



**BUDGET**  
**AUSTRALIA'S FEDERAL RELATIONS**  
**BUDGET PAPER NO. 3**  
2009-10

**CIRCULATED BY**

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FOR THE INFORMATION OF HONOURABLE MEMBERS  
ON THE OCCASION OF THE BUDGET 2009-10

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## FOREWORD

Budget Paper No. 3, *Australia's Federal Relations 2009-10*, 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 Commonwealth's financial relations with State, Territory and local governments. This includes an overview of the new framework for federal financial relations and its role in assisting the Council of Australian Governments to respond to the global recession and drive longer-term reforms, as well as information on payments to the States and analysis of fiscal developments in the public sector.

### Notes

This paper uses the following style conventions.

The Australian Capital Territory and the Northern Territory of Australia 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.

Local governments are instrumentalities of State governments. Consequently, payments made to the State government sector include payments made to the local government sector unless otherwise specified.

'Budget year' refers to 2009-10, while the 'forward years' refer to 2010-11, 2011-12 and 2012-13.

Figures in tables and the text have generally 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
~	allocation not yet determined
\$m	millions of dollars
\$b	billions 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
BBA	Budget balancing assistance
GMA	Guaranteed minimum amount
GST	Goods and services tax

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 of, and the decisions and activities made by the Government on behalf of, the Commonwealth of Australia.

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## EXECUTIVE SUMMARY

- The Government is working cooperatively with the States and Territories (the States), through a reinvigorated Council of Australian Governments (COAG) to implement an ambitious reform agenda which aims to boost productivity, workforce participation and geographic mobility, and deliver better services for the community.
- As part of the reform agenda, COAG agreed a new federal financial framework, which represents the most significant reform of Australia's federal relations in decades. The framework provides a robust foundation for collaboration between the Commonwealth and the States.
- The framework commenced on 1 January 2009 and involves a significant rationalisation of the number of payments made to the States, while increasing the overall quantum of payments. The framework provides clearer specification of the roles and responsibilities of each level of government, so that the appropriate government is accountable to the community.
- The new framework has been critical in enabling all Australian Governments to work together to tackle the global recession and respond to the economic challenges with immediate and concerted action. The States are important partners in implementing the Nation Building and Jobs Plan and the Compact with Young Australians.
- The global financial crisis and the global recession have affected the public sector fiscal position, including revenues and debt levels, across all levels of government, creating challenges in delivering infrastructure and services. In response, the Commonwealth has provided a guarantee of state and territory government borrowing to enable the states to access the debt market and continue to fund infrastructure.
- There has also been considerable progress in implementing COAG's broader reform agenda. Underpinning these reforms is a funding package that will provide an additional \$7.1 billion through new National Specific Purpose Payment (National SPP) funding to the States, and an additional \$8.1 billion funded through new National Partnerships, between 2008-09 and 2012-13. The package includes five National SPPs – associated with six National Agreements – to deliver services across the sectors of healthcare, education, skills and workforce development, disability services and affordable housing, and Indigenous reforms.
- In 2009-10, the Commonwealth will provide the States with total payments of \$91.9 billion. This consists of payments for specific purposes of \$50.1 billion, general revenue assistance, including all GST revenue, of \$41.8 billion.



## PART 1: AUSTRALIA'S FEDERAL RELATIONS

On 29 November 2008, COAG agreed to the most significant reform of Australia's federal relations in decades.

The new framework for federal financial relations commenced on 1 January 2009 and involves significant rationalisation of the number of payments made to the States, while increasing the overall quantum of payments. The framework provides clearer specification of the roles and responsibilities of each level of government so that the appropriate government is accountable to the community. It also provides incentives for reform through National Partnership reform payments, and more transparent reporting of outcomes to drive better service delivery and reform.

The COAG financial framework reforms provide a strong foundation for the far-reaching economic and social reforms which are necessary to boost productivity and workforce participation. The framework is also facilitating the delivery of economic stimulus through a short-term expansion in state government service delivery programs – particularly in the areas of school and community infrastructure and housing.

### OVERVIEW

The weight of the global financial crisis is bearing down on the Australian economy. The global recession and the unwinding of the commodity boom has resulted in substantial downward revisions to Commonwealth revenues, including GST revenues which are provided to the States. Most States have also seen large falls in revenues from their own taxes. The reduction in revenues, at a time when all governments are trying to deliver productivity-enhancing infrastructure and necessary public services to stimulate the economy, has resulted in a significant shift in the public sector fiscal position.

The Commonwealth has acted to support economic growth and jobs through the Economic Security Strategy, the Nation Building and Jobs Plan and Jobs, and Training and Youth Transitions. These packages deliver stimulatory measures including the First Home Owners Boost, increased investment in schools, housing, community infrastructure and roads, and assistance for young people to access education and training places.

The new framework has been critical in enabling all Australian Governments to work together to tackle the global recession and respond to these economic challenges with immediate and concerted action. The States have been important partners in implementing the Nation Building and Jobs Plan and the Compact with young Australians to increase young people's engagement with education and training pathways. In addition, the Commonwealth guarantee of state and territory borrowing

will ensure that the States have the capacity to raise debt to undertake their infrastructure projects.

The Nation Building and Jobs Plan and the Commonwealth guarantee complement the longer term reforms agreed by COAG on 29 November 2008. The COAG reforms introduce a new era of cooperative federal financial relations that provide a solid foundation for far-reaching economic and social reforms. Central to the COAG reforms is a substantial financial package targeted at driving longer term reforms and improving key government services, including in the areas of health, education and housing.

As a result of the deteriorating economic environment, GST payments to the States have been revised down significantly since the 2008-09 Budget. Owing to the reduction in GST revenue going to New South Wales, South Australia, Tasmania and the Northern Territory, the Commonwealth will provide these States with \$286 million in budget balancing assistance in 2008-09 – the first time since 2003-04 that this assistance has been paid.

Although GST payments to the States will fall in 2008-09, total payments to the States in 2009-10 are estimated to be \$6.9 billion higher, largely owing to the Commonwealth's significant investment in longer term reforms through the COAG package and the Nation Building and Jobs Plan.

### **The structure of Australia's federal relations**

Australia's federal relations are characterised by three broad features:

- the financial arrangements are influenced by the large expenditure responsibilities of the States relative to their revenue capacities, so that they rely on transfers from the Commonwealth to finance their activities – referred to as vertical fiscal imbalance;
- the States have different capacities to raise revenue and deliver services – referred to as horizontal fiscal imbalance; and
- overlapping roles and responsibilities in areas of government activity which can lead to sectors where regulation or services remain fragmented, with duplication of activities, lack of coordination and blurred accountabilities.

Vertical fiscal imbalance has increased over the last year, owing to the reduction in state revenues combined with expanded investment and service delivery. The Commonwealth is assisting the States' finances by increasing payments to the States and guaranteeing their borrowing.

The level of horizontal fiscal equalisation has been relatively stable at 8-9 per cent of the GST pool since July 2000. The objective of horizontal fiscal equalisation is

essentially for the smaller States to have the same capacity to provide services at the same standard as the larger States, while ensuring that interstate transfers are not so large that they would significantly distort economic behaviour and reduce productivity growth.

In the past, blurred roles and responsibilities between all levels of government have been an impediment to progressing national reforms that are necessary to build the productive capacity of the economy. Many of the short-term and longer term challenges facing the economy are issues that can only be addressed through effective cooperation between both levels of government. The new framework for federal financial relations is enhancing public accountability for service delivery by clarifying roles and responsibilities between levels of government, improving reporting on performance and instilling more collaborative working arrangements.

### **Box 1.1: The structure of Australia's federal financial relations**

#### Vertical fiscal imbalance

Vertical fiscal imbalance is common to most, if not all, federal systems. It results when a level of government has expenditure functions that are not wholly financed through its own assigned tax bases.

The level of vertical fiscal imbalance can be measured as the revenue transferred from the Commonwealth to the States as a proportion of the state's total revenue. In 2007-08, the Commonwealth transferred approximately \$74.5 billion to the States in the form of GST revenue and payments for specific purposes, accounting for around 46.2 per cent of total state revenue.

It is likely that this proportion will increase as a result of the fall in states' own-source revenue. The increase in Commonwealth funding to the States through the Nation Building and Jobs Plan and the Nation Building Package will increase the gap between the funding the States receive from the Commonwealth and their own-source revenue.

Commonwealth financial assistance to the States comprises all GST revenue, plus a small amount of other general revenue assistance, and payments for specific purposes. General revenue assistance is available to the States to spend according to their own budget priorities, and is therefore more akin to state own-source revenue. Taking this into account, the level of vertical fiscal imbalance is broadly in line with other comparable federations.

It was always envisaged when the Constitution was being drafted that the Commonwealth would raise more revenue than it would need to perform its core functions. Consequently, explicit provisions were included to allow the Commonwealth to transfer surplus revenue in the form of general revenue assistance to the States.

#### Horizontal fiscal equalisation

It is usual for individual States within a federation to have different capacities to raise revenue or deliver services. The practice of equalising revenue capacities and/or expenditure capacities between the states in a federation is common. Australia has had various forms of fiscal equalisation since 1901.

Australia's current system of fiscal equalisation is based upon GST revenue sharing relativities assessed by the Commonwealth Grants Commission. The relativities determine how much GST revenue each State receives compared with an equal per capita share. The relativities are assessed in respect of each State's ability to raise revenue from its own sources and also the costs each State would incur in providing the same standard of government services.



**Box 1.1: The structure of Australia's federal financial relations (continued)**

Horizontal fiscal equalisation does not guarantee that the States will provide a uniform standard of service – its aim is to equalise the capacity of each State to do so, while leaving each State free to determine the standard of service provision. The GST revenue sharing relativities provide that, if each State made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each State would have the capacity to provide a uniform standard of service.

Horizontal fiscal equalisation generally provides the necessary budget support to the smaller States so that they have the capacity to provide services at a comparable standard to the larger States, while ensuring that interstate transfers are not so large that they would significantly distort economic behaviour and reduce productivity growth.

**Roles and responsibilities**

Federal systems of government can provide the community with significant benefits not available under other systems. In particular, federal systems can have the advantages of more responsive governments, more diversity in service provision, and competition between states to drive innovative approaches and higher levels of efficiency in service delivery.

Federations work best when the roles and responsibilities of each jurisdiction are clear and good public accountability mechanisms allow the community to hold the appropriate level of government to account for the quality and efficiency of the services delivered and outcomes achieved.

In Australia over the past few decades, the proliferation of small payments to the States, and the increasing Commonwealth prescription accompanying these payments, have been a source of increasingly blurred roles and responsibilities, duplication and overlap, high administration costs and cost-shifting.

The new federal financial framework brings greater clarity to the roles and responsibilities of the Commonwealth and the States. A reinvigorated and cooperative COAG is advancing this modern federalism agenda.

Through COAG, the Commonwealth and the States have committed to enhance public accountability through simpler, standardised and more transparent public performance reporting.

## **THE NEW FRAMEWORK FOR FEDERAL FINANCIAL RELATIONS**

COAG has implemented a new framework for federal financial relations, with the key priorities being to modernise payments for specific purposes and drive economic and social reforms. The COAG agenda is an important step in the Government's long-term plans to:

- deliver better services for all Australians, wherever they live;
- address social inclusion, including in respect of homelessness and Indigenous disadvantage;
- develop human capital;
- increase labour force participation;
- build national productivity;
- reduce costly waste and duplication in service delivery;
- create more effective markets for resources;
- increase our international competitiveness; and
- move towards a seamless national economy.

### **The *Intergovernmental Agreement on Federal Financial Relations***

On 29 November 2008, COAG affirmed its commitment to cooperative working arrangements by agreeing to an historic new *Intergovernmental Agreement on Federal Financial Relations* (the Intergovernmental Agreement) which provides the overarching framework for the Commonwealth's financial relations with the States. The new framework represents the most significant reform to Australia's federal financial relations in decades.

