estimated to be -0.2 per cent of GDP, lower than in 2003-04. Only South Australia and Tasmania expect fiscal surpluses as a per cent of GSP in 2004-05 (Chart 4).

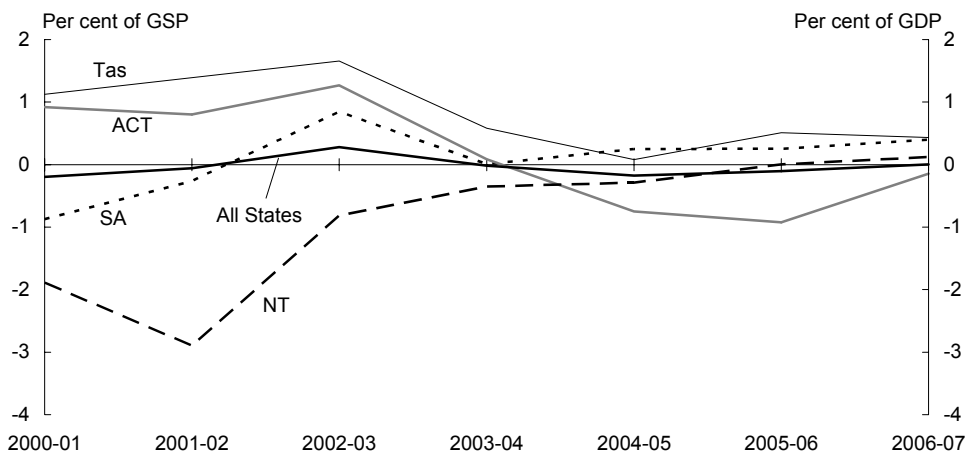
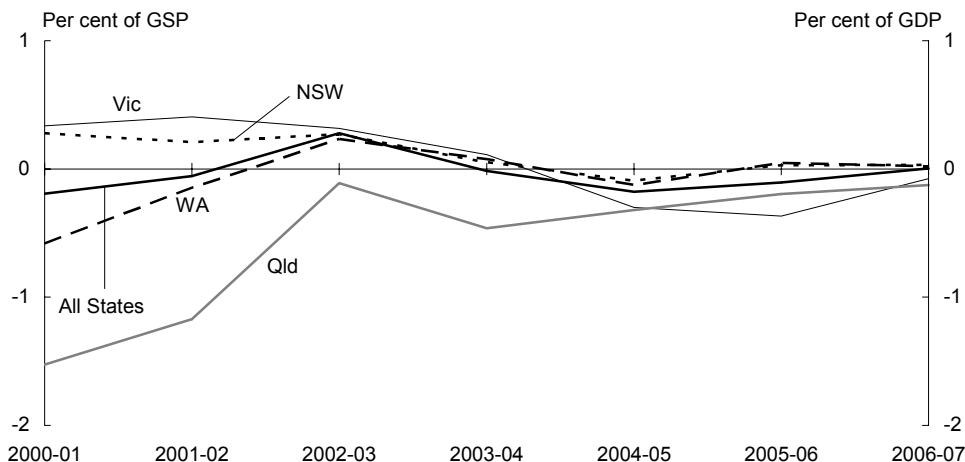
The fiscal balance measures, in accrual terms, the gap between government savings plus net capital transfers, and investment in non-financial assets. A fiscal surplus indicates that a government is lending to other sectors. A fiscal deficit indicates that a government is borrowing.

The aggregate state fiscal balance is expected to rise over the forward estimates period, reaching a small surplus in 2006-07. Looking forward, most States are expecting to achieve fiscal surpluses by 2006-07.

1 See, for example, *NSW 2003-04 Half-Yearly Review*, pp1, 6-7 and *Victorian 2004-05 Budget Paper No.2 Strategy and Outlook*, p42.

2 See, for example, *NSW 2003-04 Half-Yearly Review*, p9, *SA 2003-04 Mid-Year Budget Review* and *Victorian 2004-05 Budget Paper No.2 Strategy and Outlook*, p46.

Chart 4: Individual state general government sector fiscal balance^{(a)(b)}



(a) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(b) States' fiscal balances are expressed as a per cent of GSP (left hand axis) and the all States fiscal balance is expressed as a per cent of GDP (right hand axis).

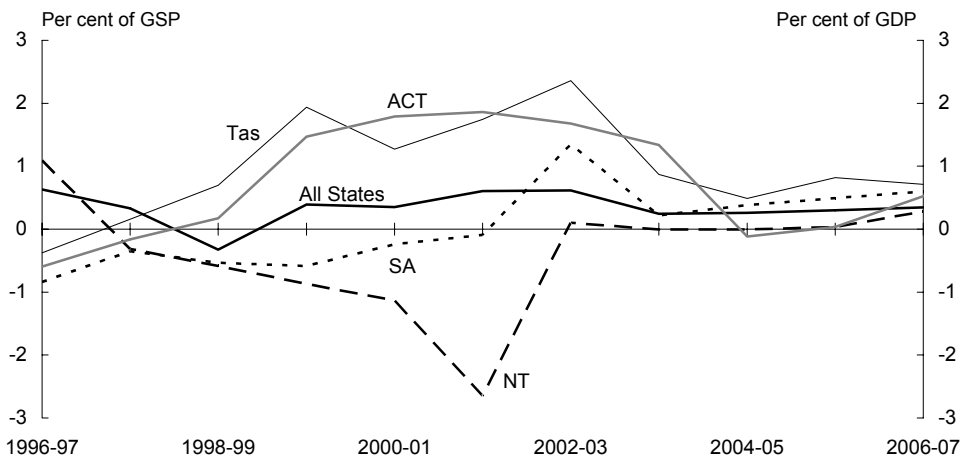
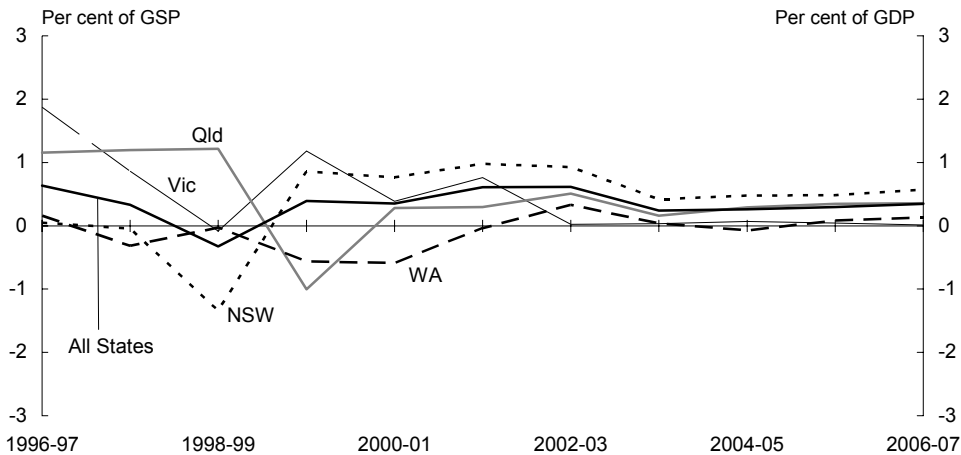
Sources: ABS Cat. No. 5512.0, state 2003-04 mid-year reports, Victoria, WA and the ACT 2004-05 Budgets and Treasury estimates.

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

STATE GENERAL GOVERNMENT SECTOR CASH SURPLUS

In aggregate terms, the general government sector cash surplus is estimated to be 0.3 per cent of GDP in 2004-05. This compares to an estimated 0.2 per cent in 2003-04. Cash surpluses are estimated for all States, except Western Australia and the Australian Capital Territory, in 2004-05 (Chart 5).

Chart 5: Individual state general government sector cash surplus^{(a)(b)}



(a) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accrual reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(b) States' cash surpluses are expressed as a per cent of GSP (left hand axis) and the all States cash surplus is expressed as a per cent of GDP (right hand axis).

Sources: ABS Cat. No. 5512.0, state 2003-04 mid-year reports, Victoria, WA and the ACT 2004-05 Budgets and Treasury estimates.

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

Over the forward estimates period, the aggregate state general government sector cash surplus is expected to remain steady at 0.3 per cent of GDP. Despite considerable variation in the States' cash positions in recent years, from 2005-06 cash surpluses are forecast by all States (Chart 5).

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

STATE NET DEBT

In aggregate, state general government sector net debt³ is expected to be -1.2 per cent of GDP in 2004-05, relative to -1.1 per cent in 2003-04. Net debt for the aggregate state public non-financial corporations sector is estimated to be 4.6 per cent of GDP in 2003-04,⁴ up from 4.5 per cent in 2002-03. The public non-financial corporations sector nearly exclusively owns the stock of state non-financial public net debt.

The higher the net debt of a government, the greater the call it will impose on future revenue flows to service that debt.

Most States continue to reduce their levels of general government sector net debt (Chart 6). For example, between 1996-97 and 2006-07, South Australia and Tasmania are expected to reduce general government net debt by more than 12 percentage points of GSP. This primarily reflects the electricity privatisation process in South Australia,⁵ and the application of budget surpluses and proceeds of assets sales in Tasmania to paying off debt.

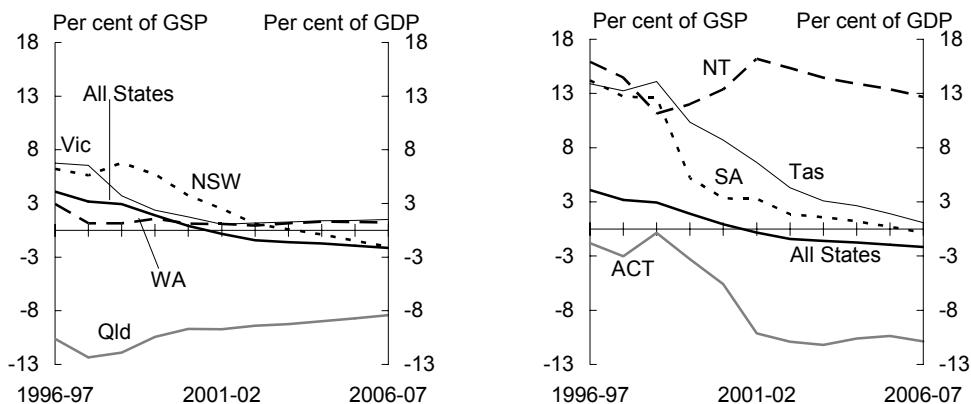
3 Net debt is the sum of selected financial liabilities (deposits held, advances received, government securities, loans and other borrowing) less the sum of selected financial assets (cash and deposits, advances paid, and investments, loans and placements). Net debt does not include superannuation or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

4 Estimates for the public non-financial corporations sector and the non-financial public sector are unavailable after 2003-04 in most 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.

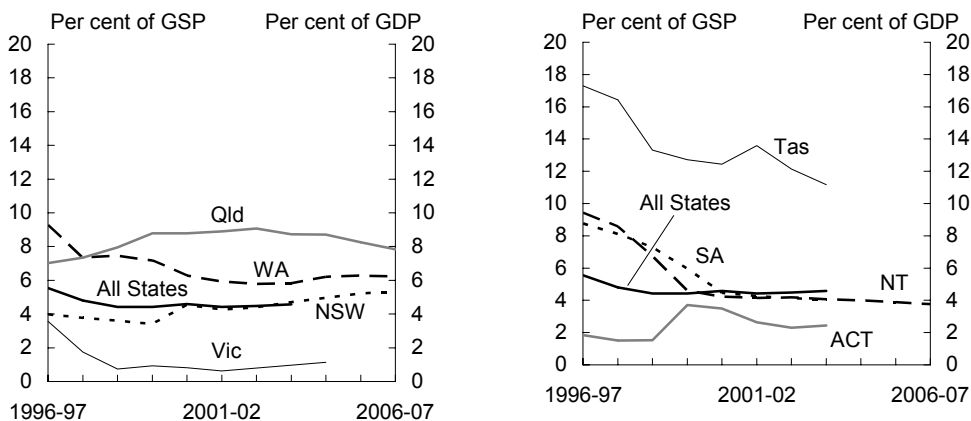
5 SA Budget Paper No. 3, *Budget Statement 2002-03*, p63.

Aggregate state general government net debt is estimated to be -1.7 per cent of GDP by 2006-07. This reflects that an increasing number of States are forecasting to be in a net financial asset position in their general government sector by 2006-07. New South Wales is expected to join Queensland and the Australian Capital Territory in recording a net financial asset position from 2004-05, with South Australia forecasting to be in a similar position by 2006-07.

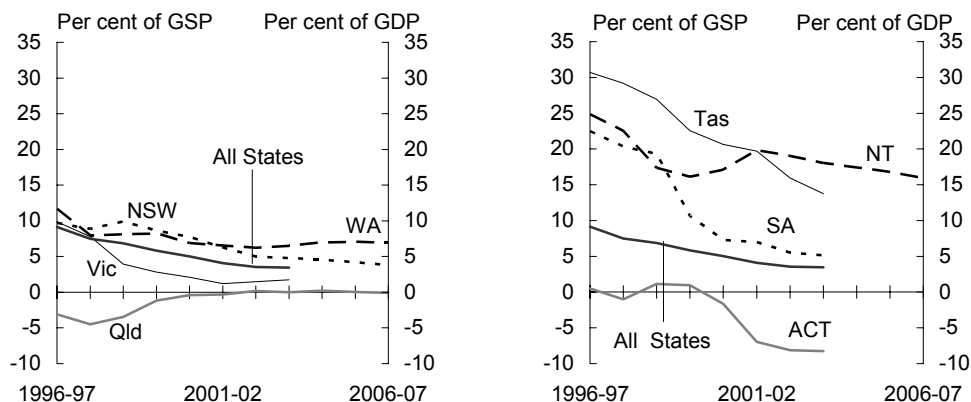
Chart 6: Individual state net debt by sector (as at end of financial year)^{(a)(b)}
General Government



Public non-financial corporations



Non-financial public sector



(a) Accrual time series data are being reviewed by the ABS, in consultation with all Treasuries in 2004, as accruals reporting is now established in all jurisdictions. This should result in improved quality in time series data, and may result in some changes to these series.

(b) States' net debt is expressed as a per cent of GSP (left hand axis) and the all States net debt is expressed as a per cent of GDP (right hand axis).

Sources: ABS Cat. No. 5512.0, state 2003-04 mid-year reports, Victoria, Western Australia and the Australian Capital Territory 2004-05 Budgets and Treasury estimates.

LOAN COUNCIL ARRANGEMENTS

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

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

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

Outcome of March 2004 Loan Council meeting

The Loan Council met on 26 March 2004 to consider Loan Council Allocation nominations for 2004-05. In aggregate, the nominations represent a surplus of \$2.5 billion (Table 19). The Loan Council approved each State's nominated Allocation.

Table 19: Loan Council Allocation nominations for 2004-05(a)

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	C/with \$m	Total \$m
Nominated 2004-05 LCAs										
General government sector cash deficit(+)/surplus(-)	-1,447	12	-429	130	-211	-75	-22	0	-3,829	-5,871
PNFC sector cash deficit(+)/surplus(-)	1,590	-128	727	681	-65	-75	-21	9	-1,412	1,306
Non-financial public sector cash deficit(+)/surplus(-)(b)	144	-186	297	811	-275	-150	-44	9	-5,241	-4,635
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(c)	-59	48	0	13	5	30	14	7	-968	-910
<i>plus</i> Memorandum items(d)	724	221	138	-170	-200	20	-6	0	524	1,251
Loan Council Allocation	927	-13	435	628	-481	-160	-64	2	-3,749	-2,475
2004-05 tolerance limit	1,033	589	595	322	205	83	53	57	4,819	

(a) Loan Council Allocation (LCA) nominations for 2004-05 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 sector, where actual estimates are unavailable. Each jurisdiction will publish an updated LCA estimate as part of its budget documentation. The two per cent (of non-financial public sector cash receipts from operating activities in each jurisdiction) tolerance limits around each jurisdiction's 2004-05 LCA are designed, amongst other things, to accommodate changes to the LCA resulting from changes in policy.

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

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

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

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

APPENDIX A: GST REVENUE MEASURES

Barter trade exchange schemes

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-2.0	-2.0	-2.0	-2.0

It is proposed that the supply of an interest in, or under, a barter trade exchange scheme not be treated as an input taxed financial supply for GST purposes. The measure will have effect from the date of gazettal of the regulations.

The change will ensure barter trade exchange schemes are not treated as managed investment schemes for GST purposes.

The measure is subject to the unanimous agreement of State and Territory governments.

Changes to Australia's duty free concessions

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-17.0	-17.0	-17.0	-17.0

It is proposed to make changes to the duty free concessions available to passengers and Australian-domiciled crew members. The changes will have effect from the date of commencement of the Customs by-laws.

These changes will simplify Customs processes and streamline passenger and crew processing. The changes include:

- an increase in the general concession from \$400 to \$900 for adult travellers and from \$200 to \$450 for minors;
- an increase in the alcoholic beverages concession from 1.125 litres to 2.25 litres;
- the carriage of one carton (being the current concession) and one opened packet (maximum 25 sticks) of cigarettes without the requirement for duty collection within the tobacco concession; and
- the adoption of the same concession regime for crew members as for passengers, but with a general concession amount of \$450.

The current \$50 waiver provision for all passengers will be replaced with a requirement that GST and/or duty be payable on the full value of goods within any category where the concession limit for that category is exceeded.

The measure is subject to the unanimous agreement of State and Territory governments.

Further information can be found in the joint press release of 18 September 2003 issued by the Minister for Justice and Customs and the Minister for Small Business and Tourism.

Compulsory third party insurance transactions

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	*	*	*	*

After having obtained the unanimous agreement of the States and the Australian Government, several corrections to the GST insurance provisions have been made to ensure that they operate as intended in relation to transactions undertaken by operators of motor vehicle compulsory third party schemes, with effect from 1 July 2000.

Extension of the GST-free car concessions for injured veterans

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office

It is proposed to extend the GST-free motor vehicle concession to include a new category of severely injured veterans under the Military Rehabilitation and Compensation Scheme. The measure will have effect from the date of Royal Assent of the enabling legislation.

Currently, only veterans who have lost (or effectively lost) a leg or both arms, or who are in receipt of a Totally and Permanently Incapacitated pension under the *Veterans' Entitlements Act 1986*, are eligible for a GST-free car.

The measure is subject to the unanimous agreement of State and Territory governments.

GST-free Ibuprofen

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

After having obtained the unanimous agreement of all the States and the Australian Government, the supply of 200 mg or less of Ibuprofen in packs of up to 25 tablets became GST-free from 1 April 2004.

The measure ensures that the GST treatment of small quantities of Ibuprofen is consistent with Ibuprofen supplied in larger quantities and with the treatment of aspirin and paracetamol supplied in supermarkets and other retailers.

Income tax consolidation — interaction with the GST

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

After having obtained the unanimous agreement of all the States and the Australian Government, certain transactions undertaken by businesses as a result of the operation of the consolidation regime will not be taxable supplies, with effect from 1 July 2002.

Specifically, transactions will not be taxable supplies for GST purposes if they are made as a result of:

- the statutory operation of the consolidation provisions;
- entering into a tax sharing agreement;
- leaving a consolidated group clear of group liability; or
- entering into a tax funding agreement.

The measure will reduce compliance costs and will ensure that businesses will receive the same GST treatment under the consolidation regime as they received in a pre-consolidation environment.

Further information can be found in the press release of 27 June 2002 issued by the Minister for Revenue and Assistant Treasurer.

Long-term non-reviewable contracts

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	*	*	*

It is proposed that suppliers with long-term non-reviewable contracts will be allowed to recover the net impact of the GST from the recipient of their supplies, with effect from 1 July 2005.

Currently, the GST transitional rules allow pre-existing contracts that do not have a review opportunity to remain GST-free until 1 July 2005. When this transitional period ends, suppliers with these contracts would have incurred a GST liability with no recourse under the contract to recover this GST from their recipients.

The measure is subject to the unanimous agreement of State and Territory governments.

Further information can be found in the press release of 21 November 2003 issued by the Minister for Revenue and Assistant Treasurer.

Payments out of the National Guarantee Fund

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-	-	-	-

After having obtained the unanimous agreement of all the States and the Australian Government, no GST consequences will arise from a payment from the National Guarantee Fund (NGF) to a prescribed body that undertakes clearing and settlement facility support. The measure is part of arrangements to restructure the investor protection and clearing support roles of the NGF. It applies to payments made on or after 4 December 2003.

The *Corporations Act 2001* provides a mechanism for the Minister to direct a payment out of the NGF to a newly created fund responsible for clearing and settlement facility support operations. The NGF will then only remain responsible for funding investor protection operations.

Small business — annual payment and lodgement

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-330.0	-16.4	-17.2	-18.2

It is proposed to allow eligible taxpayers that are voluntarily registered for the GST to pay and report GST annually, with effect from the 2004-05 income year.

Currently, businesses with annual turnover less than \$50,000 and non-profit organisations with annual turnover less than \$100,000 can voluntarily register for the GST. Registered taxpayers are required to pay GST either monthly or quarterly. The measure will ease compliance requirements for up to 740,000 small businesses and up to 30,000 non-profit organisations.

The measure is subject to the unanimous agreement of State and Territory governments.

See also the related expense measure titled *Small business annual payment and lodgement of GST - compensating the States for revenue forgone* in Budget Paper No. 2.

Small business — annual private apportionment

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	*	*	*	*

It is proposed to allow small businesses with an annual turnover of \$2 million or less to apply private use apportionment for GST purposes on an annual basis. The measure will have effect from the 2004-05 income year.

Currently, businesses can claim input tax credits relating to eligible business expenses when they lodge their Business Activity Statement (BAS), which may be monthly or quarterly. Where expenses are partly for private use, only the proportion of credits relating to business use can be claimed.

The measure will allow eligible taxpayers to claim the entire amount of input tax credits when lodging their monthly or quarterly BAS, without apportioning for private use. Adjustments for private use will be made on an annual basis.

The measure will reduce the compliance requirements for many small businesses that use assets for private purposes, including those that operate from home or use a motor vehicle. The design and implementation will be developed in consultation with small business representatives.

The measure is subject to the unanimous agreement of State and Territory governments.

Treatment of first aid and life saving courses

Revenue (\$m)	2004-05	2005-06	2006-07	2007-08
Australian Taxation Office	-3.0	-3.0	-3.0	-3.0

After having obtained the unanimous agreement of all the States and the Australian Government, supplies of eligible life saving courses are GST-free where the supplier uses an instructor that holds a specified training qualification, with effect from 1 July 2000.

In addition, the Government has removed the restriction that only an entity that is a 'body' may treat the supply of an eligible first aid or life saving course as GST-free.

APPENDIX B: SPECIFIC PURPOSE PAYMENTS

This appendix provides information on 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.

Data in this appendix have been prepared on an accrual basis. The tables report payments made by the Australian Government general government sector.

Table B1 presents SPPs on a functional basis for the period 2003-04 to 2007-08. Payments are aggregated according to like objectives and purposes. Payments are further 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 (*) and separate totals for payments to the States and payments through the States are presented in the summary at the end of the table.

Tables B2 and B3 present estimates of the state-by-state distributions of the SPPs listed in Table B1, for the years 2003-04 and 2004-05 respectively. Again, payments through the States are indicated with an (*) and separate totals for payments to the States and payments through the States are presented in the summary at the end of the table.

As in previous years, distribution of some payments depends on state governments participating in particular programmes or approving particular projects. For a few programmes, final decisions on the distribution of payments among the States have still to be taken by the Australian Government; for others, the final distribution for 2004-05 will not be settled until further data becomes available. In most cases, provisional or notional estimates of the distribution are included. This does not commit the Australian Government to 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 direct to local government authorities. Table B4 presents estimates on a functional basis for the period 2003-04 to 2007-08. Tables B5 and B6 present estimates of state-by-state distributions of payments direct to local government for 2003-04 and 2004-05.

Aged care services purchased by the Australian Government from local government agencies were reported as current and capital payments direct to local government in Tables B4, B5 and B6 in 2003-04 and previous years. Following a review of the nature of these payments, they are no longer classified as SPPs and, from 2004-05, are reported as Australian Government own purpose expenses (see *Budget Paper No 1, Budget Strategy and Outlook 2004-05*, Statement 6, Social Security and Welfare function, Assistance to the Aged sub-function). This reclassification does not represent a reduction in Australian Government assistance to local government.