The new framework has not only established the foundation to deliver on long-term reform objectives, but has also allowed the Commonwealth and the States to work together to meet the immediate challenges of the global financial crisis.

The Intergovernmental Agreement, which commenced on 1 January 2009, establishes a robust foundation for the Commonwealth and the States to:

- collaborate on policy development and service delivery; and
- facilitate the implementation of economic and social reforms in areas of national importance.

All policy and financial relations between the Commonwealth and the States are now governed under the provisions of the Intergovernmental Agreement.

The main objective of the Intergovernmental Agreement is to improve the wellbeing of Australians through:

- collaborative working arrangements, including clearly defined roles and responsibilities and fair, sustainable financial arrangements, to facilitate a focus by the parties on long-term policy development and enhancing government service delivery;
- enhanced public accountability through simpler, standardised and more transparent performance reporting by all jurisdictions, and a focus on the achievement of outcomes, efficient service delivery and timely public reporting;
- reduced administration and compliance overheads;
- stronger incentives to implement economic and social reforms;
- the on-going provision of GST payments to the States, equivalent to the revenue received from the GST; and
- the equalisation of fiscal capacities between the States.

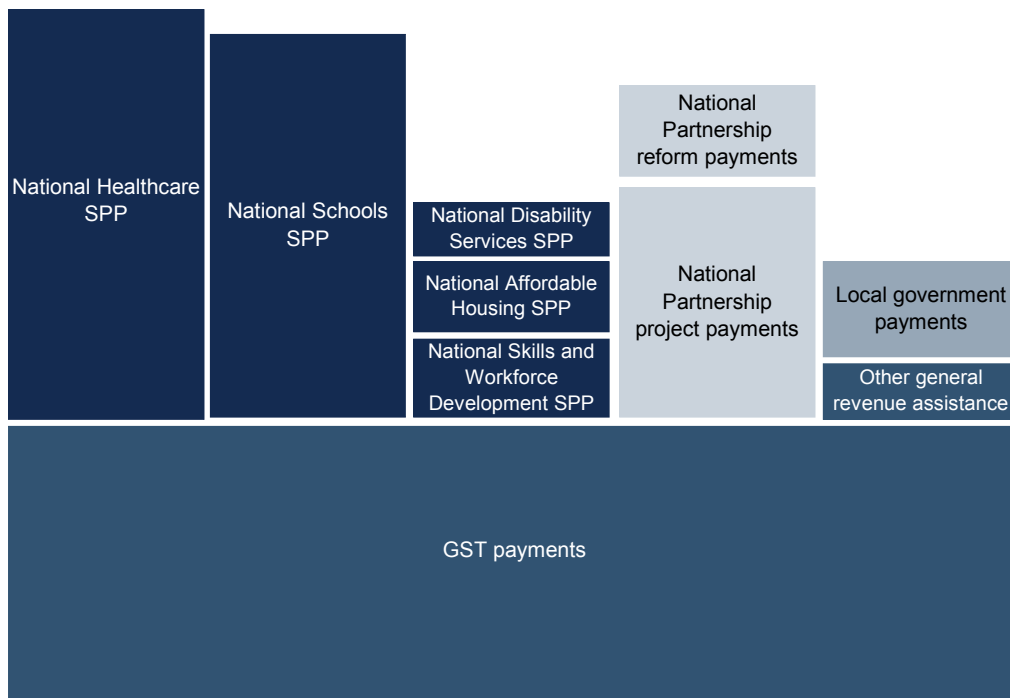
## **Funding**

In agreeing to the new framework for federal financial relations, the Commonwealth committed to the provision of on-going financial support for the States' service delivery efforts through:

- general revenue assistance, including the on-going provision of GST payments to be used by the States for any purpose;
- National SPPs to be spent in key service delivery sectors; and
- National Partnership payments to support the delivery of specified outputs or projects, to facilitate reforms or to reward those jurisdictions that deliver on nationally-significant reforms.

The framework rationalises the number of payments made to the States, centralises payment arrangements and provides greater funding certainty and flexibility for the States. The new payment structure is shown schematically in Chart 1.1.

**Chart 1.1: Schematic of payments to the States in the new financial framework**



### **Rationalisation**

Under the new framework, the number of payments for specific purposes made by the Commonwealth has been reduced, without reducing the overall quantum of payments. Previously, each payment for a specific purpose had its own negotiating, administrative and monitoring processes. Under the new framework, the States continue to receive GST revenue, but the specific purpose payments have been rationalised into five new National SPPs:

- National Healthcare SPP;
- National Schools SPP;
- National Skills and Workforce Development SPP;
- National Disability Services SPP; and
- National Affordable Housing SPP.

The National SPPs are associated with six National Agreements, including the *National Indigenous Reform Agreement*, which contain the mutually-agreed objectives, outcomes, outputs and performance indicators, and clarify the roles and responsibilities, that guide the Commonwealth and the States in the delivery of services across the sectors

of healthcare, education, skills and workforce development, disability services and affordable housing, and Indigenous reforms.

### **Greater flexibility**

The new federal financial framework gives the States greater flexibility to direct resources to areas where they will produce the best results in each State. In the Intergovernmental Agreement, the Commonwealth has committed to move away from prescriptions on service delivery in the form of financial or other input controls which inhibit state service delivery and priority setting. Rather than dictating how things should be done, the new framework focuses on the achievement of mutually-agreed outcomes, providing the States with increased flexibility in the way they deliver services to the Australian people.

Under the new framework, the States are required to spend each National SPP in the relevant sector – for example, the States are required to spend the National Healthcare SPP in the healthcare sector – but they have budget flexibility to allocate funds within that sector in a way that ensures they achieve the mutually-agreed objectives for that sector.

While the States now have increased budget flexibility, they are also subject to greater accountability to the public through new reporting arrangements. In addition, roles and responsibilities have been clarified, and the performance of each jurisdiction will be independently assessed by the COAG Reform Council, reporting to the Prime Minister as Chair of COAG.

### **Opportunities to drive reforms**

A central element of the new framework is National Partnership payments, which are a mechanism to drive reforms or improve service delivery standards through incentive payments. National Partnership payments are provided to the States to:

- support the delivery of specified outputs or **projects**;
- **facilitate** reforms; or
- **reward** those jurisdictions that deliver on nationally-significant reforms.

Each National Partnership payment is supported by a National Partnership Agreement which defines the mutually-agreed objectives, outputs and performance benchmarks.

Some existing payments for specific purposes and election commitments have become National Partnership **project** payments, where they support national objectives and provide a financial contribution to the States to deliver specific projects.

The Government also recognises the need to support States to undertake priority reforms. Consequently, in areas that are a national priority – for example,

implementing the seamless national economy – National Partnership **facilitation** payments are being used to assist States to lift standards of service delivery or acknowledge their commitment to implement reforms.

National Partnership **reward** payments are provided to those States which deliver reform progress. The reward payments are structured in a way that encourages achievement of ambitious performance benchmarks detailed in a National Partnership agreement. To provide transparency and enhance accountability in the performance assessment process the achievement of these benchmarks will be assessed by the independent COAG Reform Council.

Payments to the States for National Partnerships will be channelled through the COAG Reform Fund.

### **Clearer roles and responsibilities**

In the past, blurred roles and responsibilities between levels of government, as well as duplication and overlap, have been costly aspects of Australia's federal system, especially where they have undermined accountability through cost-shifting.

The new federal financial framework provides for clearer specification of roles and responsibilities for each jurisdiction. Clearly specified roles and responsibilities are important in enabling the community to understand which government is responsible for particular outcomes – and are therefore crucial for improving public accountability.

### **Improved public accountability**

Improved accountability is a key objective of the new framework for federal financial relations. Commonwealth and state governments have committed to improving service delivery, by ensuring that the appropriate government is accountable to the community – not just for its expenditure in delivering services, but more importantly, for the quality and efficiency of the services it delivers and the outcomes it achieves.

While the States now have greatly improved budget flexibility in respect of the National SPPs, they are also subject to improved public performance reporting against clearly specified performance indicators and benchmarks.

Each of the six National Agreements establishes what the Commonwealth and States expect to achieve from their joint involvement, the role of each jurisdiction and the responsibilities for which they undertake to be accountable, and performance indicators and benchmarks which will inform the Australian public on progress towards achieving the outputs, outcomes and objectives.

The performance of the Commonwealth and the States in achieving mutually-agreed outcomes and performance benchmarks specified in National Agreements will be

monitored and assessed by the COAG Reform Council, which will report publicly on an annual basis. The performance reporting framework is outlined in greater detail in Part 6.

In addition, to assist the COAG Reform Council in its role, the Productivity Commission has been tasked by COAG to report every two to three years on the economic impacts and benefits of COAG's agreed reform agenda.

The new performance reporting framework, which commenced on 1 January 2009, reinforces the accountability of state governments to their own communities for their service delivery.

### **Centralised payment arrangements**

A key feature of the new framework is centralised payment arrangements which will simplify payments to the States, aid transparency and improve the States' budget processes.

Previously, payments to the States were provided by Commonwealth portfolio departments to the relevant state agencies, and each payment had its own administrative arrangements. Under the new arrangements, all payments are centrally processed by the Commonwealth Treasury and paid directly to each state treasury. State treasuries will be responsible for distributing the funding within their jurisdiction.

For the first time in decades, the complexity of the Commonwealth's financial relations with the States will come under the umbrella of one piece of legislation, the *Federal Financial Relations Act 2009*. This will greatly improve public transparency of these payments and the ability of the Parliament to scrutinise the payment arrangements.

## **RESPONDING TO SHORT-TERM ECONOMIC CHALLENGES**

The global financial crisis is having a significant impact on the Australian economy and on Commonwealth and state fiscal positions. The crisis has driven most major advanced economies into recession, and the key emerging economies of China and India are expected to slow markedly. The global commodity boom, which has provided a significant stimulus to the Australian economy and incomes over recent years, is unwinding.

The crisis has been a test of the responsiveness and flexibility of the new framework for federal financial relations. The framework has provided the foundation for greater cooperation between the Commonwealth and the States, and this has been crucial in delivering the key projects needed to assist in sustaining the Australian economy in the short-term.

The Commonwealth and the States have acted collaboratively on many fronts, including through the Commonwealth's announcement of economy-supporting interventions, such as the First Home Owners Boost, the Nation Building and Jobs Plan, education and training measures and the guarantee of state and territory borrowing.

**Box 1.2: Jobs, Training and Youth Transitions**

In response to economic forecasts suggesting the Australian economy will contract and unemployment, especially youth unemployment, will rise, the Commonwealth and the States have agreed to a series of education and training measures. On 30 April 2009, COAG agreed to immediate, concerted action to increase young people's engagement with education and training pathways including: a Compact with Young Australians; a National Youth Participation Requirement to make participation in education, training or employment compulsory for all young people until they reach age 17; and to bring forward COAG's 90 per cent Year 12 or equivalent attainment rate target from 2020 to 2015.

The Compact with Young Australians will ensure that every young person is able to access an education or training place, including that young people:

- aged 15-19 years will have an entitlement to an education or training place for any government-subsidised qualification, subject to admission requirements and course availability; and
- aged 20-24 years will have an entitlement to an education or training place for any government-subsidised qualification which would result in the individual attaining a higher qualification, subject to admission requirements and course availability.



**Box 1.3: First Home Owners Boost**

As part of the Economic Security Strategy, announced on 14 October 2008, the Government introduced the First Home Owners Boost to stimulate housing activity, support the construction industry and assist first home buyers to enter the housing market.

In response to continuing economic uncertainty, in this Budget the Government has announced that it will extend the First Home Owners Boost for an additional six months. It will continue in its current form for three months with the value of the grants halving for the three months to 31 December 2009.

For eligible first home buyers entering into contracts until 30 September 2009, the First Home Owners Boost will continue to provide an additional \$7,000 for the purchase of established homes or an additional \$14,000 for the purchase of new homes.

For eligible first home buyers entering into contracts between 1 October 2009 and 31 December 2009 (inclusive), the First Home Owners Boost will provide an additional \$3,500 for the purchase of established homes or an additional \$7,000 for the purchase of new homes.

When combined with the First Home Owners Scheme, the First Home Owners Boost extension means that:

- first home buyers who enter into contracts on or before 30 September 2009 will receive \$14,000 for established homes or \$21,000 for new homes; and
- first home buyers who enter into contracts between 1 October 2009 and 31 December 2009 (inclusive) will receive \$10,500 for established homes or \$14,000 for new homes.

Some States also provide additional assistance for first home buyers.

**Economic stimulus packages**

In response to the changing global economic environment, the Government has announced the following major stimulus packages aimed at boosting economic growth and helping to ensure that the Australian economy is better placed to withstand the impacts of the global economic recession:

- the \$10.4 billion Economic Security Strategy announced on 14 October 2008;
- the \$15.2 billion COAG Funding Package announced on 29 November 2008;
- the \$4.7 billion Nation Building Package announced on 12 December 2008; and

- the \$42 billion Nation Building and Jobs Plan announced on 3 February 2009.

Where infrastructure and public capital works projects can be implemented quickly, they are likely to prove effective in boosting demand in the short-term and adding to the productive capacity of the economy over the longer term. As many of the infrastructure projects are delivered by the States, the States have a central role in ensuring the timely delivery of key infrastructure measures.

The new federal financial framework is being used to deliver the Nation Building and Jobs Plan through the new *National Partnership Agreement on the Nation Building and Jobs Plan*. The National Partnership enlists the assistance of the States to deliver the economic stimulus through short-term expansion in programs for which the States are responsible, including funding for the:

- provision of new facilities and refurbishment for schools to meet the needs of 21<sup>st</sup> century students and teachers; and
- construction, repair and maintenance of social housing dwellings.

For the Nation Building and Jobs Plan to have the desired impact on the economy, it is essential the additional stimulus flows quickly into aggregate demand. This requires state capital expenditure in each of the targeted areas to be maintained, so that the capital investment under the plan is additional to such effort. New governance arrangements have been implemented to ensure timely delivery and the desired economic stimulus effect. Under the *National Partnership Agreement on the Nation Building and Jobs Plan*:

- the Ministerial Council for Federal Financial Relations has established expenditure and output benchmarks for each of the sectors to receive additional Commonwealth funding; and
- a coordination oversight group within the Department of the Prime Minister and Cabinet, chaired by the Coordinator-General, has been established to support and monitor the implementation of key infrastructure and stimulus measures.

The expenditure benchmarks allow assessment of whether the States have at least maintained their existing and planned level of expenditure during the period of increased Commonwealth expenditure.

The coordination oversight group reports to COAG on the progress of implementation. In consultation with other agencies, the oversight group may recommend interventions to prevent and address delays in the projects, and cost overruns. The States have established similar arrangements in their respective jurisdictions to ensure a coordinated project management approach is taken to the investment commitments.

The arrangements enable timely, regular advice to governments on whether the projects are meeting delivery timetables and objectives, and on strategies and interventions to prevent delays.

### **State borrowing**

An important feature of the Australian response to the global financial crisis is the continued delivery of capacity-enhancing infrastructure projects, including by State governments. Such projects can provide employment opportunities in the short-term, while providing capacity-building support for the economy.

Deteriorating financial market conditions have reduced the States' ability to access debt markets and raise funds needed to finance these important infrastructure projects. In light of this, and the potential implications if the States were unable to access the debt markets, the Commonwealth has responded by guaranteeing state borrowing. This will ensure that the States have the capacity to raise debt and allow them to continue to roll out critical national infrastructure, and support local employment.

## **THE COAG REFORM AGENDA**

The reforms to the framework for federal financial relations provide a robust foundation for collaboration on policy development and service delivery, and facilitate the implementation of economic and social reform in areas of national importance.

Through COAG, the Commonwealth and the States are implementing an ambitious reform agenda, focusing on the areas of health and ageing, education, skills and workforce development, housing, disability services, climate change and water, infrastructure, business regulation and competition, and Indigenous reform.

The COAG reform agenda represents the most significant reform to service delivery by the Commonwealth and state governments, and Australia's federal financial relations, in decades. The reform agenda aims to boost productivity, workforce participation and geographic mobility. It also aims to support the wider objectives of better services for the community, addressing social inclusion, closing the gap on Indigenous disadvantage, and environmental sustainability.

### **COAG funding**

Central to the reforms is a funding package that will provide an additional \$7.1 billion through new National SPP funding to the States, and an additional \$8.1 billion through new National Partnership payments. Under the new framework the number of payments for specific purposes made by the Commonwealth has been reduced, while

increasing the overall quantum of payments. The package includes five new National SPPs with total additional funding over the five years from 2008-09 of:

- \$4,779 million in a National Healthcare SPP;
- \$1,048 million in a National Schools SPP;
- \$37 million in a National Skills and Workforce Development SPP;
- \$408 million in a National Disability Services SPP; and
- \$46 million in a National Affordable Housing SPP.

The package also includes the first of the National Partnership payments in respect of healthcare, the productivity agenda, skills and workforce development, affordable housing, Indigenous reform, and business regulation and competition.

### **COAG's policy objectives**

COAG's reform agenda for the key social policy sectors is set out in six National Agreements which contain the mutually-agreed objectives, outcomes, outputs and performance indicators, and clarify the roles and responsibilities that guide the Commonwealth and the States in the delivery of services across healthcare, education, skills and workforce development, disability services and affordable housing, and Indigenous reform. Each of the National Agreements has a commitment to addressing social inclusion, including responding to Indigenous disadvantage.

#### **National Healthcare Agreement**

The *National Healthcare Agreement* affirms the commitment of the Commonwealth and the States to:

- ensuring that there is a focus of health policy on the prevention of disease and injury and the maintenance of health, not simply the treatment of illness;
- meeting the primary healthcare needs of all Australians efficiently through timely and quality care;
- ensuring people with complex care needs can access comprehensive, integrated and coordinated services;
- providing timely and appropriate high-quality hospital and hospital-related care to all Australians;
- meeting the needs of older Australians through high-quality, affordable health and aged care services that are appropriate to their needs, as well as enabling choice and seamless, timely transition within and across the different sectors;

- ensuring all Australians experience best-practice care that is suited to their needs and circumstances;
- achieving health outcomes for Indigenous Australians which are comparable to the broader population and those living in rural and remote areas; and
- a sustainable health system that can respond and adapt to future needs.

#### National Education Agreement

The *National Education Agreement* affirms the commitment of the Commonwealth and the States to the objective that all Australian school students acquire the knowledge and skills to participate effectively in employment and society.

The agreement recognises that ensuring all young people have the best possible start in life is vital to the wellbeing of families, communities and the nation. High-quality schooling, supported by strong community engagement, is central to Australia's future prosperity.

The agreement will contribute to shared outcomes, including:

- ensuring that all children are engaged in and benefiting from schooling, with a goal of lifting the Year 12 attainment rate to 90 per cent by 2015; and
- ensuring children meet basic literacy and numeracy standards and continuing to improve overall literacy and numeracy achievements.

#### National Agreement for Skills and Workforce Development

The *National Agreement for Skills and Workforce Development* aims to provide Australians with the opportunity to develop the skills and qualifications needed to participate in, and contribute to, the labour market.

Central to achieving this objective is a shared commitment to a national training system that is responsive to local needs, and delivers high-quality and nationally-consistent training outcomes. This will help to ensure that the skills provided by the national training system are responsive to changing labour market demand.

The reforms needed to achieve the objectives and outcomes in the agreement include reforming training products and services to meet a more demand and client-driven system and driving further competition in training arrangements.

#### National Disability Agreement

The *National Disability Agreement* commits the Commonwealth and the States to strive, through the provision of disability support services, to help people with disability and

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their carers achieve an enhanced quality of life and participate as valued members of the community.

To meet these objectives, governments have agreed to reform their services, including to:

- improve the provision of the services and opportunities to enhance the capacity of people with disability;
- ensure that services are person-centred and provide timely access to the necessary support needs;
- identify, plan and respond to the development and support needs of people with disability at an early stage and at key life transition points; and
- support the role of carers and families, including through strengthening their informal support networks.

#### National Affordable Housing Agreement

Through the *National Affordable Housing Agreement* the Commonwealth and the States have committed to the aspirational objective that all Australians have access to affordable, safe and sustainable housing which will assist them to participate in the labour force and more broadly in the community.

The Commonwealth and the States have also committed to reform directions that will enhance housing programs and services, including by improving the:

- integration of homelessness services and other mainstream services, such as employment services;
- operational efficiency of public housing and the employment outcomes of public housing tenants; and
- efficiency in the supply of housing through planning reforms.

#### National Indigenous Reform Agreement

The *National Indigenous Reform Agreement* sets out the objectives, outcomes and outputs needed to close the gap in Indigenous disadvantage. COAG has agreed to 'closing the gap' goals, including to:

- close the current life expectancy gap within a generation;
- halve the gap in mortality rates between Indigenous and non-Indigenous children under five within a decade;

- halve the gap in reading, writing and numeracy achievement between Indigenous and non-Indigenous Australians within a decade;
- halve the gap in employment outcomes and opportunities between Indigenous and non-Indigenous Australians within a decade;
- in the year before formal schooling, provide all children in remote communities with access to early childhood education within five years; and
- at least halve the gap for Indigenous students in Year 12, or equivalent, completion rates by 2020.

## ESTIMATES OF PAYMENTS TO THE STATES

The Commonwealth is committed to the provision of on-going financial support to the States' service delivery efforts, through two broad categories of payments – payments for specific purposes and general revenue assistance.

The States receive significant financial support from the Commonwealth. In 2009-10, the Commonwealth will provide the States with general revenue assistance, including all GST revenue, of \$41.8 billion and payments for specific purposes of \$50.1 billion, totalling \$91.9 billion, as shown in Table 1.1. This represents an 8.0 per cent increase in total financial assistance compared with 2008-09.

**Table 1.1: Commonwealth payments to the States**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
Payments for specific purposes	13,759	9,371	9,293	4,090	3,316	965	546	719	42,060
General revenue assistance	12,235	9,452	7,973	4,719	3,821	1,627	871	2,347	43,046
Total payments to the States	25,995	18,823	17,267	8,809	7,137	2,592	1,418	3,066	85,106
<b>2009-10</b>									
Payments for specific purposes	15,763	11,390	10,636	5,181	4,159	1,275	727	945	50,076
General revenue assistance	12,394	9,356	7,599	4,048	3,792	1,526	874	2,236	41,824
Total payments to the States	28,157	20,746	18,235	9,229	7,951	2,801	1,601	3,181	91,900
<b>2010-11</b>									
Payments for specific purposes	14,184	10,406	9,175	4,503	3,558	1,039	690	945	44,499
General revenue assistance	13,677	10,021	7,691	3,896	4,085	1,609	935	2,444	44,356
Total payments to the States	27,861	20,427	16,866	8,398	7,642	2,648	1,624	3,389	88,855
<b>2011-12</b>									
Payments for specific purposes	13,224	9,840	8,693	4,270	3,281	952	618	861	41,740
General revenue assistance	14,858	10,749	7,971	3,832	4,407	1,708	986	2,670	47,180
Total payments to the States	28,082	20,589	16,664	8,102	7,688	2,660	1,604	3,531	88,920
<b>2012-13</b>									
Payments for specific purposes	13,480	10,719	9,099	4,648	3,271	1,005	614	730	43,565
General revenue assistance	15,916	11,444	8,368	4,005	4,692	1,802	1,028	2,878	50,132
Total payments to the States	29,396	22,163	17,467	8,652	7,963	2,806	1,642	3,608	93,697

### Payments for specific purposes

In 2009-10, the States will receive \$50.1 billion in payments for specific purposes, an increase of 19.1 per cent compared with the \$42.1 billion the States will receive in 2008-09.