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Public Order and Safety					
Legal aid	74,444	82,745	82,488	84,064	86,538
Funding is provided to state and territories' legal aid commissions for the provision of legal assistance in Australian Government matters.					
Film and literature classifications	766	735	766	795	827
Payment to states and territories for participation in the Cooperative National Censorship Scheme as per the inter-governmental agreement signed on 28 November 1995. Classification decisions are made in accordance with the <i>Classification (Publications, Films and Computer Games) Act 1995</i> and the National Classifications Code.					
<i>Films and Computer Games) Act 1995</i> and the National Classifications Code.					
Complementary enforcement arrangements are in place with all states and territories.					
Gun Buyback Scheme	78,852	10,560	0	0	0
Provides for financial assistance in accordance with the <i>Handgun Buyback Act 2003</i> to compensate eligible persons for the surrender of handguns, parts and accessories during the buyback period and for money expended in direct connection with the administration of the handguns buyback and awareness raising of the Council of Australian Government reforms.					
Public Order and Safety - total	154,062	94,040	83,254	84,859	87,365
Education					
Government schools	1,561,439	1,646,502	1,748,659	1,857,336	1,967,413
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.					
* Non-government schools	4,109,833	4,490,212	4,848,492	5,215,494	5,598,965
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.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Education (continued)					
Vocational Education and Training Funding Act(a)	1,085,733	1,101,188	1,123,781	1,161,557	1,211,352
Funds provided under this Act are used to promote a nationally identifiable and consistent vocational education and training system.					
Targeted programmes - government schools and joint	350,045	371,292	388,470	408,886	431,237
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.					
* Targeted programmes - non-government schools	174,873	190,488	199,484	210,145	221,404
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.					
Indigenous Education Strategic Initiatives Programme - government(b)	93,836	96,182	97,424	98,912	100,543
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.					
* Indigenous Education Strategic Initiatives Programme - non-government(c)	50,527	0	0	0	0
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.					
Education - total	7,426,286	7,895,864	8,406,310	8,952,330	9,530,914
Health					
Hepatitis C Settlement Fund	3,000	0	0	0	0
The Australian Government's Hepatitis C Settlement Fund is designed to provide financial assistance to those who have been infected with Hepatitis C via blood transfusion.					
Health Programme Grants	2,773	2,849	1,822	1,839	1,863
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.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Health (continued)					
Health Care Grants(a)	7,504,450	7,904,893	8,297,716	8,712,102	9,154,789
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.					
Highly specialised drugs	398,612	429,338	456,884	489,320	519,666
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					
Youth health services	2,369	2,418	2,464	2,500	2,550
Funding is provided on a matched basis to develop and implement innovative primary health care services for homeless and at risk youth.					
National public health	178,825	210,006	208,136	215,029	219,327
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	148,449	155,105	101,071	103,073	107,650
Funds for essential vaccines for immunisation under the Public Health Outcome Funding Agreements until 30 June 2004 and for selected new vaccines recommended by the National Health and Medical Research Council for inclusion in the Standard Vaccination Schedule. From 1 July 2004 Essential Vaccines will be covered under separate agreements.					
Repatriation general hospitals	6,826	6,804	6,777	6,758	6,899
To provide funds for payments of a non-treatment nature (eg 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.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Health (continued)					
Assistance for Bali victims	4,849	0	0	0	0
The Australian Government is providing one-off assistance to most state and territory governments for the public hospital costs incurred in the initial treatment of victims of the bombing in Bali on 12 October 2002. This assistance will be paid in 2003-04.					
Health - total	8,250,153	8,711,413	9,074,870	9,530,621	10,012,744
Social Security and Welfare					
Aged care assessment	48,259	52,930	55,180	58,443	60,142
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(e)	732,388	791,858	855,316	924,770	1,000,829
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	558,967	570,185	596,493	615,405	614,479
Under the terms of the Commonwealth State and Territory Disability Agreements, the Australian Government provides funds to states and territories to assist in the provision of accommodation support and other services for people with disabilities.					
Children's services	10,425	11,011	11,203	11,402	11,614
Funds are provided to ensure access to affordable quality child care in programmes administered by state and territory governments on behalf of the Australian Government.					
Supported Accommodation Assistance	171,260	174,688	178,008	181,390	185,009
This is a jointly funded Australian-State Government programme to assist people who are homeless and in crisis. Under the Australian-State Government agreements, recurrent annual funding is provided under the <i>Supported Accommodation Assistance Act 1994</i> .					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Social Security and Welfare (continued)					
Unaccompanied humanitarian minors	1,487	2,140	2,191	2,247	2,259
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	184,997	190,693	196,989	200,732	204,745
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 states and territories implement a consistent framework for dealing with native title issues and meeting native title compensation costs.					
Concessions for Commonwealth Seniors Health Card (CSHC) holders(f)	45,254	78,974	83,713	83,713	83,713
This programme provides assistance with the cost to state and territory governments of extending pensioner concessions to CSHC holders. The concessions for which this payment is made are electricity, council rates, water and sewerage, and motor vehicle registration.					
State Senior's Card reciprocal transport concessions(f)	5,600	5,800	6,100	6,100	6,100
This initiative aims to reach agreement with and provide funding to states and territories to facilitate national reciprocity of transport concessions for State Senior's Card holders. This will enable State Senior's Card holders to access concessional transport fares while travelling interstate.					
Social Security and Welfare - total	1,769,637	1,889,279	1,996,193	2,095,202	2,179,890

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Housing and Community Amenities</i>					
Assistance for water and sewerage	8,873	9,051	9,223	9,398	9,587
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)	6,822	14,625	15,556	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)	2,607	5,591	5,946	0	0
To protect our coastal catchments, ecosystems and the marine environment.					
Natural Heritage Trust of Australia - Landcare(g)	5,216	11,185	11,897	0	0
To reverse land degradation and promote sustainable agriculture.					
Natural Heritage Trust of Australia - Rivercare(g)	5,417	11,613	12,352	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
<i>Housing and Community Amenities - total</i>	28,935	52,065	54,974	9,398	9,587
<i>Recreation and Culture</i>					
Melbourne 2006 Commonwealth Games	40,000	0	62,900	0	0
Payment to the VIC government as a contribution to the costs of staging the Melbourne 2006 Commonwealth Games.					
Natural Heritage Trust of Australia - Bushcare(g)	3,377	6,646	7,073	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)	1,291	2,541	2,702	0	0
To protect our coastal catchments, ecosystems and the marine environment.					
Natural Heritage Trust of Australia - Landcare(g)	2,582	5,085	5,407	0	0
To reverse land degradation and promote sustainable agriculture.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
Description					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Recreation and Culture (continued)					
Natural Heritage Trust of Australia - Rivercare(g)	2,683	5,280	5,614	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
Recreation and Culture - total	49,933	19,552	83,696	0	0
Fuel and Energy					
Snowy Hydro Ltd - company tax compensation	35,339	27,840	38,098	43,167	45,237
Compensate VIC and NSW for company tax payments made by Snowy Hydro Ltd.					
Fuel and Energy - total	35,339	27,840	38,098	43,167	45,237
Agriculture, Forestry and Fishing					
Natural Heritage Trust of Australia - Bushcare(g)	11,143	23,046	24,511	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)	4,225	8,810	9,372	0	0
To protect our coastal catchments, ecosystems and the marine environment.					
Natural Heritage Trust of Australia - Landcare(g)	8,521	17,623	18,743	0	0
To reverse land degradation and promote sustainable agriculture.					
Natural Heritage Trust of Australia - Rivercare(g)	11,261	18,301	19,464	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
Tasmanian Wheat Freight Shipping	1,200	1,200	0	0	0
The Tasmanian Wheat Freight Scheme aims to assist the cereal processing and related baking, intensive animal, feedlot and aquaculture industries in Tasmania.					
Exotic Disease Preparedness	2,128	372	372	379	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.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Agriculture, Forestry and Fishing (continued)					
Exceptional circumstances assistance	142,028	248,219	19,321	0	0
To provide support to eligible farm business enterprises where incomes have been adversely affected by exceptional circumstances such as extreme drought and to support the administrative costs of state and territory rural assistance authorities for the issuing of exceptional circumstance certificates and the delivery of exceptional circumstance interest rate subsidies.					
National Landcare Programme (NLP)	27,944	29,091	29,941	29,778	29,778
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	4,733	0	0	0	0
To provide support to farm business enterprises to improve farm productivity, profitability and sustainability.					
Great Artesian Basin Sustainability Initiative	512	7,700	7,897	7,930	8,097
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.					
Forest Industry Structural Adjustment Package	21,729	6,757	0	0	0
The Forest Industry Structural Adjustment Package is an industry development programme to assist the native forest timber industry to become more efficient, sustainable and internationally competitive. It also provides structural adjustment assistance to eligible forest industry workers and businesses who have been adversely affected by the Regional Forest Agreement process.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Agriculture, Forestry and Fishing (continued)					
Skilling farmers for the future	25,688	12,100	16,200	16,200	16,200
A programme to integrate and enhance the existing successful FarmBis and Property Management Planning Programmes and incorporate the wild catch fishing industry. It will facilitate farmer self reliance and promote a positive approach to change and a culture of continuous improvement by providing financial assistance to improve skills in business and resource management.					
War Service Land Settlement Scheme	360	0	0	0	0
To reimburse SA for the operation and maintenance of the Loxton Irrigation Scheme, to meet Australian Government obligations for this element of the War Service Land Settlement Scheme.					
Eradication of Red Imported Fire Ant	20,500	6,900	1,700	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	103,035	147,535	145,035	115,004	71,635
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.					
Agricultural Development Partnerships	670	3,012	0	0	0
This programme provides assistance for structural adjustment, targeted to agricultural industries and regions experiencing significant problems affecting farm profitability and sustainability.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
<i>Agriculture, Forestry and Fishing (continued)</i>					
<i>Agricultural Development Partnerships (continued)</i>					
A feature of the programme is that state and territory governments are expected to provide matching funding to facilitate a genuine partnership approach.					
<i>Agriculture, Forestry and Fishing - total</i>	385,677	530,666	292,556	169,291	126,097
<i>Transport and Communication</i>					
<i>Interstate road transport</i>					
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 Interstate Registration Scheme (FIRS). Payment of amounts equal to penalties arising from prosecutions under the Act are also made by the Australian Government.	42,030	48,020	48,020	48,020	48,020
*Supplementary funding to SA councils for local roads	0	4,250	9,000	13,000	0
Provides supplementary funding to local government in SA to address that state's current disadvantage in local road funding under the Financial Assistance Grant arrangements.					
Petroleum Products Freight Subsidy Scheme	3,600	3,500	3,500	3,500	3,500
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.					
Roads to Recovery - Unincorporated Areas	2,002	3,000	0	0	0
Funding for the construction, upgrade and maintenance of roads in unincorporated areas of SA, NSW, VIC and the NT not governed by local government authorities.					
Gold Coast Light Rail	377	0	0	0	0
To contribute towards a feasibility study into a light rail system from Helensvale to Broadbeach on QLD's Gold Coast.					
<i>Transport and Communication - total</i>	48,009	58,770	60,520	64,520	51,520

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Other Purposes					
Debt Redemption Assistance	35,292	53,745	195,310	0	0
Covers the payment of compensation to the six states and NT under the <i>Financial Agreement Act 1994</i> , for the additional interest costs of replacing maturing Australian Government debt with their own borrowings, rather than by the Australian Government borrowing on their behalf, and for the lower, formula based, Australian Government sinking fund contributions which have resulted from the debt redemption arrangements.					
* Financial Assistance Grants for local government					
<i>General Purpose Assistance</i>	1,044,807	1,061,892	1,109,546	1,149,933	1,190,986
Provides unified general purpose assistance to local government authorities. The grants are distributed between the states and territories on an equal per capita basis.					
<i>Unified Local Roads Grants</i>	463,629	471,193	492,337	510,259	528,475
Provides unified assistance to local government authorities in place of specific purpose payments formerly passed on to local government by the states for expenditure on local roads.					
Compensation - companies regulation					
Under the terms of the Corporations Agreement, the Australian Government is obliged to compensate the six states and the NT for revenue forgone following the commencement of the national scheme for the regulation of companies and securities.					
Natural Disaster Relief					
Reimbursement of part of the expenditure incurred by the states and territories on personal hardship and distress payments made to persons adversely affected by natural disaster.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES					
Other Purposes (continued)					
Royalties	337,878	361,254	334,417	330,856	338,187
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	22,067	22,508	22,936	23,371	23,839
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.					
Special Revenue Assistance to the ACT	15,000	14,200	0	0	0
Payment to the ACT that recognises that Australian-State government financial relations differ from Australian-ACT government financial relations in certain specific respects.					
Assistance to ACT Softwood Sawmill	1,000	0	0	0	0
Payment to the ACT Softwood Sawmill for assistance following the 2003 bushfire.					
Other Purposes - total	2,210,526	2,234,131	2,407,894	2,271,863	2,343,220
TOTAL CURRENT	20,358,557	21,513,620	22,498,365	23,221,251	24,386,574
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
Education					
Government schools	249,417	265,146	275,366	274,798	280,294
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, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
Education (continued)					
* Non-government schools	98,052	108,251	112,621	112,391	114,636
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.					
Education - total	347,469	373,397	387,987	387,189	394,930
Social Security and Welfare					
Crisis accommodation assistance(h)	39,655	40,122	40,515	40,913	41,435
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 Programme.					
Social Security and Welfare - total	39,655	40,122	40,515	40,913	41,435
Housing and Community Amenities					
Housing assistance for Indigenous people(h)	101,000	102,072	92,974	93,886	95,085
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(h)	63,990	64,744	65,379	66,020	66,862
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(h)	725,230	733,773	740,965	748,226	757,781
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, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Housing and Community Amenities (continued)</i>					
Social Housing Subsidy Programme	2,130	2,130	2,130	2,130	2,130
Provides matching funding until 30 June 2016 to subsidise the recurrent costs of financing rental accommodation for low and moderate income earners. Funds are committed to NSW and the ACT and future funding to other states and territories was removed in the 1996-97 Budget.					
* Federal Flood Mitigation Programme	9,900	12,100	0	0	0
Provides funding through states and territories to assist in addressing the problem of repeated flooding in rural towns and regional centres.					
* Disaster Mitigation Package	5,450	17,380	21,040	18,540	15,444
Funding for a wide range of mitigation measures to help reduce the threat posed by natural disasters such as bushfires, cyclones, floods and landslides across the nation.					
* Additional First Home Owners Scheme	6,572	2,214	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 one-year period allowed to lodge an application, once construction is complete.					
<i>Housing and Community Amenities - total</i>	914,272	934,413	922,488	928,802	937,302
<i>Fuel and Energy</i>					
* Photovoltaic Rebate Programme (PVRP)	3,655	4,900	0	0	0
To provide rebates to householders and community groups who install photovoltaic equipment to make electricity from sunlight for domestic use.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
Fuel and Energy					
Renewable Remote Power Generation	14,282	23,488	23,470	17,943	18,696
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.					
Fuel and Energy - total	17,937	28,388	23,470	17,943	18,696
Agriculture, Forestry and Fishing					
Natural Heritage Trust of Australia - Landcare(g)	23,511	0	0	0	0
To reverse land degradation and promote sustainable agriculture.					
Natural Heritage Trust of Australia - Rivercare(g)	23,258	0	0	0	0
To improve water quality and environmental conditions in our river systems and wetlands.					
Warner Creek Dam and Northern Midlands Water Project	0	2,100	1,100	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.					
Great Artesian Basin Sustainability Initiative	7,044	0	0	0	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.					
Agriculture, Forestry and Fishing - total	53,813	2,100	1,100	0	0
Transport and Communication					
Alice Springs Darwin Railway	0	0	6,250	6,250	0
The Australian Government agreed to provide up to an additional \$91.4 million towards the construction of the Alice Springs to Darwin rail link. This is in addition to the \$100 million previously provided under the Federation Fund.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES					
<i>Transport and Communication (continued)</i>					
AusLink(i)	0	1,323,389	1,145,566	1,423,927	1,452,188
The Australian Government will contribute funding for the development, construction and maintenance of land transport projects on a newly defined National Land Transport Network.					
Road programmes(j)	928,085	0	0	0	0
The Australian Government funds the National Highway System and contributes to the capital cost of declared Roads of National Importance. Funds are appropriated under the <i>Australian Land Transport Development Act 1988</i> .					
Road safety blackspots	44,500	44,500	44,500	0	0
Funding is available for the treatment of road sites where casualty crashes are occurring. State and territory transport agencies manage programmes of works. Funds are appropriated under the <i>Australian Land Transport Development Act 1988</i> .					
Federation Funds Projects - QLD	30,000	4,666	0	0	0
The Australian Government agreed to provide \$40 million from the Federation Fund towards the widening of the Caboolture Motorway.					
Federation Funds Projects - NSW/VIC	19,236	22,500	1,965	299	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.					
<i>Transport and Communication - total</i>	1,021,821	1,395,055	1,198,281	1,430,476	1,452,188
<i>Other Purposes</i>	1,412	595	380	0	0
Sinking Fund on State Debt					
Contributions to the Debt Retirement Reserve Trust Account (DRRTA) by the Australian Government on behalf of the six states and the NT in accordance with the <i>Financial Agreement Act 1994</i> .					
<i>Other Purposes - total</i>	1,412	595	380	0	0
TOTAL CAPITAL	2,396,379	2,774,070	2,574,221	2,805,323	2,844,551

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
	REPAYMENTS				
Supplementary contributions	285,878	74,017	134,396	0	0
Debt Retirement Reserve Trust Account (DRRTA) receipts of supplementary contributions from the six states and the NT, payable under the provisions of the <i>Financial Agreement Act 1994</i> , to enable the redemption of Australian Government securities maturing on their behalf.					
Payments to Debt Sinking Funds	5,696	2,400	1,536	0	0
Debt Retirement Reserve Trust Account (DRRTA) receipts of contributions from the six states and the NT and from the Australian Government on their behalf payable under the provisions of the <i>Financial Agreement Act 1994</i> .					
Total	291,574	76,417	135,932	0	0
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	16,949	17,711	18,511	19,343	20,212
Principal repayments by the six states and the NT of advances made to them under the various States (Works and Housing) Assistance Acts.					
Repayments of Australian Government Loans - total	21,596	22,358	23,158	23,990	24,859
Defence					
Housing for servicemen	1,361	1,453	1,552	1,661	1,776
Principal repayments by the states and territories of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.					
Defence - total	1,361	1,453	1,552	1,661	1,776
Housing and Community Amenities					
CSHA Loans	61,955	63,545	64,908	66,164	67,375
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.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
Description					
REPAYMENTS					
Housing and Community Amenities (continued)					
Other housing	8,525	8,450	8,712	8,995	9,318
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	392	437	486	542	603
Repayment of principal on loans to SA for water quality improvement via Adelaide and Northern Towns Water Treatment and to WA for salinity mitigation via the Harding River Dam project.					
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	304	247	94	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.					
Urban rehabilitation	103	0	0	0	0
Repayment of the principal of a loan provided under the <i>Land Commissions (Financial Assistance) Act 1973</i> to VIC, for the acquisition and redevelopment of land at Emerald Hill, South Melbourne.					
Community facilities - Townsville	39	42	2	0	0
Repayment of a loan to the QLD Government as a contribution towards the cost of developing community facilities in Townsville to assist in assimilating servicemen and their families into the community.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
REPAYMENTS					
<i>Housing and Community Amenities (continued)</i>					
Captains Flat (Abatement of Pollution) Agreement	7	8	10	11	9
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	3,392	3,730	4,103	4,509	4,958
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.					
<i>Housing and Community Amenities - total</i>	74,853	76,595	78,451	80,357	82,399
<i>Agriculture, Forestry and Fishing</i>					
Bovine Brucellosis and Tuberculosis(k)	0	0	0	0	0
Australian Government share of principal repaid by pastoralists on loans for property maintenance and improvement essential for disease eradication under the Brucellosis and Tuberculosis Eradication Campaign.					
Rural Adjustment Scheme	1,826	554	101	0	0
Repayments of loans administered under the <i>States Grants (Rural Adjustment) Acts 1976 & 1979</i> which provide assistance to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved.					
War Service Land Settlement Scheme	935	957	992	1,027	1,065
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.					
<i>Agriculture, Forestry and Fishing - total</i>	2,761	1,511	1,093	1,027	1,065

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
REPAYMENTS					
<i>Transport and Communication</i>					
Railway projects	571	574	572	574	574
Repayment of the principal of loans provided by the Australian Government to upgrade and standardise railways in mainland Australia.					
<i>Transport and Communication - total</i>	571	574	572	574	574
<i>Other Purposes</i>					
Natural Disaster Relief	2,488	3,365	3,365	3,365	3,084
Repayment by states and territories of loans made by the Australian Government under the Natural Disaster Relief Arrangements (NDRA) and the repayment of overpaid monies.					
<i>Other Purposes - total</i>	2,488	3,365	3,365	3,365	3,084
TOTAL REPAYMENTS	395,204	182,273	244,123	110,974	113,757
ADVANCES					
Natural Disaster Relief	7,500	7,500	7,500	7,500	7,500
Concessional interest rate loans to the states and territories in respect of loans made by them to individuals affected by natural disasters.					
<i>Other Purposes - total</i>	7,500	7,500	7,500	7,500	7,500
TOTAL ADVANCES	7,500	7,500	7,500	7,500	7,500
INTEREST					
Interest on Loan Council and NT Government Borrowings	19,009	10,847	633	0	0
Receipts from the six states and the NT of interest on Australian Government securities outstanding on their behalf.					
<i>Interest on Loan Council and NT Government Borrowings - total</i>	19,009	10,847	633	0	0
ACT Government debt	4,674	4,140	3,605	3,071	2,536
Receipts from the ACT of interest on Australian Government loans and on Australian Government securities nominally outstanding on its behalf.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
Description					
INTEREST					
<i>Interest on Australian Government Loans (continued)</i>					
Housing nominations	68,448	67,686	66,890	66,055	65,187
Interest received from the six states and the NT on outstanding advances made to them under the States (Works and Housing) Assistance Acts.					
Interest on Australian Government Loans - total	73,122	71,826	70,495	69,126	67,723
Defence					
Housing for servicemen	4,249	4,189	4,126	4,059	3,987
Interest payments by the states and territories of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.					
Defence - total	4,249	4,189	4,126	4,059	3,987
Housing and Community Amenities					
CSHA loans	94,100	91,522	88,862	86,131	83,323
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.					
Other housing	14,448	14,062	13,676	13,277	12,867
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	1,098	1,054	1,004	949	887
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	630	623	616	610	603
Payment of interest on loans relating to assets transferred from the Australian Government to the NT at the time of self-government in 1978.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
INTEREST					
Housing and Community Amenities (continued)					
Growth centres	57	28	7	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.					
Urban rehabilitation	4	0	0	0	0
Payment of interest on a loan provided under the <i>Land Commissions (Financial Assistance) Act 1973</i> , to VIC, for the acquisition and redevelopment of land at Emerald Hill, South Melbourne.					
Sewerage	7,117	6,772	6,395	5,977	5,519
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.					
Community facilities - Townsville	7	3	0	0	0
Interest paid on a loan to the QLD Government as a contribution towards the cost of developing community facilities in Townsville to assist in assimilating servicemen and their families into the community.					
Captains Flat (Abatement of Pollution) Agreement	6	5	4	3	1
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.					
Housing and Community Amenities - total	117,467	114,069	110,564	106,947	103,200
Agriculture, Forestry and Fishing					
Bovine Brucellosis and Tuberculosis(k)	0	0	0	0	0
Payment of interest on loans to pastoralists for property maintenance and improvements essential for disease eradication under the Brucellosis and Tuberculosis Eradication Campaign.					