Part 2 of this Budget Paper provides further information on payments for specific purposes to the States.

### General revenue assistance

In 2009-10, the States will receive \$41.8 billion in general revenue assistance, including GST payments of \$41.3 billion. This is a decrease of 2.8 per cent compared with the \$43.0 billion the States will receive in 2008-09.

Part 3 of this Budget Paper provides further information on general revenue assistance to the States.

### Total payments to the States

Total payments to the States as a proportion of GDP averaged 6.8 per cent over the period 1999-00 to 2007-08. Over this period, general revenue assistance averaged 4.0 per cent and payments for specific purposes averaged 2.8 per cent as a proportion of GDP.

For 2009-10, total payments to the States as a proportion of GDP are estimated to be 7.8 per cent. General revenue assistance is estimated to be 3.6 per cent and payments for specific purposes 4.2 per cent of GDP.

**Table 1.2: Total payments to the States**

\$million	Previous payments for specific purposes	National SPPs	National Partnership payments	GST	Other general revenue assistance	Total	Growth	Per cent of GDP
2000-01	19,207	-	-	24,355	3,715	47,277	-	6.9
2001-02	21,458	-	-	26,632	4,841	52,931	12.0	7.2
2002-03	21,781	-	-	30,479	1,734	53,994	2.0	6.9
2003-04	22,940	-	-	33,219	647	56,806	5.2	6.8
2004-05	24,795	-	-	35,323	944	61,062	7.5	6.8
2005-06	26,904	-	-	37,182	1,039	65,125	6.7	6.7
2006-07	28,549	-	-	39,552	-	68,101	4.6	6.5
2007-08	31,994	-	-	42,630	-	74,624	9.6	6.6
2008-09	22,124	6,155	13,781	41,189	1,857	85,106	14.0	7.1
2009-10	1,441	24,392	24,243	41,330	494	91,900	8.0	7.8
2010-11	2,018	26,008	16,472	43,580	776	88,855	3.3	7.2
2011-12	2,091	27,802	11,846	46,460	720	88,920	0.1	6.8
2012-13	2,181	29,714	11,670	49,410	722	93,697	5.4	6.8



## PART 2: PAYMENTS FOR SPECIFIC PURPOSES

The Commonwealth makes payments to the States support specific state services through National SPPs and National Partnership payments. The part discusses key reforms under new National Partnership Agreements.

From 1 January 2009, significant reforms to payments for specific purposes were implemented under the new framework for federal financial relations, including simplified and centrally administered payment arrangements.

### OVERVIEW OF PAYMENTS

The Commonwealth provides three broad types of payments to the States:

- National SPPs in respect of key service delivery sectors;
- three types of National Partnership payments – project payments, facilitation payments and reward payments; and
- general revenue assistance, consisting of GST payments and other general revenue assistance.

This part contains information about payments in respect of the National SPPs and National Partnerships.

The Intergovernmental Agreement provides that all payments for specific purposes – all the payments covered in this Part – will be paid by the Commonwealth Treasury to each state treasury on the 7<sup>th</sup> day of each month.

### Categories of payments for specific purposes

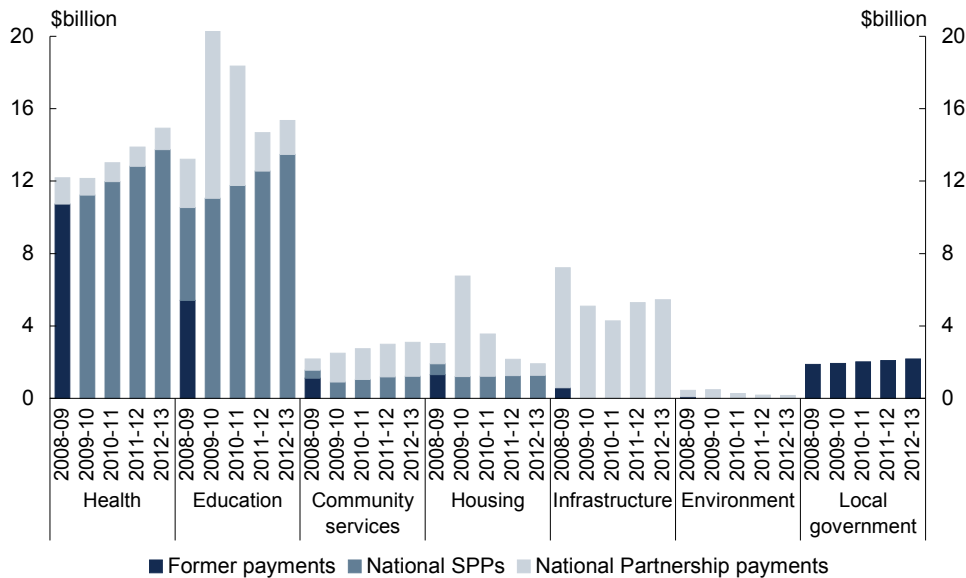
The Commonwealth has significantly increased the amount of funding provided to the States for specific purposes from \$41.9 billion in 2008-09 to \$50.1 billion in 2009-10.

The Commonwealth provides payments to the States for specific purposes to enable important national policy objectives in areas that may be administered by the States to be pursued. These payments cover most functional areas of state and local government activity – including health, education, skills and workforce development, community services, housing, Indigenous reform, infrastructure and environment.

This section outlines payments to the States under the framework for federal financial relations.

Payments for specific purposes are expected to increase on average by 19.4 per cent in 2009-10 compared with 2008-09 (Chart 2.1).

**Chart 2.1: Composition of payments for specific purposes**



### National SPPs

Under the new framework for federal financial relations, many payments have been rationalised into one of the five new National SPPs:

- National Healthcare SPP;
- National Schools SPP;
- National Skills and Workforce Development SPP;
- National Disability Services SPP; and
- National Affordable Housing SPP.

These new National SPPs are the primary way that the Commonwealth supports the States' efforts in delivering services in the major service delivery sectors.

The Intergovernmental Agreement specifies that each National SPP will be on-going and indexed on 1 July 2010 and each year thereafter by a growth factor which is specified in the Intergovernmental Agreement.

Payments made through the year for National SPPs will be advances and based on Commonwealth estimates of the growth factors. A balancing adjustment in respect of

the advances will be made after the end of the financial year once outcome data are available.

The National SPPs will be distributed among the States in accordance with population shares based on the Australian Statistician's determination of States' population shares as at 31 December of that year. In recognition that distributing National SPPs according to population shares will result in a shift in notional payment shares, the new method of distribution will be phased in over five years from 2009-10.

- An equal per capita distribution of National SPPs ensures that all Australians, regardless of the jurisdiction they live in, are provided with the same share of Commonwealth funding support for state service delivery.
- In the case of the government schools component of the National Schools SPP, the relevant population will be each State's share of full-time equivalent student enrolments in government schools.

**Box 2.1: National SPPs — expenditure benchmarking**

National SPPs are provided under the *Federal Financial Relations Act 2009*. Under the Act, the States are required to spend National SPPs in the sector for which they are paid.

Each state and territory Treasurer is required to report to the Ministerial Council for Federal Financial Relations within six months of the end of each financial year on:

- (a) gross state or territory expenditure in each sector;
- (b) National SPPs received in respect of each sector;
- (c) of the amount referred to in (b), how much was spent in the relevant sector;  
and
- (d) any discrepancy between the amounts specified in (b) and (c) above, including a detailed explanation for the discrepancy.

To ensure this condition is met, the Heads of Treasuries will monitor state expenditure in each sector relevant to the National SPPs. So long as States meet these benchmarks, they have full budget flexibility to allocate funds within that sector as they see fit to achieve the mutually-agreed objectives for that sector.

## **National Partnership payments**

The Commonwealth will provide National Partnership payments to the States to support the delivery of specified projects, to facilitate reforms, or to reward those jurisdictions that deliver on nationally-significant reforms. Some payments for specific purposes under the previous federal financial arrangements have become National Partnership project payments.

The Government recognises the need to support the States to undertake priority national reforms. Consequently, when an area emerges as a national priority, National Partnership facilitation payments may be paid in advance of the States implementing reforms. This recognises the administrative and other costs associated with undertaking the reforms.

National Partnership incentive payments can be used to reward those States that deliver reform progress or continuous improvement in service delivery. The National Partnership agreements will set out clear, mutually-agreed and ambitious performance benchmarks that encourage the achievement of far-reaching reforms and continuous improvement in service delivery.

The COAG Reform Council will assess achievement against the performance benchmarks and will make a recommendation as to whether they have been met. The relevant Commonwealth minister will make a determination as to whether the incentive payment will be made.

As part of the federal finances reform package agreed by COAG in November 2008, the Commonwealth and the States implemented several important reform-based National Partnership agreements:

- Hospitals and Health Workforce Reform;
- Preventive Health;
- Taking Pressure off Public Hospitals;
- Smarter Schools – Quality Teaching;
- Smarter Schools – Low Socio-economic Status (SES) School Communities;
- Smarter Schools – Literacy and Numeracy;
- Productivity Places Program;
- Early Childhood Education;
- TAFE Fee Waiver for Childcare Places;

- Indigenous Remote Service Delivery;
- Indigenous Economic Participation;
- Remote Indigenous Housing;
- Indigenous Health;
- Social Housing;
- Homelessness; and
- Seamless National Economy.

## TOTAL PAYMENTS FOR SPECIFIC PURPOSES

Total payments to the States for specific purposes constitute a significant proportion of Commonwealth expenditure. In 2009-10, they are estimated to total \$50.1 billion, representing 14.8 per cent of total Commonwealth expenditure.

Total payments for specific purposes, including new National SPPs and National Partnership payments are shown in Table 2.1.

**Table 2.1: Total payments for specific purposes, 2008-09 to 2012-13**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
Health	12,179	12,153	13,022	13,872	14,918
Education	13,212	21,138	18,351	14,672	15,350
Community services	2,284	2,496	2,746	2,992	3,089
Housing	3,031	6,751	3,558	2,160	1,906
Infrastructure	7,204	5,099	4,265	5,286	5,442
Environment	448	479	260	174	154
Local government	2,352	1,441	2,018	2,091	2,181
Other	1,349	519	278	491	526
<b>Total payments for specific purposes</b>	<b>42,058</b>	<b>50,076</b>	<b>44,499</b>	<b>41,737</b>	<b>43,565</b>

## HEALTH

In 2009-10, the States will receive \$12.2 billion in payments from the Commonwealth for health services, including \$2.1 billion over five years for health services as part of the COAG reform package agreed on 29 November 2008. This includes:

- an additional \$500 million in recurrent base funding in 2008-09 for the National Healthcare SPP – the Government is also providing a new indexation formula, which will deliver an estimated indexation rate of 6.7 per cent in 2010-11;
- a \$1.4 billion package of reforms under the *National Partnership Agreement on Hospital and Health Workforce*, including \$150 million for activity-based funding, \$750 million in 2008-09 to relieve pressure on public hospital emergency departments and \$500 million in 2008-09 to enhance sub-acute care services; and
- funding of \$800 million over six years from 2009-10 under the *National Partnership Agreement on Preventive Health* to address the rising prevalence of lifestyle-related chronic diseases.

Policy decisions included in this Budget that will be implemented through National Partnership payments include:

- \$3 billion over seven years from 2008-09 under the Health and Hospital Fund on three reform priorities: expanding and modernising key public hospitals; funding infrastructure to deliver nationally consistent cancer services; and investing in translational research;
- \$4 million over three years from 2010-11 for the Northern Territory Medical School;
- \$16 million over four years to the Queensland government to continue to provide health care to Papua New Guinean nationals in Queensland's public hospitals under the Torres Strait Treaty;
- \$4 million over four years for the Torres Strait Islander health protection strategy to continue mosquito control and eradication in the region; and
- \$2 million over three years to fund health infrastructure projects in Tasmania..

The Torres Strait Islander health protection strategy and the Tasmanian health infrastructure fund payments have been integrated into the National Partnership for Health Services and the National Partnership for Health Infrastructure, respectively. Further information on these two policy decisions is included in Budget Paper No. 2, *Budget Measures 2009-10*.

From 1 July 2009, the Government will provide a financial contribution to support state health services under the new National Healthcare SPP, including an additional

*Part 2: Payments for Specific Purposes*

\$500 million in recurrent base funding from 2008-09 and new indexation arrangements. The National Healthcare SPP will also incorporate the following payments under the previous payment arrangements:

- \$10.3 billion in 2008-09 under the Australian Health Care Agreements, which assist in the provision of public hospital services free of charge to eligible individuals;
- \$239 million in 2008-09 in broad-banded payments and other arrangements under the national public health program, to provide subsidies for health promotion and disease prevention – covering areas such as women’s health, cancer screening, and AIDS control and drug strategies;
- \$8 million in 2008-09 for the service delivery component of the essential vaccines program for the delivery of immunisation vaccines; and
- \$3 million in 2008-09 under the Youth health services program to develop and implement innovative primary health care services for homeless and at-risk youth.

Table 2.2 provides information on payments to support state health services, including the new National Partnership payments and existing payments, including those that will be paid under the Health Infrastructure or Health Services National Partnerships.

**Table 2.2: Payments to the States to support health services**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
<b>National Healthcare SPP</b>	-	11,224.2	11,978.4	12,819.9	13,747.2
Healthcare grants	10,257.0	-	-	-	-
National public health	239.3	-	-	-	-
Youth health services	2.6	-	-	-	-
Essential vaccines (service delivery)	7.8	-	-	-	-
<b>National Partnership payments</b>					
Health and hospital workforce reform	1,286.5	-	-	41.4	55.5
Preventive health	-	2.5	8.5	74.5	136.0
Health and Hospital Fund	109.2	234.0	275.4	382.7	469.0
Commonwealth dental health program	-	46.0	94.3	99.0	50.7
Elective surgery waiting list reduction program	155.0	150.0	220.0	-	-
Essential vaccines	-	324.2	329.1	335.0	340.4
Indigenous early childhood development	-	15.0	19.8	22.8	23.8
Health infrastructure	58.0	41.2	8.3	5.8	2.3
Health services	59.1	83.3	87.7	89.2	91.1
NT medical school funding contribution	-	-	0.5	1.6	2.2
Repatriation general hospitals	2.1	14.3	-	-	-
Health program grants	..	-	-	-	-
Organ transplantation services	2.1	18.2	-	-	-
<b>Total</b>	<b>12,178.8</b>	<b>12,152.9</b>	<b>13,022.0</b>	<b>13,871.9</b>	<b>14,918.2</b>

## National Healthcare SPP

The Commonwealth will provide a financial contribution to support state healthcare services. This funding includes a \$500 million increase in recurrent base funding for 2008-09 and a new rate of indexation, placing public hospital funding on a more sustainable footing. The 2009-10 base funding for the National Healthcare SPP will be provided on an on-going basis and indexed from 1 July 2010 by a growth factor.

The additional funding will be used to improve health outcomes for all Australians and the sustainability of the health system, including with respect to prevention, primary and community health, hospital and related care, aged care, patient experience, promoting social inclusion and improving Indigenous health.

**Table 2.3: National Healthcare SPP**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	3,711.0	2,710.7	2,206.4	1,135.6	920.2	246.1	148.6	145.6	11,224.2
2010-11	3,928.7	2,906.3	2,382.6	1,224.2	957.8	263.6	165.6	149.6	11,978.4
2011-12	4,169.8	3,126.0	2,580.1	1,323.7	999.2	282.9	184.5	153.7	12,819.9
2012-13	4,439.6	3,371.2	2,792.6	1,430.1	1,046.2	304.6	205.1	157.9	13,747.2

### Growth factor

The Intergovernmental Agreement defines the growth factor for the National Healthcare SPP as the product of:

- a health-specific cost index (the Australian Institute of Health and Welfare health price index);
- the growth in population estimates weighted for hospital utilisation; and
- a technology factor (the Productivity Commission-derived index of technology growth).

In November 2008, the growth factor was estimated at 7.3 per cent per annum. The growth factor is estimated to fall to 6.7 per cent in 2010-11, mainly due to a decrease in the estimate of the health-specific cost index. However, the payment for 2009-10 is provided for in the *Federal Financial Relations Act 2009* and will not change from the estimate that was agreed by COAG in November 2008.

The Commonwealth will provide advances to the States in respect of the National SPPs, based on estimates of the growth factor. Once outcomes data for each component of the growth factor is available, a balancing adjustment will be made to ensure that the States receive their correct entitlement.



## National Partnership on Hospital and Health Workforce Reform

The Commonwealth will provide \$3.0 billion over 5 years from 2008-09 under the *National Partnership Agreement on Hospital and Health Workforce Reform*. This National Partnership aims to improve the efficiency of public hospital services, enhance health workforce capability and supply, increase the volume and quality of sub-acute care services, and improve the operations of emergency departments. It will support an efficient and effective public hospital system that delivers high-quality and safe services to patients.

The outputs of this National Partnership include a nationally consistent approach to activity-based funding of public hospital services, increased capacity and productivity for the health workforce, enhanced sub-acute care services and better outcomes for emergency department patients.

**Table 2.4: Estimated payments for the National Partnership on Hospital and Health Workforce Reform**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	425.0	316.1	250.1	127.5	104.9	30.0	18.2	14.7	1,286.5
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	12.3	11.0	7.0	4.1	3.6	1.2	1.0	1.2	41.4
2012-13	16.5	14.7	9.4	5.5	4.8	1.7	1.3	1.7	55.5
<b>Commonwealth own-purpose expense</b>									
2008-09									-
2009-10									166.0
2010-11									294.8
2011-12									338.4
2012-13									320.2
<b>State contribution</b>									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	23.3	17.7	14.3	7.2	5.4	1.7	1.2	0.7	71.5
2010-11	47.9	36.4	29.3	14.8	11.0	3.4	2.4	1.5	146.7
2011-12	49.9	37.9	30.6	15.4	11.5	3.6	2.5	1.6	152.9
2012-13	54.9	41.7	33.6	17.0	12.6	3.9	2.7	1.7	168.2
<b>Total</b>									
2008-09	425.0	316.1	250.1	127.5	104.9	30.0	18.2	14.7	1,286.5
2009-10	23.3	17.7	14.3	7.2	5.4	1.7	1.2	0.7	237.5
2010-11	47.9	36.4	29.3	14.8	11.0	3.4	2.4	1.5	441.5
2011-12	62.2	48.9	37.6	19.6	15.1	4.8	3.4	2.8	532.7
2012-13	71.3	56.4	43.0	22.5	17.4	5.6	4.0	3.4	543.9

Note: In addition, the Commonwealth will incur flow-on costs to the Medicare Benefits Schedule and Pharmaceutical Benefits Scheme as a result of the measure.

### Activity-based funding

In addition to its own-purpose funding for national leadership and coordination, the Commonwealth will provide funding to the States to assist with the development and implementation of nationally consistent activity-based funding for public hospital services. Activity-based funding is a management tool that has the potential to enhance public accountability and drive technical efficiency in the delivery of health services.

**Table 2.5: Estimated payments to the States for activity-based funding**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	10.8	9.7	6.2	3.6	3.2	1.1	0.9	1.1	36.5
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	12.3	11.0	7.0	4.1	3.6	1.2	1.0	1.2	41.4
2012-13	16.5	14.7	9.4	5.5	4.8	1.7	1.3	1.7	55.5

### Taking pressure off public hospitals

The Commonwealth will provide \$750 million to the States to improve the operations of emergency departments. This funding will relieve some of the pressure on public hospitals, while initiatives to improve the efficiency of public hospitals and the primary care reforms of the Commonwealth are implemented.

**Table 2.6: Estimated payments to the States for taking pressure off public hospitals**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	248.6	181.3	146.7	75.3	61.8	16.6	10.0	9.8	750.0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Sub-acute care

In addition, the Commonwealth will provide funding of \$500 million to the States for the enhancement of sub-acute care services. This funding will assist the States to expand the volume and quality of the sub-acute care services in hospital and community settings, and better address regional availability.

**Table 2.7: Estimated payments to the States for sub-acute care**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	165.7	125.1	97.3	48.6	40.0	12.2	7.3	3.8	500.0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### National Partnership on Preventive Health

The Commonwealth will provide \$872.1 million over six years from 2009-10 for the *National Partnership Agreement on Preventive Health*. This National Partnership has been established to address the rising prevalence of lifestyle-related chronic diseases. It will lay the foundations for healthy behaviours in the daily lives of Australians, including instituting programs across the risk factors related to smoking, nutrition, alcohol, and physical activity.

The National Partnership will contribute to increasing the proportion of children and adults at healthy body weight and meeting national guidelines for healthy eating and physical activity; reducing the proportion of adults smoking daily; and reducing harmful consumption of alcohol. This will be achieved through the delivery of a range of programs related to healthy children, workers and communities, as well as partnerships with industry, enabling infrastructure and social marketing campaigns.

**Table 2.8: Estimated payments for the National Partnership on Preventive Health**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	0.8	0.6	0.5	0.3	0.2	0.1	0.0	0.0	2.5
2010-11	2.8	2.1	1.7	0.9	0.6	0.2	0.1	0.1	8.5
2011-12	24.1	18.2	15.2	7.8	5.4	1.7	1.3	0.9	74.6
2012-13	44.0	33.2	27.8	14.2	9.8	3.2	2.3	1.6	136.0
<b>Commonwealth own-purpose expense</b>									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	15.1
2010-11	-	-	-	-	-	-	-	-	58.5
2011-12	-	-	-	-	-	-	-	-	70.8
2012-13	-	-	-	-	-	-	-	-	82.3
<b>Total</b>									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	17.61
2010-11	0.8	0.6	0.5	0.3	0.2	0.1	0.0	0.0	17.6
2011-12	2.8	2.1	1.7	0.9	0.6	0.2	0.1	0.1	67.1
2012-13	24.1	18.2	15.2	7.8	5.4	1.7	1.3	0.9	145.3

Note: The National Partnership agreement provides funding over the six years from 2009-10 to 2014-15.

### Healthy children

The Commonwealth will provide funding for the States to deliver a range of programs for children, covering physical activity, healthy eating and prevention in settings such as child care centres, pre-schools and schools. The payments to the States for healthy children programs will be structured as 50 per cent facilitation payment and 50 per cent reward payment.

**Table 2.9: Estimated payments to the States for healthy children**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	10.7	7.8	6.7	3.3	2.3	0.8	0.5	0.4	32.5
2012-13	21.3	15.7	13.3	6.6	4.6	1.6	1.0	0.8	64.9

### Healthy workers

In addition to developing a national healthy workplace charter with peak employer groups, the Commonwealth will provide funding to the States to facilitate the delivery of healthy living programs in workplaces, covering topics such as physical activity, healthy eating, harmful consumption of alcohol and smoking cessation. The payments to the States will be structured as 50 per cent facilitation payment and 50 per cent reward payment.