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000) (continued)

<i>Function</i>	2003-04	2004-05	2005-06	2006-07	2007-08
Payment title					
<i>Description</i>					
INTEREST					
<i>Agriculture, Forestry and Fishing (continued)</i>					
Rural Adjustment Scheme	102	112	33	4	0
Payment of interest on loans under the <i>States Grants (Rural Adjustment) Acts 1976 & 1979</i> to provide assistance to help restore to economic viability those farms and farmers with the capacity to maintain viability once achieved.					
War Service Land Settlement Scheme	305	270	234	197	158
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>Agriculture, Forestry and Fishing - total</i>	407	382	267	201	158
<i>Transport and Communication</i>					
Railway projects	396	364	333	300	268
Payment of interest on loans provided by the Australian Government to upgrade and standardise railways in mainland Australia.					
<i>Transport and Communication - total</i>	396	364	333	300	268
<i>Other Purposes</i>					
Natural Disaster Relief	566	565	565	565	565
Interest payable by the states and territories in respect of loans made by the Australian Government to them under NDRA.					
<i>Other Purposes - total</i>	566	565	565	565	565
TOTAL INTEREST	215,216	202,242	186,983	181,198	175,901
SUMMARY OF SPECIFIC PURPOSE PAYMENTS					
Total Specific Purpose Payments	22,754,936	24,287,690	25,072,586	26,026,574	27,231,125
Total 'to'	16,787,638	17,924,810	18,280,066	18,796,812	19,561,215
Total 'through'	5,967,298	6,362,880	6,792,520	7,229,762	7,669,910

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

Table B1: Estimated Specific Purpose Payments to and through the states, repayments of advances, advances and interest payments, 2003-04 to 2007-08 (\$'000)

- (a) The allocation of funds to the states and territories for each year, as per the Australian National Training Authority's Directions and Resource Allocations, is subject to agreement by the Australian National Training Authority Ministerial Council. The total level of funding is subject to the amendment of the *Vocational Education and Training Funding Act 1992*.
- (b) 'Away from Base' payments under the Indigenous Education Strategic Initiatives Programme - government have been reclassified effective from 2003-04. Funding is now classified as grants direct to providers and personal beneficiaries. Total funding has not been affected by this reclassification. Details of this payment can be found in the Education, Science and Training Portfolio Budget Statement 2004-05.
- (c) Non-government Indigenous education payments have been reclassified effective from 2004-05. Funding is now classified as grants direct to non-government education providers. Total funding has not been affected by this reclassification. Details of this payment can be found in the Education, Science and Training Portfolio Budget Statement 2004-05.
- (d) The Australian Health Care Agreements expire on 30 June 2008. The estimates for 2004-05 onwards represent the Australian Government's expected 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.
- (e) Prior to 2004-05, Home and Community Care payments included both current and capital grants. As the day-to-day administration is managed by the state and territory governments, it is now their responsibility to determine any capital expenditure made through the programme.
- (f) The amounts represent full year expenditure. The Australian Government's contribution is subject to the state and territory governments agreeing to the terms of the Australian Government's offer.
- (g) All figures are indicative only.
- (h) This funding is indicative and subject to the signing of bilateral agreements by the Australian Government and each state and territory government as required by the 2003 Commonwealth-State Housing Agreement, effective 1 July 2003.
- (i) AusLink payments to the states and territories are lower than total AusLink programme expenditure as some AusLink projects are National, or otherwise may not involve payments to the states and territories.
- (j) This programme will become part of the AusLink programme from 2004-05.
- (k) The NT is currently preparing a submission to the Australian Government and the Cattle Council of Australia regarding the payment of the Bovine Brucellosis and Tuberculosis Eradication Campaign (BTEC) part D type loans. The debts have not been realised due to protracted legal negotiations. However, it is unlikely that these debts will be repaid.

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000)

<i>Function</i>	<i>NSW</i>	<i>VIC</i>	<i>QLD</i>	<i>WA</i>	<i>SA</i>	<i>TAS</i>	<i>ACT</i>	<i>NT</i>	<i>Total</i>
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Public Order and Safety									
Legal aid	42,481	0	0	11,269	10,958	3,974	3,190	2,572	74,444
Film and literature classifications	97	96	97	95	97	95	96	93	766
Gun Buyback Scheme	19,519	19,802	19,170	7,510	8,283	2,736	736	1,096	78,852
Public Order and Safety - total	62,097	19,898	19,267	18,874	19,338	6,805	4,022	3,761	154,062
Education									
Government schools	518,246	372,228	316,036	154,689	112,378	42,994	25,754	19,114	1,561,439
*Non-government schools	1,352,545	1,072,343	767,020	402,160	318,045	82,080	83,718	31,922	4,109,833
Vocational Education and Training Funding Act(a)	372,839	270,031	188,488	103,407	86,961	29,649	20,650	13,708	1,085,733
Targeted programmes - government schools and joint	129,470	81,319	57,385	30,824	30,763	9,997	3,325	6,962	350,045
*Targeted Programmes - non-government schools	64,547	52,218	23,340	13,629	13,858	2,816	2,589	1,876	174,873
Indigenous Education Strategic Initiatives									
Programme - government(b)	25,183	4,245	23,598	16,831	5,610	2,325	405	15,639	93,836
*Indigenous Education Strategic Initiatives									
Programme - non-government(c)	14,080	1,838	12,952	10,724	2,997	808	334	6,894	50,527
Education - total	2,476,910	1,854,222	1,388,819	732,264	570,512	170,669	136,775	96,115	7,426,286
Health									
Hepatitis C Settlement Fund	2,328	0	0	16	575	31	45	5	3,000
Health Programme Grants	0	2,155	0	0	0	0	0	618	2,773
Health Care Grants(d)	2,537,537	1,819,804	1,418,764	732,825	636,927	167,723	98,775	92,095	7,504,450
Highly specialised drugs	141,960	106,701	69,582	32,564	30,023	7,470	6,558	3,754	398,612
Youth health services	795	587	413	213	194	59	54	54	2,369
National public health	64,509	48,161	29,509	15,359	13,759	3,597	2,099	1,832	178,825
Essential vaccines	50,282	35,723	28,145	14,623	11,111	3,594	2,764	2,207	148,449
Repatriation general hospitals	3,500	2,000	0	0	670	656	0	0	6,826
Assistance for Bali victims	474	130	238	2,337	350	0	0	1,320	4,849
Health - total	2,801,385	2,015,261	1,546,651	797,937	693,609	183,130	110,295	101,885	8,250,153

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Social Security and Welfare</i>									
Aged care assessment	15,168	11,993	7,553	5,084	4,644	2,042	608	1,167	48,259
Home and community care(e)	228,726	189,879	145,883	72,497	63,086	18,743	8,516	5,058	732,388
Disabilities services	191,956	124,076	105,385	43,868	61,279	19,083	7,624	5,696	558,967
Children's services	958	621	466	410	7,697	215	56	2	10,425
Supported accommodation assistance	55,183	36,667	28,373	16,899	16,238	7,271	5,792	4,837	171,260
Unaccompanied humanitarian minors	245	451	263	160	368	0	0	0	1,487
Extension of fringe benefits	64,340	45,995	32,116	16,172	18,297	5,876	1,306	895	184,997
Native Title	2,000	0	3,000	2,000	2,000	0	0	2,000	11,000
Concessions for Cwith Seniors Health Card holders(f)	16,931	8,223	6,298	7,438	3,265	931	1,857	311	45,254
State Senior's Card reciprocal transport concessions(f)	1,886	1,684	971	297	489	88	177	8	5,600
<i>Social Security and Welfare - total</i>	577,393	419,589	330,308	164,825	177,363	54,249	25,936	19,974	1,769,637
<i>Housing and Community Amenities</i>									
Assistance for water and sewerage	0	0	0	0	0	0	8,873	0	8,873
Natural Heritage Trust of Australia - Bushcare(g)	1,423	567	3,173	396	158	793	0	312	6,822
Natural Heritage Trust of Australia - Coastcare(g)	544	217	1,213	151	60	303	0	119	2,607
Natural Heritage Trust of Australia - Landcare(g)	1,089	433	2,426	302	121	607	0	238	5,216
Natural Heritage Trust of Australia - Rivercare(g)	1,130	450	2,520	314	126	630	0	247	5,417
<i>Housing and Community Amenities - total</i>	4,186	1,667	9,332	1,163	465	2,333	8,873	916	28,935
<i>Recreation and Culture</i>									
Melbourne 2006 Commonwealth Games	0	40,000	0	0	0	0	0	0	40,000
Natural Heritage Trust of Australia - Bushcare(g)	647	257	1,442	180	348	361	0	142	3,377
Natural Heritage Trust of Australia - Coastcare(g)	247	98	552	69	133	138	0	54	1,291
Natural Heritage Trust of Australia - Landcare(g)	495	197	1,103	137	266	276	0	108	2,582
Natural Heritage Trust of Australia - Rivercare(g)	514	205	1,145	143	278	286	0	112	2,683
<i>Recreation and Culture - total</i>	1,903	40,757	4,242	529	1,025	1,061	0	416	49,933
<i>Fuel and Energy</i>									
Snowy Hydro Ltd - company tax compensation	23,559	11,780	0	0	0	0	0	0	35,339
<i>Fuel and Energy - total</i>	23,559	11,780	0	0	0	0	0	0	35,339

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Payment title</i>									
	SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES								
<i>Agriculture, Forestry and Fishing</i>									
Natural Heritage Trust of Australia - Bushcare(g)	2,243	893	5,000	623	549	1,250	94	491	11,143
Natural Heritage Trust of Australia - Coastcare(g)	858	341	1,912	238	210	478	0	188	4,225
Natural Heritage Trust of Australia - Landcare(g)	1,715	683	3,823	477	420	956	72	375	8,521
Natural Heritage Trust of Australia - Rivercare(g)	1,781	709	3,971	495	436	3,405	74	390	11,261
TAS Wheat Freight - shipping	0	0	0	0	0	1,200	0	0	1,200
Exotic Disease Preparedness	381	1,492	56	34	55	34	42	34	2,128
Exceptional circumstances assistance	81,994	22,015	31,317	6,041	661	0	0	0	142,028
National Landcare Programme (NLP)	6,440	5,098	6,466	4,293	2,952	1,342	140	1,213	27,944
Regional Assistance	2,469	0	398	963	903	0	0	0	4,733
Great Artesian Basin Sustainability Initiative	218	0	237	0	57	0	0	0	512
Forest Industry Structural Adjustment Package	18,505	3,947	0	-723	0	0	0	0	21,729
Skilling Farmers for the Future	4,046	6,208	7,424	1,631	4,493	863	0	1,023	25,688
War Service Land Settlement Scheme	0	0	0	0	359	1	0	0	360
Eradication of Red Imported Fire Ant	0	0	20,500	0	0	0	0	0	20,500
National Action Plan for Salinity and Water Quality	40,035	22,500	10,000	14,500	14,000	1,500	0	500	103,035
Agricultural Development Partnerships	35	0	0	170	465	0	0	0	670
<i>Agriculture, Forestry and Fishing - total</i>	160,720	63,886	91,104	28,742	25,560	11,029	422	4,214	385,677
<i>Transport and Communication</i>									
Interstate road transport	19,366	11,269	3,990	1,667	5,108	210	210	210	42,030
*Supplementary funding to SA councils for local roads	0	0	0	0	0	0	0	0	0
Petroleum Products Freight Subsidy Scheme	250	0	1,750	80	200	0	0	1,320	3,600
Roads to Recovery - Unincorporated areas	950	50	0	0	1,002	0	0	0	2,002
Gold Coast light rail	0	0	377	0	0	0	0	0	377
<i>Transport and Communication - total</i>	20,566	11,319	6,117	1,747	6,310	210	210	1,530	48,009

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, repayments of advances and interest payments, 2003-04 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Other Purposes									
Debt Redemption Assistance	9,600	4,993	8,742	3,091	3,769	3,729	0	1,368	35,292
*Financial Assistance Grants for local government									
<i>Financial Assistance Grants</i>									
<i>United Local Roads Grants</i>	352,336	258,937	198,076	102,482	80,493	25,054	17,041	10,388	1,044,807
Compensation - companies regulation	134,513	95,583	86,867	70,889	25,480	24,569	14,867	10,861	463,629
Natural Disaster Relief	51,791	45,275	25,497	15,694	11,673	3,616	0	2,307	155,853
Royalties	70,000	25,000	19,000	2,500	0	4,000	10,000	4,500	135,000
ACT National Capital influences	0	0	0	335,313	0	0	0	2,565	337,878
Other Purposes (continued)									
Special Revenue Assistance to the ACT	0	0	0	0	0	0	15,000	0	15,000
Assistance to ACT Softwood Sawmill	0	0	0	0	0	0	1,000	0	1,000
Other Purposes - total	618,240	429,788	338,182	529,969	121,415	60,968	79,975	31,989	2,210,526
TOTAL CURRENT	6,746,959	4,868,167	3,734,022	2,276,050	1,615,597	490,454	366,508	260,800	20,358,557
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
Education									
Government schools	83,278	58,938	48,624	25,782	18,766	6,796	4,117	3,116	249,417
*Non-government schools	32,587	26,282	17,219	9,454	7,337	2,107	2,192	874	98,052
Education - total	115,865	85,220	65,843	35,236	26,103	8,903	6,309	3,990	347,469
Social Security and Welfare									
Crisis accommodation assistance(h)	13,410	9,856	7,357	3,895	3,109	977	647	404	39,655
Social Security and Welfare - total	13,410	9,856	7,357	3,895	3,109	977	647	404	39,655
Housing and Community Amenities									
Housing assistance for indigenous people(h)	17,777	3,638	28,510	19,144	8,342	696	0	22,893	101,000
Community housing(h)	21,640	15,904	11,872	6,285	5,017	1,576	1,044	652	63,990
CSHA Block Assistance/Base Funding(h)	240,113	176,465	131,730	69,739	55,671	21,566	16,748	13,198	725,230
Social Housing Subsidy Programme	1,995	0	0	0	0	0	135	0	2,130
*Federal flood mitigation	4,250	254	4,208	318	668	202	0	0	9,900