**Table 2.10: Estimated payments to the States for healthy workers**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	10.7	8.3	6.9	3.6	2.5	0.7	0.6	0.4	33.6
2012-13	19.9	15.4	12.8	6.7	4.6	1.4	1.1	0.7	62.6

### Social marketing

In addition to funding a social marketing campaign to extend and complement the Australian Better Health Initiative campaign, the Commonwealth will fund the States to provide reinforcing local activities. These payments will be provided as facilitation payments.

**Table 2.11: Estimated payments to the States for social marketing**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	2.0	1.5	1.2	0.6	0.5	0.1	0.1	0.1	6.0
2011-12	2.0	1.5	1.2	0.6	0.5	0.1	0.1	0.1	6.0
2012-13	2.0	1.5	1.2	0.6	0.5	0.1	0.1	0.1	6.0

### Enabling infrastructure

In addition to establishing a national preventive health agency and expanding the National Nutrition and Physical Activity Survey, the Commonwealth will fund the States to support soft infrastructure, such as a complementary system of more frequent health, nutrition and physical activity monitoring surveys. The payments will be provided as facilitation payments.

**Table 2.12: Estimated payments to the States for enabling infrastructure**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	0.8	0.6	0.5	0.3	0.2	0.1	..	..	2.5
2010-11	0.8	0.6	0.5	0.3	0.2	0.1	..	..	2.5
2011-12	0.8	0.6	0.5	0.3	0.2	0.1	..	..	2.5
2012-13	0.8	0.6	0.5	0.3	0.2	0.1	..	..	2.5

### National Partnership on Closing the Gap in Indigenous Health Outcomes

The Commonwealth will provide \$805.5 million over four years under the *National Partnership Agreement on Closing the Gap in Indigenous Health Outcomes*. This National Partnership addresses the targets set by COAG, including to close the gap in life expectancy between Indigenous and non-Indigenous Australians within a generation. It implements initiatives with respect to preventive health, primary health care and hospitals and hospital-related care that also improve continuity of care for Indigenous patients.

The National Partnership is centred on five priority areas related to tackling smoking, delivering effective primary healthcare services, fixing the gaps and improving the patient journey through the health system, providing a healthy transition to adulthood and making Indigenous health everyone's business.

## National Partnership for Health Infrastructure

Several payments will be integrated into a *National Partnership for Health Infrastructure*.

### Tasmanian health package

The Commonwealth will provide funding to improve health services in Tasmania. The Tasmanian package includes expanded radiation oncology services in north/north west Tasmania, increased patient transport and accommodation services through the Tasmanian Patient Transport Initiative and investment in the Launceston Integrated Care Centre.

**Table 2.13: Estimated payments for the Tasmanian health package**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	20.1	-	-	20.1
2009-10	-	-	-	-	-	5.5	-	-	5.5
2010-11	-	-	-	-	-	4.1	-	-	4.1
2011-12	-	-	-	-	-	1.9	-	-	1.9
2012-13	-	-	-	-	-	1.0	-	-	1.0

### Tasmanian health package — PET scanner for the Royal Hobart Hospital

The Commonwealth will provide funding for the purchase of a positron emission tomography (PET) scanner at Royal Hobart Hospital.

**Table 2.14: Estimated payments for the Tasmanian health package — PET scanner for the Royal Hobart Hospital**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	3.5	-	-	3.5
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### PET scanner for Calvary Mater Hospital, Newcastle

The Commonwealth will provide funding for the purchase of a PET scanner at Calvary Mater Newcastle Hospital. This will complement the Hunter New England region's major centre for oncology services.

**Table 2.15: Estimated payments to New South Wales for a PET scanner for the Calvary Mater Hospital**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.4	-	-	-	-	-	-	-	0.4
2009-10	1.1	-	-	-	-	-	-	-	1.1
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

**PET scanner for the Westmead Hospital, Sydney**

The Commonwealth will provide funding to New South Wales for the provision of PET services and research.

**Table 2.16: Estimated payments to New South Wales for a PET scanner for the Westmead Hospital**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	1.3	-	-	-	-	-	-	-	1.3
2009-10	1.3	-	-	-	-	-	-	-	1.3
2010-11	1.3	-	-	-	-	-	-	-	1.3
2011-12	1.3	-	-	-	-	-	-	-	1.3
2012-13	1.3	-	-	-	-	-	-	-	1.3

**Olivia Newton-John Cancer Centre, Melbourne**

The Commonwealth will contribute funding towards the establishment of the Olivia Newton-John Cancer Centre at the Austin Hospital, Melbourne. The centre will be a purpose-built facility that will combine cancer treatment services with the clinical research programs currently run by Austin Health and the International Ludwig Institute for Cancer Research.

**Table 2.17: Estimated payments to Victoria for the Olivia Newton-John Cancer Centre**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	5.0	-	-	-	-	-	-	5.0
2009-10	-	10.0	-	-	-	-	-	-	10.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

**Children's cancer centre, Adelaide**

The Commonwealth will provide funding to South Australia for the construction of a purpose-built children's cancer centre at the Women's and Children's Hospital in Adelaide. The new centre will establish a fully integrated, dedicated children's cancer facility that will provide state-of-the-art care and treatment facilities.

**Table 2.18: Estimated payments to South Australia for the children's cancer centre**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	3.0	-	-	-	3.0
2009-10	-	-	-	-	12.0	-	-	-	12.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Lismore integrated cancer centre

The Commonwealth will contribute funding to bring forward the completion of the integrated cancer centre at the Lismore Base Hospital to March 2010. The integrated cancer centre will be a purpose-built facility offering a range of cancer treatments including a radiation oncology service.

**Table 2.19: Estimated payments to New South Wales for the Lismore integrated cancer centre**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	3.5	-	-	-	-	-	-	-	3.5
2009-10	3.5	-	-	-	-	-	-	-	3.5
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Cairns Base Hospital chemotherapy cancer initiative

The Commonwealth will provide funding toward the Cairns Base Hospital chemotherapy initiative.

**Table 2.20: Estimated payments to Queensland for the Cairns Base Hospital chemotherapy cancer initiative**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	0.5	-	-	-	-	-	0.5
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Cairns integrated cancer centre

The Commonwealth will contribute funding towards the establishment of an integrated cancer centre at the Cairns Hospital. The integrated cancer centre will be a purpose-built facility offering a range of cancer treatments including a radiation oncology service.

**Table 2.21: Estimated payments to Queensland for the Cairns integrated cancer centre**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	1.0	-	-	-	-	-	1.0
2009-10	-	-	3.3	-	-	-	-	-	3.3
2010-11	-	-	2.0	-	-	-	-	-	2.0
2011-12	-	-	2.0	-	-	-	-	-	2.0
2012-13	-	-	-	-	-	-	-	-	-



### Health infrastructure projects in Tasmania

The Commonwealth will provide funding to Tasmania to upgrade chemotherapy and cancer facilities in north-west Tasmania, with a focus on the North West Region Hospital at Burnie. Funding will also be provided to upgrade a portion of the additional patient accommodation proposed for Launceston.

**Table 2.22: Estimated payments to Tasmania for health infrastructure projects**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2009-10	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.9
2010-11	0.0	0.0	0.0	0.0	0.0	0.9	0.0	0.0	0.9
2011-12	0.0	0.0	0.0	0.0	0.0	0.6	0.0	0.0	0.6
2012-13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### Health infrastructure grants

This program covers a number of grants paid in 2008-09 including:

- \$1 million to upgrade the Bacchus Marsh and Melton Regional Hospitals in Victoria;
- \$1 million to support the purchase of a computed tomography (CT) scanner and ultrasound machine for the Kempsey District Hospital in New South Wales;
- \$4 million for the purchase of an MRI unit and other supporting equipment as well as contributing towards associated building works at the Cairns Base Hospital in Queensland; and
- \$5 million for a renal dialysis unit in the North Lakes Health Precinct.

**Table 2.23: Estimated payments to the States for health infrastructure grants**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	1.0	1.0	9.0	-	-	-	-	-	11.0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

## National Partnership for Health Services

Several payments will be integrated into a *National Partnership for Health Services*.

### Healthy kids health checks

The Commonwealth will provide funding to the States for the healthy kids health check program. The program will support medical practitioners and practice nurses to undertake healthy kids health checks to ensure every four-year-old child in Australia has a basic health check to see if they are healthy, fit and ready to learn when they start school. The program will promote early detection of lifestyle risk factors, delayed development and illness, and introduce guidance for healthy lifestyles and early intervention strategies.

**Table 2.24: Estimated payments to the States for healthy kids health checks**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.6	0.4	0.4	0.2	0.2	0.1	0.1	0.1	1.9
2009-10	0.5	0.4	0.3	0.2	0.1	0.1	0.1	0.1	1.7
2010-11	0.5	0.4	0.3	0.2	0.1	0.1	0.1	0.1	1.8
2011-12	0.6	0.4	0.4	0.2	0.2	0.1	0.1	0.1	1.9
2012-13	0.6	0.4	0.4	0.2	0.2	0.1	0.1	0.1	1.9

### Reducing rheumatic heart fever for Indigenous children

The Commonwealth will provide funding to support disease registers and control programs for acute rheumatic fever and rheumatic heart disease to reduce rheumatic heart fever for Indigenous children.

**Table 2.25: Estimated payments to the States for reducing rheumatic heart fever for Indigenous children**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	0.4	0.4	-	-	-	0.4	1.1
2009-10	-	-	0.8	0.8	-	-	-	0.8	2.3
2010-11	-	-	0.8	0.8	-	-	-	0.8	2.4
2011-12	-	-	0.8	0.8	-	-	-	0.8	2.4
2012-13	-	-	0.8	0.8	-	-	-	0.8	2.5

### National bowel cancer screening program

The Commonwealth will provide funding to the States to support follow-up for national bowel cancer screening program participants with a positive test result. The second phase of the program commenced on 1 July 2008 and offers testing to people turning 50, 55 or 65 years of age between January 2008 and December 2010. The program is being phased in gradually to help ensure that health services, such as colonoscopy and treatment services, are able to meet any increased demand.

**Table 2.26: Estimated payments to the States for the national bowel cancer screening program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.6	0.4	0.4	0.2	0.1	0.1	0.1	0.1	2.0
2009-10	0.6	0.4	0.4	0.2	0.1	0.1	0.1	0.1	2.0
2010-11	0.6	0.4	0.4	0.2	0.1	0.1	0.1	0.1	2.0
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### National perinatal depression Initiative

The Commonwealth will provide funding to the States for the national perinatal depression initiative. The initiative aims to improve prevention and early detection of antenatal and postnatal depression and provide better support and treatment for expectant and new mothers experiencing depression.

**Table 2.27: Estimated payments to the States for the national perinatal depression initiative**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.5	0.4	0.3	0.2	0.1	0.1	0.1	0.1	1.8
2009-10	1.0	0.8	0.7	0.4	0.3	0.1	0.1	0.1	3.6
2010-11	1.8	1.5	1.3	0.8	0.5	0.2	0.2	0.2	6.4
2011-12	2.7	2.3	1.9	1.2	0.7	0.3	0.2	0.3	9.5
2012-13	2.5	2.1	1.7	1.1	0.6	0.3	0.2	0.3	8.7

### Victorian cytology service

The Commonwealth will provide funding for the Victorian cytology service. The service is a Government-funded pathology laboratory, responsible for reporting cervical cytology tests.