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
<i>Housing and Community Amenities (continued)</i>									
*Disaster Mitigation Package	1,740	645	1,625	330	300	330	240	240	5,450
*Additional First Home Owners Scheme	4,313	1,831	0	65	35	328	0	0	6,572
<i>Housing and Community Amenities - total</i>	291,828	198,737	177,945	95,881	70,033	24,698	18,167	36,983	914,272
<i>Fuel and Energy</i>									
*Photovoltaic Rebate Programme (PVRP)	122	133	1,339	1	1,616	42	15	387	3,655
Renewable Remote Power Generation	282	0	3,000	4,500	2,700	1,000	0	2,800	14,282
<i>Fuel and Energy - total</i>	404	133	4,339	4,501	4,316	1,042	15	3,187	17,937
<i>Agriculture, Forestry and Fishing</i>									
Natural Heritage Trust of Australia - Landcare(g)	10,319	3,440	0	77	1,786	7,172	377	340	23,511
Natural Heritage Trust of Australia - Rivercare(g)	9,525	3,580	0	82	1,859	7,465	393	354	23,258
Warner Creek Dam and Northern Midlands Water Project	0	0	0	0	0	0	0	0	0
Great Artesian Basin Sustainability Initiative	2,782	0	3,954	0	308	0	0	0	7,044
<i>Agriculture, Forestry and Fishing - total</i>	22,626	7,020	3,954	159	3,953	14,637	770	694	53,813
<i>Transport and Communication</i>									
Alice Springs Darwin Railway	0	0	0	0	0	0	0	0	0
AusLink	0	0	0	0	0	0	0	0	0
Road programmes(i)	396,200	138,150	224,970	71,610	50,950	13,560	2,615	30,030	928,085
Road safety blackspots	14,287	10,428	8,923	4,982	3,490	1,116	602	672	44,500
Federation Fund Projects - QLD	0	0	30,000	0	0	0	0	0	30,000
Federation Fund Projects - NSW/VIC	17,000	2,236	0	0	0	0	0	0	19,236
<i>Transport and Communication - total</i>	427,487	150,814	263,893	76,592	54,440	14,676	3,217	30,702	1,021,821
<i>Other Purposes</i>									
Sinking Fund on State Debt	435	128	507	23	176	143	0	0	1,412
<i>Other Purposes - total</i>	435	128	507	23	176	143	0	0	1,412
TOTAL CAPITAL	872,055	451,908	523,838	216,287	162,130	65,076	29,125	75,960	2,396,379

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	REPAYMENTS								
Supplementary Contributions	55,404	43,346	111,311	7,958	31,871	35,988	0	0	285,878
Payments to Debt Sinking Funds	1,754	516	2,045	91	712	578	0	0	5,696
Total	57,158	43,862	113,356	8,049	32,583	36,566	0	0	291,574
Repayments of Australian Government Loans									
ACT Debt Repayments	0	0	0	0	0	0	4,647	0	4,647
Loan Council - Housing Nominations	5,287	0	1,945	3,373	3,166	1,418	0	1,760	16,949
Repayments of Australian Government Loans - total	5,287	0	1,945	3,373	3,166	1,418	4,647	1,760	21,596
Defence									
Housing for servicemen	742	0	454	147	18	0	0	0	1,361
Defence - total	742	0	454	147	18	0	0	0	1,361
Housing and Community Amenities									
CSHA loans	31,386	0	8,633	8,216	9,585	3,647	0	488	61,955
Other housing	0	0	0	0	0	0	6,043	2,482	8,525
Urban water supply and treatment	0	0	0	0	392	0	0	0	392
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	136
Growth centres	304	0	0	0	0	0	0	0	304
Urban rehabilitation	0	103	0	0	0	0	0	0	103
Community facilities - Townsville	0	0	39	0	0	0	0	0	39
Captains Flat (Abatement of Pollution) Agreement	7	0	0	0	0	0	0	0	7
Sewerage	2,710	0	677	5	0	0	0	0	3,392
Housing and Community Amenities - total	34,407	103	9,349	8,221	9,977	3,647	6,043	3,106	74,853
Agriculture, Forestry and Fishing									
Bovine Brucellosis and Tuberculosis(i)	0	0	0	0	0	0	0	0	0
Rural Adjustment Scheme	1,722	0	0	0	0	0	0	104	1,826
War Service Land Settlement Scheme	445	474	0	0	4	12	0	0	935
Agriculture, Forestry and Fishing - total	2,167	474	0	0	4	12	0	104	2,761

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title									
	REPAYMENTS								
<i>Transport and Communication</i>									
Railway projects	96	96	0	379	0	0	0	0	571
Transport and Communication - total	96	96	0	379	0	0	0	0	571
<i>Other Purposes</i>									
Natural Disaster Relief	388	0	1,770	0	0	0	0	330	2,488
Other Purposes - total	388	0	1,770	0	0	0	0	330	2,488
TOTAL REPAYMENTS	100,245	44,535	126,874	20,169	45,748	41,643	10,690	5,300	395,204
	ADVANCES								
<i>Other Purposes</i>									
Natural Disaster Relief	3,000	0	4,000	0	0	0	0	500	7,500
Other Purposes - total	3,000	0	4,000	0	0	0	0	500	7,500
TOTAL ADVANCES	3,000	0	4,000	0	0	0	0	500	7,500
	INTEREST								
Interest on Loan Council and NT Government Borrowings	7,490	656	6,210	107	2,529	2,017	0	0	19,009
Total	7,490	656	6,210	107	2,529	2,017	0	0	19,009
	Interest on Australian Government Loans								
ACT Government Debt	0	0	0	0	0	0	4,674	0	4,674
Housing nominations	21,425	0	7,721	13,217	12,954	5,689	0	7,442	68,448
Interest on Australian Government Loans - total	21,425	0	7,721	13,217	12,954	5,689	4,674	7,442	73,122
	Defence								
Housing for servicemen	2,456	0	1,397	293	103	0	0	0	4,249
Defence - total	2,456	0	1,397	293	103	0	0	0	4,249
	Housing and Community Amenities								
CSHA loans	44,175	0	12,270	11,745	18,441	5,974	0	1,495	94,100
Other housing	0	0	0	0	0	0	10,411	4,037	14,448
Urban water supply and treatment	0	0	0	0	1,098	0	0	0	1,098
NT - water and sewerage assistance	0	0	0	0	0	0	0	630	630
Growth centres	57	0	0	0	0	0	0	0	57
Urban rehabilitation	0	4	0	0	0	0	0	0	4

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title	INTEREST								
<i>Housing and Community Amenities (continued)</i>									
Sewerage	5,648	0	1,460	9	0	0	0	0	7,117
Community facilities - Townsville	0	0	7	0	0	0	0	0	7
Captains Flat (Abatement of Pollution) Agreement	6	0	0	0	0	0	0	0	6
<i>Housing and Community Amenities - total</i>	49,886	4	13,737	11,754	19,539	5,974	10,411	6,162	117,467
<i>Agriculture, Forestry and Fishing</i>									
Bovine Brucellosis and Tuberculosis(i)	0	0	0	0	0	0	0	0	0
Rural Adjustment Scheme	94	0	0	0	0	0	0	8	102
War Service Land Settlement Scheme	148	156	0	0	0	1	0	0	305
<i>Agriculture, Forestry and Fishing - total</i>	242	156	0	0	0	1	0	8	407
<i>Transport and Communication</i>									
Railway projects	44	39	0	313	0	0	0	0	396
<i>Transport and Communication - total</i>	44	39	0	313	0	0	0	0	396
<i>Other Purposes</i>									
Natural Disaster Relief	240	0	291	0	0	0	0	35	566
<i>Other Purposes - total</i>	240	0	291	0	0	0	0	35	566
TOTAL INTEREST	81,783	855	29,356	25,684	35,125	13,681	15,085	13,647	215,216
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments	7,619,014	5,320,075	4,257,860	2,492,337	1,777,727	555,530	395,633	336,760	22,754,936
Total 'To'	5,657,981	3,810,011	3,145,214	1,882,285	1,326,998	417,194	274,637	273,318	16,787,638
Total 'Through'	1,961,033	1,510,064	1,112,646	610,052	450,729	138,336	120,996	63,442	5,967,298

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

- (a) The allocation of funds to the states and territories for each year, as per the Australian National Training Authority's Directions and Resource Allocations, is subject to agreement by the Australian National Training Authority Ministerial Council. The total level of funding is subject to the amendment of the *Vocational Education and Training Funding Act 1992*.
- (b) 'Away from Base' payments under the Indigenous Education Strategic Initiatives Programme - government have been reclassified effective from 2003-04. Funding is now classified as grants direct to providers and personal beneficiaries. Total funding has not been affected by this reclassification. Details of this payment can be found in the Education, Science and Training Portfolio Budget Statement 2004-05.

Table B2: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2003-04 (\$'000)

- (c) Non-government Indigenous education payments have been reclassified effective from 2004-05. Funding is now classified as grants direct to non-government education providers. Total funding has not been affected by this reclassification. Details of this payment can be found in the Education, Science and Training Portfolio Budget Statement 2004-05.
- (d) The Australian Health Care Agreements expire on 30 June 2008. The estimates for 2004-05 onwards represent the Australian Government's expected 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.
- (e) Prior to 2004-05, Home and Community Care payments included both current and capital grants. As the day-to-day administration is managed by the state and territory governments, it is now their responsibility to determine any capital expenditure made through the programme.
- (f) The amounts represent full year expenditure. The Australian Government's contribution is subject to the state and territory governments agreeing to the terms of the Australian Government's offer.
- (g) All figures are indicative only.
- (h) This funding is indicative and subject to the signing of bilateral agreements by the Australian Government and each state and territory government as required by the 2003 Commonwealth State Housing Agreement, effective 1 July 2003.
- (i) This programme will become part of the Auslink programme from 2004-05.
- (j) The NT is currently preparing a submission to the Australian Government and the Cattle Council of Australia regarding the payment of the Bovine Brucellosis and Tuberculosis Eradication Campaign (BTEC) part D type loans. The debts have not been realised due to protracted legal negotiations. However, it is unlikely that these debts will be repaid.

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Public Order and Safety									
Legal aid	44,732	0	0	13,509	12,703	4,843	3,634	3,324	82,745
Film and literature classifications	93	92	93	92	93	91	92	89	735
Gun Buyback Scheme	4,490	2,062	2,025	780	878	197	49	79	10,560
Public Order and Safety - total	49,315	2,154	2,118	14,381	13,674	5,131	3,775	3,492	94,040
Education									
Government schools	546,479	392,506	333,253	163,116	118,500	45,336	27,157	20,155	1,646,502
*Non-government schools	1,477,596	1,161,260	844,124	436,899	355,264	92,123	89,629	33,317	4,490,212
Vocational Education and Training Funding Act(a)	377,624	273,627	192,096	105,015	88,029	29,929	20,958	13,910	1,101,188
Targeted programmes - government schools and joint	139,802	85,273	60,067	32,219	32,648	10,445	3,472	7,366	371,292
*Targeted Programmes - non-government schools	68,394	55,014	28,195	17,600	13,124	3,175	2,834	2,152	190,488
Indigenous Education Strategic Initiatives									
Programme - government(b)	24,489	5,060	22,102	16,113	6,455	2,789	906	18,268	96,182
*Indigenous Education Strategic Initiatives									
Programme - non-government(c)	0	0	0	0	0	0	0	0	0
Education - total	2,634,384	1,972,740	1,479,837	770,962	614,020	163,797	144,956	95,168	7,895,864
Health									
Hepatitis C Settlement Fund	0	0	0	0	0	0	0	0	0
Health Programme Grants	0	2,199	0	0	0	0	0	650	2,849
Health Care Grants(d)	2,666,801	1,916,384	1,503,913	774,774	666,887	175,402	104,238	96,494	7,904,893
Highly Specialised Drugs	152,837	114,928	74,970	35,117	32,335	8,046	7,066	4,039	429,338
Youth health services	810	600	421	217	198	60	55	57	2,418
National public health	71,774	51,298	38,683	19,472	17,551	5,241	3,144	2,843	210,006
Essential vaccines	56,056	35,624	28,954	15,055	11,138	3,645	2,358	2,275	155,105
Repatriation general hospitals	3,490	1,992	0	0	668	654	0	0	6,804
Assistance for Bali victims	0	0	0	0	0	0	0	0	0
Health - total	2,951,768	2,123,025	1,646,941	844,635	728,777	193,048	116,861	106,358	8,711,413

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Social Security and Welfare</i>									
Aged care assessment	16,774	12,982	8,242	5,526	5,123	2,300	707	1,276	52,930
Home and community care(e)	247,836	201,242	161,274	78,775	67,619	20,307	9,329	5,476	791,858
Disabilities services	188,855	129,026	109,459	45,675	63,520	19,785	7,936	5,929	570,185
Children's services	975	630	475	418	8,235	219	57	2	11,011
Supported Accommodation Assistance	56,048	37,473	29,007	17,275	16,595	7,431	5,920	4,939	174,688
Unaccompanied humanitarian minors	447	696	295	263	439	0	0	0	2,140
Extension of fringe benefits	66,318	47,410	33,105	16,670	18,862	6,058	1,347	923	190,693
Native Title	2,000	0	3,000	2,000	2,000	0	0	2,000	11,000
Concessions for Cwth Seniors Health Card holders(f)	35,914	17,408	8,902	7,884	4,627	1,305	2,604	330	78,974
State Senior's Card reciprocal transport concessions(f)	1,953	1,745	1,005	308	506	92	183	8	5,800
<i>Social Security and Welfare - total</i>	617,120	448,612	354,764	174,794	187,526	57,497	28,083	20,883	1,889,279
<i>Housing and Community Amenities</i>									
Assistance for water and sewerage	0	0	0	0	0	0	9,051	0	9,051
Natural Heritage Trust - Bushcare(g)	3,376	2,776	2,922	2,338	1,607	730	146	730	14,625
Natural Heritage Trust of Australia - Coastcare(g)	1,291	1,061	1,117	894	614	279	56	279	5,591
Natural Heritage Trust of Australia - Landcare(g)	2,582	2,123	2,234	1,787	1,229	559	112	559	11,185
Natural Heritage Trust of Australia - Rivercare(g)	2,681	2,204	2,320	1,856	1,276	580	116	580	11,613
<i>Housing and Community Amenities - total</i>	9,930	8,164	8,593	6,875	4,726	2,148	9,481	2,148	52,065
<i>Recreation and Culture</i>									
Melbourne 2006 Commonwealth Games	0	0	0	0	0	0	0	0	0
Natural Heritage Trust of Australia - Bushcare(g)	1,535	1,262	1,327	1,062	730	332	66	332	6,646
Natural Heritage Trust of Australia - Coastcare(g)	587	482	508	406	279	127	25	127	2,541
Natural Heritage Trust of Australia - Landcare(g)	1,174	965	1,016	812	559	254	51	254	5,085
Natural Heritage Trust of Australia - Rivercare(g)	1,217	1,002	1,055	844	581	264	53	264	5,280
<i>Recreation and Culture - total</i>	4,513	3,711	3,906	3,124	2,149	977	195	977	19,552
<i>Fuel and Energy</i>									
Snowy Hydro Ltd - company tax compensation	18,560	9,280	0	0	0	0	0	0	27,840
<i>Fuel and Energy - total</i>	18,560	9,280	0	0	0	0	0	0	27,840

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)

<i>Function</i>	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(g)	5,320	4,374	4,604	3,684	2,532	1,151	230	1,151	23,046
Natural Heritage Trust of Australia - Coastcare(g)	2,034	1,672	1,760	1,408	968	440	88	440	8,810
Natural Heritage Trust of Australia - Landcare(g)	4,068	3,346	3,521	2,816	1,936	880	176	880	17,623
Natural Heritage Trust of Australia - Rivercare(g)	4,225	3,473	3,656	2,925	2,011	914	183	914	18,301
TAS Wheat Freight - shipping	0	0	0	0	0	1,200	0	0	1,200
Exotic Disease Preparedness	57	57	57	57	36	36	36	36	372
Exceptional circumstances assistance	149,246	40,252	50,228	7,765	728	0	0	0	248,219
National Landcare Programme (NLP)	6,977	5,526	5,815	4,654	3,199	1,454	152	1,314	29,091
Regional Assistance	0	0	0	0	0	0	0	0	0
Great Artesian Basin Sustainability Initiative	3,000	0	4,000	600	100	0	0	0	7,700
Forest Industry Structural Adjustment Package	6,357	400	0	0	0	0	0	0	6,757
Skilling Farmers for the Future	3,600	2,700	3,600	620	1,120	280	0	180	12,100
War Service Land Settlement Scheme	0	0	0	0	0	0	0	0	0
Eradication of Red Imported Fire Ant	0	0	6,900	0	0	0	0	0	6,900
National Action Plan for Salinity and Water Quality	46,035	22,500	18,000	40,000	18,000	2,000	0	1,000	147,535
Agricultural Development Partnerships	1,672	0	0	735	605	0	0	0	3,012
<i>Agriculture, Forestry and Fishing - total</i>	232,591	84,300	102,141	65,264	31,235	8,355	865	5,915	530,666
<i>Transport and Communication</i>									
Interstate road transport	22,133	12,878	4,560	1,906	5,823	240	240	240	48,020
*Supplementary funding to SA councils for local roads	0	0	0	0	4,250	0	0	0	4,250
Petroleum Products Freight Subsidy Scheme	250	0	1,700	80	200	0	0	1,270	3,500
Roads to Recovery - unincorporated Areas	950	50	0	0	1,000	0	0	1,000	3,000
Gold Coast light rail	0	0	0	0	0	0	0	0	0
<i>Transport and Communication - total</i>	23,333	12,928	6,260	1,986	11,273	240	240	2,510	58,770
<i>Other Purposes</i>									
Debt Redemption Assistance	9,610	4,994	28,151	3,072	3,743	2,823	0	1,352	53,745

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
Other Purposes (continued)									
*Financial Assistance Grants for local government									
<i>Financial Assistance Grants</i>	356,577	262,031	204,358	104,330	81,330	25,516	17,157	10,593	1,061,892
<i>United Local Roads Grants</i>	136,708	97,143	88,284	72,046	25,895	24,970	15,109	11,038	471,193
Compensation - companies regulation	53,136	46,452	26,160	16,102	11,977	3,605	0	2,367	159,799
Natural Disaster Relief	37,000	540	33,000	8,000	0	0	0	11,000	89,540
Royalties	0	0	0	358,868	0	0	0	2,386	361,254
ACT National Capital influences	0	0	0	0	0	0	22,508	0	22,508
Special Revenue Assistance to the ACT	0	0	0	0	0	0	14,200	0	14,200
Assistance to ACT Softwood Sawmill	0	0	0	0	0	0	0	0	0
Other Purposes - total	593,031	411,160	379,953	562,418	122,945	56,914	68,974	38,736	2,234,131
TOTAL CURRENT	7,134,545	5,076,074	3,984,513	2,444,439	1,716,325	508,107	373,430	276,187	21,513,620
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
Education									
Government schools	88,529	62,655	51,690	27,408	19,949	7,225	4,377	3,313	265,146
*Non-government schools	34,642	27,940	18,305	10,050	7,800	2,240	2,330	4,944	108,251
Education - total	123,171	90,595	69,995	37,458	27,749	9,465	6,707	8,257	373,397
Social Security and Welfare									
Crisis accommodation assistance(h)	13,568	9,972	7,444	3,941	3,146	988	654	409	40,122
Social Security and Welfare - total	13,568	9,972	7,444	3,941	3,146	988	654	409	40,122
Housing and Community Amenities									
Housing assistance for indigenous people(h)	17,987	3,681	28,780	19,305	8,442	704	0	23,173	102,072
Community housing(h)	21,897	16,091	12,012	6,359	5,076	1,594	1,056	659	64,744
CSHA Block Assistance/Base Funding(h)	242,873	178,494	133,245	70,542	56,311	21,869	17,009	13,430	733,773
Social Housing Subsidy Programme	1,995	0	0	0	0	0	135	0	2,130
*Federal flood mitigation	4,310	1,815	4,310	605	484	384	0	192	12,100
*Disaster Mitigation Package	5,510	2,445	4,385	1,050	1,020	1,050	960	960	17,380
*Additional First Home Owners Scheme	1,134	666	108	126	126	36	18	0	2,214
Housing and Community Amenities - total	295,706	203,192	182,840	97,987	71,459	25,637	19,178	38,414	934,413

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
Fuel and Energy									
* Photovoltaic Rebate Programme (PVRP)	1,423	1,434	267	104	1,526	125	11	10	4,900
Renewable Remote Power Generation	295	0	4,950	10,474	411	1,070	0	6,288	23,488
Fuel and Energy - total	1,718	1,434	5,217	10,578	1,937	1,195	11	6,298	28,388
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
Warner Creek Dam and Northern Midlands Water Project	0	0	0	0	0	2,100	0	0	2,100
Great Artesian Basin Sustainability Initiative	0	0	0	0	0	0	0	0	0
Agriculture, Forestry and Fishing - total	0	0	0	0	0	2,100	0	0	2,100
Transport and Communication									
Alice Springs Darwin Railway	0	0	0	0	0	0	0	0	0
AusLink	State and territory breakdowns are not yet available as projects are yet to be settled. They will be announced as part of the <i>AusLink White Paper</i> , in June 2004.								
Road programmes(i)	0	0	0	0	0	0	0	0	0
Road safety blackspots - States	14,287	10,428	8,923	4,982	3,490	1,116	602	672	44,500
Federation Fund Projects - QLD	0	0	4,666	0	0	0	0	0	4,666
Federation Fund Projects - NSW/VIC	12,000	10,500	0	0	0	0	0	0	22,500
Transport and Communication - total(j)	26,287	20,928	13,589	4,982	3,490	1,116	602	672	1,395,055
Other Purposes									
Sinking Fund on State Debt	275	5	189	0	85	41	0	0	595
Other Purposes - total	275	5	189	0	85	41	0	0	595
TOTAL CAPITAL(j)	460,725	326,126	279,274	154,946	107,866	40,542	27,152	54,050	2,774,070
REPAYMENTS									
Supplementary contributions	0	0	66,802	0	0	7,215	0	0	74,017
Payments to Debt Sinking Funds	1,108	20	763	0	344	165	0	0	2,400
Total	1,108	20	67,565	0	344	7,380	0	0	76,417

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)

Function Payment title	REPAYMENTS										Total
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT			
Repayments of Australian Government											
Loans											
ACT debt repayments	0	0	0	0	0	0	4,647	0	0	0	4,647
Loan Council - housing nominations	5,525	0	2,033	3,524	3,308	1,482	0	1,839	0	0	17,711
Repayments of Australian Government											
Loans - total	5,525	0	2,033	3,524	3,308	1,482	4,647	1,839	0	0	22,358
Defence											
Housing for servicemen	794	0	485	155	19	0	0	0	0	0	1,453
Defence - total	794	0	485	155	19	0	0	0	0	0	1,453
Housing and Community Amenities											
CSHA loans	32,058	0	8,776	8,393	10,006	3,802	0	510	0	0	63,545
Other housing	0	0	0	0	0	0	6,232	2,218	0	0	8,450
Urban water supply and treatment	0	0	0	0	437	0	0	0	0	0	437
NT - water and sewerage assistance	0	0	0	0	0	0	0	136	0	0	136
Growth centres	247	0	0	0	0	0	0	0	0	0	247
Urban rehabilitation	0	0	0	0	0	0	0	0	0	0	0
Community facilities - Townsville	0	0	42	0	0	0	0	0	0	0	42
Captains Flat (Abatement of Pollution) Agreement	8	0	0	0	0	0	0	0	0	0	8
Sewerage	2,981	0	744	5	0	0	0	0	0	0	3,730
Housing and Community Amenities - total	35,294	0	9,562	8,398	10,443	3,802	6,232	2,864	0	0	76,595
Agriculture, Forestry and Fishing											
Bovine Brucellosis and Tuberculosis(k)	0	0	0	0	0	0	0	0	0	0	0
Rural Adjustment Scheme	526	0	0	0	0	0	0	28	0	0	554
War Service Land Settlement Scheme	462	491	0	0	0	4	0	0	0	0	957
Agriculture, Forestry and Fishing - total	988	491	0	0	0	4	0	28	0	0	1,511
Transport and Communication											
Railway projects	96	96	0	382	0	0	0	0	0	0	574
Transport and Communication - total	96	96	0	382	0	0	0	0	0	0	574