**Table 2.28: Estimated payments to Victoria for the Victorian cytology service**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	7.0	-	-	-	-	-	-	7.0
2010-11	-	7.3	-	-	-	-	-	-	7.3
2011-12	-	7.7	-	-	-	-	-	-	7.7
2012-13	-	8.1	-	-	-	-	-	-	8.1

### OzFoodNet

The Commonwealth will provide funding for OzFoodNet. OzFoodNet is a collaborative initiative with state health authorities for enhanced food-borne disease surveillance to provide a better understanding of the causes and incidence of food-borne disease in the community and to provide an evidence base for policy formulation. Enhanced food-borne disease surveillance has been recognised by the World Health Organization and many countries around the world as an essential tool to help reduce the global burden of food-borne disease.

**Table 2.29: Estimated payments to the States for OzFoodNet**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	1.6
2009-10	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	1.6
2010-11	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	1.6
2011-12	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	1.6
2012-13	0.3	0.2	0.2	0.2	0.2	0.2	0.1	0.1	1.6

### Pneumococcal disease surveillance

The Commonwealth will provide funding for the vaccine-preventable pneumococcal disease surveillance program. The program will measure the incidence of pneumococcal disease in the community and provide an evidence base for policy formulation.

**Table 2.30: Estimated payments to the States for pneumococcal disease surveillance**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	..	-	-	..	..	..	0.1	0.2
2009-10	-	..	-	-	..	..	..	0.1	0.2
2010-11	-	..	-	-	..	..	..	0.1	0.2
2011-12	-	..	-	-	..	..	..	0.1	0.2
2012-13	-	..	-	-	..	..	..	0.1	0.2

### Vaccine-preventable diseases surveillance program

The Commonwealth will provide funding for the vaccine-preventable diseases surveillance program. The program will measure the incidence of selected vaccine-preventable diseases in the community and provide an evidence base for policy formulation.

**Table 2.31: Estimated payments to the States for vaccine-preventable diseases surveillance program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	0.2	0.1	0.2	0.1	..	..	..	..	0.6
2010-11	0.2	0.1	0.2	0.1	..	..	..	..	0.6
2011-12	0.2	0.1	0.2	0.1	..	..	..	..	0.6
2012-13	0.2	0.1	0.2	0.1	..	..	..	..	0.6

**National public health — human quarantine services**

The Commonwealth will provide funding for the provision of human quarantine services to support the implementation of health measures at our international borders. The aim of these health measures is to manage the risk of travellers bringing designated quarantinable diseases into Australia.

**Table 2.32: Estimated payments to the States for human quarantine services**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	..	..	..	..	..	..	..	..	0.1
2009-10	..	..	..	..	..	..	..	..	0.1
2010-11	..	..	..	..	..	..	..	..	0.1
2011-12	..	..	..	..	..	..	..	..	0.1
2012-13	..	..	..	..	..	..	..	..	0.1

**Royal Darwin Hospital — equipped, prepared and ready**

The Commonwealth will provide funding for the provision of the National Critical Care and Trauma Response Centre at Royal Darwin Hospital and to maintain it in a state of readiness to respond to a major incident in the region.

**Table 2.33: Estimated payments to the Northern Territory for Royal Darwin Hospital — equipped, prepared and ready**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	13.7	13.7
2009-10	-	-	-	-	-	-	-	14.0	14.0
2010-11	-	-	-	-	-	-	-	14.2	14.2
2011-12	-	-	-	-	-	-	-	14.5	14.5
2012-13	-	-	-	-	-	-	-	14.8	14.8

**Health care grants for the Torres Strait**

The Commonwealth will provide funding to assist in providing health services to Papua New Guinea citizens exercising their right to move freely across the Torres Strait.

**Table 2.34: Estimated payments to Queensland for health care grants for the Torres Strait**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	3.8	-	-	-	-	-	3.8
2010-11	-	-	4.0	-	-	-	-	-	4.0
2011-12	-	-	4.2	-	-	-	-	-	4.2
2012-13	-	-	4.4	-	-	-	-	-	4.4

### Torres Strait Islander health protection strategy — mosquito control

The Government will provide funding to Queensland to assist in mosquito detection and eradication in the region.

**Table 2.35: Estimated payments for the Torres Strait Islander health protection strategy – mosquito control**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	0.9	-	-	-	-	-	0.9
2010-11	-	-	0.9	-	-	-	-	-	0.9
2011-12	-	-	0.9	-	-	-	-	-	0.9
2012-13	-	-	0.9	-	-	-	-	-	0.9

### Sexual assault counselling in remote Northern Territory areas

The Commonwealth will provide funding to the Northern Territory to assist Indigenous communities affected by sexual assault-related trauma. Small teams of professionally qualified counsellors and Aboriginal sexual assault workers will provide culturally safe mobile outreach services to children, families and communities in remote Northern Territory communities from regionally-based sexual assault referral centres in Tennant Creek, Darwin, Katherine and Alice Springs.

**Table 2.36: Estimated payments to the Northern Territory for sexual assault counselling in remote Northern Territory areas**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	1.5	1.5
2009-10	-	-	-	-	-	-	-	1.4	1.4
2010-11	-	-	-	-	-	-	-	1.4	1.4
2011-12	-	-	-	-	-	-	-	1.5	1.5
2012-13	-	-	-	-	-	-	-	-	-

### Satellite renal dialysis facilities in remote Northern Territory communities

The Commonwealth will provide funding to the Northern Territory to improve access to renal dialysis services for remote communities in the Northern Territory, to help reduce the pressure on existing renal services. In the Northern Territory, Aboriginal and Torres Strait Islander people have an incidence of end-stage renal disease 28 times higher than that for non-Indigenous Australians.

**Table 2.37: Estimated payments to the Northern Territory for satellite renal dialysis facilities in remote Northern Territory communities**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	1.2	1.2
2009-10	-	-	-	-	-	-	-	0.6	0.6
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Supporting nurses to return to the workforce

The Commonwealth will provide funding to encourage qualified nurses to return to the nursing workforce in the public health system. This is part of the bringing nurses back into the workforce program to provide places for 7,750 extra nurses and midwives in the public and private sectors and 1,000 nurses in the aged care sector.

**Table 2.38: Estimated payments to the States for supporting nurses to return to the workforce**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
2009-10	1.2	0.8	0.7	0.3	0.3	0.1	0.0	0.0	3.4
2010-11	2.1	1.6	1.2	0.6	0.5	0.1	0.1	0.1	6.2
2011-12	2.4	1.8	1.5	0.7	0.6	0.1	0.1	0.1	7.4
2012-13	2.9	2.2	1.7	0.9	0.6	0.2	0.1	0.1	8.8

### Helping public patients in public hospitals waiting for nursing homes

The Commonwealth will provide funding to assist long-stay older patients in public hospitals who no longer require acute care or rehabilitation and who are waiting for residential aged care. The funding enables the States to provide a range of services relevant to their own service systems, to enhance the care of older people in public hospitals and reduce the risk of hospitalisation.

**Table 2.39: Estimated payments to the States for helping public patients in public hospitals waiting for nursing homes**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	12.8	8.1	6.5	4.0	4.5	1.0	0.3	0.3	37.5
2009-10	13.0	9.5	6.8	3.3	3.3	1.0	0.3	0.3	37.5
2010-11	13.0	9.5	6.8	3.3	3.3	1.0	0.3	0.3	37.5
2011-12	13.0	9.5	6.8	3.3	3.3	1.0	0.3	0.3	37.5
2012-13	13.0	9.5	6.8	3.3	3.3	1.0	0.3	0.3	37.5

## Other National Partnership payments for health

### Essential vaccines

The Commonwealth will provide funding for essential vaccines for immunisation to be included in the National Vaccine Schedule. The essential vaccines program was intended to be a Commonwealth own-purpose expense from 1 July 2009. To allow time for the Commonwealth to enter into centralised purchasing arrangements for individual vaccines, this program will be paid as a National Partnership payment to the States. The Commonwealth will negotiate a National Partnership agreement which provides for the transition of this program to a Commonwealth own-purpose expense.

**Table 2.40: Estimated payments to the States for essential vaccines**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	98.1	83.3	70.5	31.5	24.7	7.3	4.9	3.9	324.2
2010-11	99.2	84.6	71.7	32.2	25.0	7.4	4.9	4.0	329.1
2011-12	100.6	86.3	73.1	33.0	25.4	7.5	5.0	4.1	335.0
2012-13	101.8	87.7	74.6	33.7	25.8	7.5	5.1	4.2	340.4

### Organ transplantation services

The Commonwealth will meet its future payment commitments to the States in respect of organ transplantation by providing a single payment in 2008-09 and ceasing future annual payments.

Under long-standing arrangements, the Commonwealth reimburses New South Wales and South Australia for 40 per cent of the cost of certain organ and tissue transplantation-related services that are conducted by the Australian Red Cross Blood Service.

**Table 2.41: Estimated payments to the States for organ transplantation services**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	1.6	-	-	-	0.5	-	-	-	2.1
2009-10	13.7	-	-	-	4.6	-	-	-	18.2
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Repatriation general hospitals

The Commonwealth will meet its future payment commitments to the States in respect of repatriation general hospitals by providing a single payment in 2008-09 and ceasing future annual payments. The final payment represents the present value of the stream of future annual payment.

The Commonwealth provides funds for payments of a non-treatment nature (for example, staff transfer costs such as accrued leave credits, income maintenance,



superannuation differential) to the States in accordance with agreements reached on integration of repatriation general hospitals.

**Table 2.42: Estimated payments to the States for repatriation general hospitals**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.9	0.1	-	-	1.0	0.2	-	-	2.1
2009-10	6.3	0.4	-	-	6.5	1.1	-	-	14.3
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

#### Northern Territory Medical School — funding contribution

The Commonwealth will provide funding towards recurrent costs for the Northern Territory Medical School. This recurrent funding is in addition to the capital grant of \$27.8 million over three years provided by the Commonwealth for the establishment of the school. The capital grant will be funded from the Health and Hospitals Fund established in 2008-09.

**Table 2.43: Estimated payments to the Northern Territory for the Northern Territory Medical School**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	0.5	0.5
2011-12	-	-	-	-	-	-	-	1.6	1.6
2012-13	-	-	-	-	-	-	-	2.2	2.2

#### Elective surgery waiting list reduction plan

The Commonwealth will provide funding under the elective surgery waiting list reduction plan. Funding will be provided for systemic improvements such as the construction of additional operating theatres and the purchase of new surgical equipment to improve long-term elective surgery performance. Funding will also be provided as performance rewards for those States which reduce elective surgery waiting times and increase surgery throughput.

**Table 2.44: Estimated payments to the States for elective surgery waiting list reduction plan**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	30.6	48.0	42.3	14.3	8.2	6.4	1.7	3.5	155.0
2009-10	113.7	11.6	14.7	5.0	5.0	-	-	-	150.0
2010-11	71.6	54.5	44.2	22.4	16.4	5.1	3.5	2.3	220.0
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Commonwealth dental health program

The Commonwealth dental health program will provide funding to reduce public dental waiting lists. The commencement of the program is on-hold pending the outcome of the Government's negotiations with the Senate.

**Table 2.45: Estimated payments to the States for the Commonwealth dental health program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	14.6	11.6	8.4	3.8	3.9	1.9	0.9	0.9	46.0
2010-11	30.4	24.2	17.6	7.9	8.2	3.4	1.4	1.4	94.3
2011-12	31.9	25.4	18.5	8.3	8.6	3.5	1.4	1.5	99.0
2012-13	16.1	12.8	9.3	4.2	4.4	2.0	1.0	1.0	50.7

### Health care grants

The Commonwealth will provide funding under the Australian Health Care Agreements, which assist in the provision of public hospital services free of charge to eligible persons. The Australian Health Care Agreements have been incorporated into the National Healthcare SPP.