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)

<i>Function</i>	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
	REPAYMENTS								
<i>Other Purposes</i>									
Natural Disaster Relief	1,266	0	1,770	0	0	0	0	329	3,365
Other Purposes - total	1,266	0	1,770	0	0	0	0	329	3,365
TOTAL REPAYMENTS	45,071	607	81,415	12,459	14,114	12,668	10,879	5,060	182,273
	ADVANCES								
<i>Other Purposes</i>									
Natural Disaster Relief	3,000	0	4,000	0	0	0	0	500	7,500
Other Purposes - total	3,000	0	4,000	0	0	0	0	500	7,500
TOTAL ADVANCES	3,000	0	4,000	0	0	0	0	500	7,500
	INTEREST								
Interest on Loan Council and NT Government Borrowings	5,853	54	2,544	0	1,757	639	0	0	10,847
Total	5,853	54	2,544	0	1,757	639	0	0	10,847
<i>Interest on Australian Government Loans</i>									
ACT Government debt	0	0	0	0	0	0	4,140	0	4,140
Housing nominations	21,187	0	7,634	13,065	12,811	5,626	0	7,363	67,686
Interest on Australian Government Loans - total	21,187	0	7,634	13,065	12,811	5,626	4,140	7,363	71,826
<i>Defence</i>									
Housing for servicemen	2,424	0	1,377	286	102	0	0	0	4,189
Defence - total	2,424	0	1,377	286	102	0	0	0	4,189
<i>Housing and Community Amenities</i>									
CSHA loans	42,886	0	11,918	11,408	18,020	5,817	0	1,473	91,522
Other housing	0	0	0	0	0	0	10,139	3,923	14,062
Urban water supply and treatment	0	0	0	0	1,054	0	0	0	1,054
NT - water and sewerage assistance	0	0	0	0	0	0	0	623	623
Growth centres	28	0	0	0	0	0	0	0	28
Urban rehabilitation	0	0	0	0	0	0	0	0	0
Sewerage	5,374	0	1,390	8	0	0	0	0	6,772

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000) (continued)

Function	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Payment title	INTEREST								
Housing and Community Amenities (continued)									
Community facilities - Townsville	0	0	3	0	0	0	0	0	3
Captains Flat (Abatement of Pollution) Agreement	5	0	0	0	0	0	0	0	5
Housing and Community Amenities - total	48,293	0	13,311	11,416	19,074	5,817	10,139	6,019	114,069
Agriculture, Forestry and Fishing									
Bovine Brucellosis and Tuberculosis(k)	0	0	0	0	0	0	0	0	0
Rural Adjustment Scheme	110	0	0	0	0	0	0	2	112
War Service Land Settlement Scheme	131	138	0	0	0	1	0	0	270
Agriculture, Forestry and Fishing - total	241	138	0	0	0	1	0	2	382
Transport and Communication									
Railway projects	39	34	0	291	0	0	0	0	364
Transport and Communication - total	39	34	0	291	0	0	0	0	364
Other Purposes									
Natural Disaster Relief	240	0	290	0	0	0	0	35	565
Other Purposes - total	240	0	290	0	0	0	0	35	565
TOTAL INTEREST	78,277	226	25,156	25,058	33,744	12,083	14,279	13,419	202,242
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments(j)	7,595,270	5,402,200	4,263,787	2,599,385	1,824,191	548,649	400,582	330,237	24,287,690
Total 'To' (i)	5,508,976	3,792,452	3,071,451	1,956,575	1,333,372	399,030	272,534	267,031	17,924,810
Total 'Through'	2,086,294	1,609,748	1,192,336	642,810	490,819	149,619	128,048	63,206	6,362,880

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

- (a) The allocation of funds to the states and territories for each year, as per the Australian National Training Authority's Directions and Resource Allocations, is subject to agreement by the Australian National Training Authority Ministerial Council. The total level of funding is subject to the amendment of the *Vocational Education and Training Funding Act 1992*.
- (b) 'Away from Base' payments under the Indigenous Education Strategic Initiatives Programme - government have been reclassified effective from 2003-04. Funding is now classified as grants direct to providers and personal beneficiaries. Total funding has not been affected by this reclassification. Details of this payment can be found in the Education, Science and Training Portfolio Budget Statement 2004-05.

Table B3: Estimated Specific Purpose Payments to and through the States, repayments of advances, advances and interest payments, 2004-05 (\$'000)

- (c) Non-government indigenous education payments have been reclassified effective from 2004-05. Funding is now classified as grants direct to non-government education providers. Total funding has not been affected by this reclassification. Details of this payment can be found in the Education, Science and Training Portfolio Budget Statement 2004-05.
- (d) The Australian Health Care Agreements expire on 30 June 2008. The estimates for 2004-05 onwards represent the Australian Government's expected 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.
- (e) Prior to 2004-05, Home and Community Care payments included both current and capital grants. As the day-to-day administration is managed by the state and territory governments, it is now their responsibility to determine any capital expenditure made through the programme.
- (f) The amounts represent full year expenditure. The Australian Government's contribution is subject to the state and territory governments agreeing to the terms of the Australian Government's offer.
- (g) All figures are indicative only.
- (h) This funding is indicative and subject to the signing of bilateral agreements by the Australian Government and each state and territory government as required by the 2003 Commonwealth State Housing Agreement, effective 1 July 2003.
- (i) This programme will become part of the AusLink programme from 2004-05.
- (j) Individual state and territory Auslink breakdowns are not yet available and accordingly are not included in individual state and territory estimated amounts for 2004-05. These allocations will be announced as part of the *Auslink White Paper* in June 2004. The aggregate Auslink amount of \$1,323.4 million for 2004-05 is included in the aggregate state and territory total.
- (k) The NT is currently preparing a submission to the Australian Government and the Cattle Council of Australia regarding the payment of the Bovine Brucellosis and Tuberculosis Eradication Campaign (BTEC) part D type loans. The debts have not been realised due to protracted legal negotiations. However, it is unlikely that these debts will be repaid.

Table B4: Estimated Specific Purpose Payments direct to local government authorities, 2003-04 to 2007-08 (\$'000)

Payment title	2003-04	2004-05	2005-06	2006-07	2007-08
DIRECT PAYMENTS - CURRENT					
Disability services	1,380	1,416	1,455	1,496	1,539
Payments to local government authorities in order to provide services for people with disabilities.					
Children's services	47,953	49,017	49,781	50,559	51,339
Funds are provided to ensure access to affordable quality child care in programmes administered by local governments on behalf of the Australian Government.					
Roads to Recovery Programme	300,000	250,000	300,000	300,000	300,000
The Roads to Recovery programme has been extended under AusLink, the new national land transport plan, from 2005-06 to 2008-09. An amount of \$200 million per annum will be made available to local councils for upgrading and maintenance works on local roads and \$100 million per annum will be allocated on a competitive basis for local land transport infrastructure of regional importance.					
Weipa Structural Adjustment Package	0	2,200	2,200	2,200	0
This payment is to compensate for the loss of the diesel fuel rebate when ownership transfers from Comalco Ltd.					
TOTAL CURRENT	349,333	302,633	353,436	354,255	352,878
DIRECT PAYMENTS - CAPITAL					
Children's services	358	364	371	378	385
For constructing community child care centres under Australian-State Government National Child Care Strategies.					
Natural Heritage and Water Park, Goondiwindi	530	0	0	0	0
To enable the construction of a Natural Heritage and Water Park at Serpentine Lagoon, Goondiwindi, as an alternate water skiing and recreational area to Boobera Lagoon.					
Bert Hinkler Hall of Aviation	725	725	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	1,000	1,000	0	0	0
To support the establishment of environmentally sustainable sewerage treatment facilities at Sisters Beach and Boat Harbour communities, Tasmania.					
Mount Panorama motor racing circuit	10,000	0	0	0	0
To contribute to the upgrade of facilities at the Mount Panorama motor racing circuit.					
TOTAL CAPITAL	12,613	2,089	371	378	385
TOTAL DIRECT PAYMENTS	361,946	304,722	353,807	354,633	353,263

Table B5: Estimated Specific Purpose Payments direct to local government authorities, 2003-04 (\$'000)

Payment title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Disability services	181	561	638	0	0	0	0	0	1,380
Children's services	17,357	18,332	5,327	3,125	820	2,313	0	679	47,953
Roads to Recovery Programme	85,000	62,500	62,500	45,000	25,000	10,000	5,000	5,000	300,000
Weipa Structural Adjustment Package	0	0	0	0	0	0	0	0	0
TOTAL CURRENT	102,538	81,393	68,465	48,125	25,820	12,313	5,000	5,679	349,333
DIRECT PAYMENTS - CAPITAL									
Children's services	66	68	78	18	0	120	0	8	358
Natural Heritage and Water Park, Goondiwindi	0	0	530	0	0	0	0	0	530
Bert Hinkler Hall of Aviation	0	0	725	0	0	0	0	0	725
Development of Sewerage Schemes for Boat Harbour	0	0	0	0	0	1,000	0	0	1,000
Beach and Sisters Beach	10,000	0	0	0	0	0	0	0	10,000
Mount Panorama motor racing circuit	10,066	68	1,333	18	0	1,120	0	8	12,613
TOTAL CAPITAL	112,604	81,461	69,798	48,143	25,820	13,433	5,000	5,687	361,946
TOTAL DIRECT PAYMENTS									

Table B6: Estimated Specific Purpose Payments direct to local government authorities, 2004-05 (\$'000)

Payment title	DIRECT PAYMENTS - CURRENT									
	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total	
Disability services	186	575	655	0	0	0	0	0	1,416	
Children's services	17,743	18,740	5,446	3,192	838	2,364	0	694	49,017	
Roads to Recovery Programme	70,834	52,083	52,083	37,500	20,833	8,333	4,167	4,167	250,000	
Weipa Structural Adjustment Package	0	0	2,200	0	0	0	0	0	2,200	
TOTAL CURRENT	88,763	71,398	60,384	40,692	21,671	10,697	4,167	4,861	302,633	
	DIRECT PAYMENTS - CAPITAL									
Children's services	67	69	79	18	0	122	0	9	364	
Bert Hinkler Hall of Aviation	0	0	725	0	0	0	0	0	725	
Development of Sewerage Schemes for Boat Harbour Beach and Sisters Beach	0	0	0	0	0	1,000	0	0	1,000	
TOTAL CAPITAL	67	69	804	18	0	1,122	0	9	2,089	
TOTAL DIRECT PAYMENTS	88,830	71,467	61,188	40,710	21,671	11,819	4,167	4,870	304,722	

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
2003-04	6,718	4,948	3,841	1,966	1,532	480	323	199	20,007
2004-05	6,777	5,003	3,927	1,996	1,539	485	325	199	20,252

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

Table C2: Parameters

	CPI % growth	Population % growth	Real per capita % growth
2003-04	2 1/2	1 1/4	3 3/4
2004-05	2 1/4	1 1/4	3 1/2

The population parameters in 2002-03 and 2003-04 are based on the estimated annual growth in the Australian population to 31 December 2003 and 31 December 2004 respectively.

Some data presented in this paper are drawn from the Commonwealth Grants Commission *Report on State Revenue Sharing Relativities 2004 Review*, 2003-04 state mid-year budget updates and 2004-05 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)
- *Information Paper: Accruals Based Government Finance Statistics, Australia* (Cat. No. 5517.0)

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