**Table 2.46: Estimated payments to the States for healthcare grants**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	3,397.6	2,486.1	2,008.3	1,032.3	844.0	223.5	133.8	131.3	10,257.0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### National public health

The Commonwealth provides funding in broad-banded payments and other arrangements under the national public health program, to provide subsidies for health promotion and disease prevention. Elements of the national public health program have been incorporated into the National Healthcare SPP.

**Table 2.47: Estimated payments to the States for national public health**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	75.6	57.4	47.1	22.2	18.8	7.9	4.9	5.3	239.3
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Youth health services program

The Commonwealth will provide funding under the youth health services program to develop and implement innovative primary health care services for homeless and at-risk youth.

**Table 2.48: Estimated payments to the States for youth health services**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.9	0.7	0.5	0.2	0.2	0.1	0.1	0.1	2.6
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Essential vaccines – service delivery component

The Commonwealth will provide funding for the delivery of vaccines under the national immunisation program.

**Table 2.49 Estimated payments to the States for essential vaccines — service delivery component**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	2.8	1.7	1.6	0.9	0.3	0.2	0.1	0.2	7.8
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Health program grants

The Commonwealth provided \$11,000 to Victoria in 2008-09 for alternative funding to Medicare benefits, with the aim of improving access to approved health services.

**Table 2.50: Estimated payments to the States for Health program grants**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	..	-	-	-	-	-	-	..
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### **Indigenous reforms**

The Government has committed to improving outcomes for Indigenous Australians, recognising that Indigenous Australians face significantly worse outcomes than non-Indigenous Australians across a range of areas including life expectancy, mortality rates, education, employment outcomes and opportunities.

The Commonwealth is working closely with the States to address six ambitious targets, agreed by COAG, to help close the gap in Indigenous disadvantage.

As part of the COAG package agreed on 29 November 2008, the Government will provide:

- \$173 million over five years from 2008-09 as part of the Indigenous Economic Participation National Partnership to improve opportunities for Indigenous people to engage in private and public sector jobs;
- \$188 million over six years from 2008-09 to implement a new service delivery model across 26 remote locations as part of the Remote Service Delivery National Partnership;
- \$806 million over four years from 2009-10 as part of the Closing the Gap in Indigenous Health Outcomes National Partnership with a focus on five key priority areas; and
- \$2.1 billion over five years and \$4.8 billion over ten years from 2008-09 as part of the Remote Indigenous Housing National Partnership to address significant overcrowding, homelessness, poor housing conditions and housing shortages in remote Indigenous communities.

The Government has also committed \$490 million over six years from 2008-09 as part of the Indigenous Early Childhood Development National Partnership to reduce the gap in health and developmental outcomes between Indigenous and non-Indigenous children.

## EDUCATION

In 2009-10, the States will receive \$19.4 billion in payments from the Commonwealth to support state education services, an increase of 64.4 per cent compared with the \$11.8 billion the States will receive in 2008-09.

The additional funding to the States includes \$3.5 billion over five years for state education services as part of the COAG reform package agreed on 29 November 2008. This additional funding to the States includes:

- funding of \$1.0 billion over five years in recurrent base funding for the National Schools SPP, including \$412.0 million over five years from indexing the government schools component of the National Schools SPP each year using a more generous indexation arrangement, and \$635.0 million over five years to align historic Commonwealth funding rates between primary and secondary government schools;
- funding of \$1.1 billion over five years for the National Partnership on Low Socio-economic Status School Communities to facilitate reforms to address the needs of disadvantaged schools;
- funding of \$807 million in 2008-09 for the legitimate additional costs of implementing the National Secondary Schools Computer Fund – this measure complements the *Education Revolution – Improving our Schools – Digital Education Revolution* measure previously announced; and
- funding of \$550 million over five years for the National Partnership on Improving Teacher Quality that will address the significant challenges Australia faces in maintaining the quality of its teaching workforce, with a specific focus on professional development and support for principals.

The additional funding to the States also includes \$14.7 billion over three years from 2008-09 to improve capital infrastructure for the benefit of schools and their local communities, announced as part of the Nation Building and Jobs Plan on 3 February 2009.

From 1 January 2009, the Commonwealth has provided financial contributions to support state education services under the new National Schools SPP. This National SPP encompasses payments to the States for both government and non-government schools.

The government schools component of the National Schools SPP replaces the following payments to the States which were paid until 31 December 2008:

- \$1.2 million in 2008-09 for government schools to provide supplementary assistance as general recurrent grants which can be applied to staff salaries, teacher

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professional development and general operational provisions in government schools;

- \$250 million in 2008-09 under targeted programs for government schools and joint, which provides assistance for: improving literacy, numeracy and education outcomes for educationally disadvantaged students; promoting the study of other languages; and assisting the transition from school to work; and
- \$55 million in 2008-09 under the Indigenous education strategic initiatives program, which provides recurrent funding to education providers in the pre-school, school and vocational education and training sectors, as well as project-based funding aimed at improving Indigenous education outcomes.

The non-government schools component of the National Schools SPP incorporates the following existing payments:

- \$3.0 billion in 2008-09 to provide supplementary assistance as general recurrent grants to non-government schools; and
- \$115 million in 2008-09 under targeted programs for non-government schools, which provides assistance for: improving literacy, numeracy and education outcomes for educationally disadvantaged students; promoting the study of other languages; and assisting the transition from school to work in non-government schools.

Some payments under the former federal financial relations arrangements continue to be paid separately as National Partnership project payments.

Policy decisions included in this Budget that will be implemented through National Partnerships include up to \$100 million for reward payments in 2010-11 and 2013-14 to States that achieve mutually agreed Year 12 or equivalent attainment rate targets for young people in their jurisdiction, as announced by COAG on 30 April 2009.

Table 2.51 provides information on payments to support state education services, including the new National Partnership payments and existing payments.

**Table 2.51: Payments to support state education services**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
<b>National Schools SPP</b>	4,480.9	9,742.3	10,422.8	11,187.3	11,998.5
Government schools	1,186.0	-	-	-	-
Indigenous education strategic initiatives - government	55.4	-	-	-	-
Targeted programs - government schools and joint	249.6	-	-	-	-
Non-government schools	3,013.5	-	-	-	-
Targeted programs - non-government schools	115.2	-	-	-	-
<b>National Partnership payments</b>					
Education Investment Fund	-	40.9	25.9	9.2	-
Building the Education Revolution	987.2	8,513.6	5,219.0	-	-
Children's services	42.1	-	-	-	-
Digital Education Revolution	1,197.3	277.1	200.0	200.0	200.0
Early childhood education	39.0	77.0	97.0	297.0	447.0
Improving teacher quality	22.0	40.0	60.0	243.0	185.0
Indigenous early childhood development	17.5	74.6	67.8	55.2	38.8
Literacy and numeracy	94.2	80.0	175.0	175.0	-
Low SES school communities	11.3	151.9	205.0	375.0	363.8
National solar schools plan	74.6	46.3	46.3	46.1	46.3
Quality on-the-job workplace learning	13.3	13.3	26.6	26.6	26.6
Schools security program	1.0	2.0	-	-	-
Trade training centres	233.4	352.9	143.1	263.7	274.1
Youth attainment and training	-	-	-	50.0	-
<b>Total</b>	<b>11,833.5</b>	<b>19,411.9</b>	<b>16,688.5</b>	<b>12,928.1</b>	<b>13,580.1</b>
<i>Memorandum item</i>					
National SPP - government schools	1,507.8	3,286.6	3,487.9	3,710.3	3,954.2
National SPP - non-government schools	2,973.1	6,455.7	6,934.9	7,477.0	8,044.4

## National Schools SPP

The Government will provide \$52.4 billion over five years from 2008-09 to the States to support schools under the National Schools SPP. This is an increase of \$1.0 billion over the funding previously included in the forward estimates.

The National Schools SPP brings total government and non-government schools support to around \$42 billion from 2009 to 2012 (excluding Indigenous funding), compared to \$34.1 billion in the previous schools agreement.

**Table 2.52: Payments to the States for the National Schools SPP**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	1,489.7	1,105.6	860.7	435.2	355.2	103.0	88.7	42.8	4,480.9
2009-10	3,165.7	2,413.7	1,914.6	968.9	760.5	222.9	176.4	119.6	9,742.3
2010-11	3,400.3	2,555.9	2,084.5	1,025.2	813.5	234.4	191.4	117.7	10,422.8
2011-12	3,565.9	2,752.8	2,302.6	1,115.7	860.0	253.0	202.7	134.6	11,187.3
2012-13	3,713.4	2,950.4	2,561.5	1,221.5	905.7	272.9	214.1	159.0	11,998.5

## Growth factor

The Intergovernmental Agreement defines the growth factor for the government schools component of the National Schools SPP as the product of:

- the growth in average government schools recurrent cost; and
- the growth in full-time equivalent enrolment in government schools.

The growth factor for the non-government schools component of the National Schools SPP will be determined in accordance with the *Schools Assistance Act 2008*.

In November 2008, the growth factor was estimated at 6.3 per cent per annum. The growth factor is currently estimated to be 6.1 per cent in 2010-11. However, the payment for non-government schools for 2009-10 is provided for in the *Federal Financial Relations Act 2009* and will not change from the estimate that was agreed by COAG in November 2008.

The Commonwealth will provide advances to the States in respect of the government schools component of the National Schools SPPs, based on estimates of the growth factor. Once outcomes data for each component of the growth factor is available, a balancing adjustment will be made to ensure that the States receive their correct entitlement.



## National Partnership for Low Socio-economic Status School Communities

The Commonwealth will provide \$1.5 billion over seven years from 2008-09 under the *National Partnership Agreement on Low Socio-economic Status School Communities*. The objective of the National Partnership is to create sustained improvements in education outcomes in low socio-economic status (SES) communities. The National Partnership will contribute to COAG's social inclusion and Indigenous disadvantage agendas through the identification of reforms and models of service delivery that achieve improved educational outcomes for low SES school communities.

The National Partnership aims to improve the learning, engagement, well-being and education outcomes of students from low SES backgrounds, especially Indigenous students. The National Partnership will focus on the achievement of specific reforms which include:

- incentives to attract high-performing principals and teachers;
- adoption of best practice performance management and staffing arrangements that articulate a clear role for principals;
- changes to school operational arrangements which encourage innovation and flexibility;
- provision of innovative and tailored learning opportunities;
- strengthened school accountability; and
- new external partnerships with other schools, businesses or communities.

**Table 2.53: Estimated payments for the National Partnership Agreement on Low Socio-economic Status School Communities**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	3.6	2.7	2.4	1.1	0.8	0.3	0.2	0.1	11.3
2009-10	48.6	36.0	33.0	15.3	11.0	3.7	2.4	1.9	151.9
2010-11	65.4	48.5	44.8	20.8	14.8	5.0	3.2	2.7	205.0
2011-12	119.2	88.5	82.3	38.4	26.9	9.0	5.8	5.0	375.0
2012-13	115.2	85.7	80.1	37.6	25.9	8.7	5.6	5.0	363.8
<b>State contribution</b>									
2008-09	4.5	2.1	1.7	0.7	1.2	0.5	0.0	0.5	11.3
2009-10	60.1	27.9	23.5	9.8	16.2	7.1	0.3	7.1	151.9
2010-11	81.1	37.6	31.7	13.2	21.8	9.6	0.4	9.6	205.0
2011-12	148.3	68.8	57.9	24.2	39.9	17.5	0.8	17.5	375.0
2012-13	143.9	66.8	56.2	23.5	38.7	17.0	0.7	17.0	363.8
<b>Total</b>									
2008-09	8.1	4.8	4.1	1.9	2.0	0.8	0.2	0.7	22.5
2009-10	108.7	63.8	56.4	25.1	27.2	10.8	2.7	9.0	303.8
2010-11	146.4	86.1	76.5	34.0	36.6	14.6	3.6	12.3	410.0
2011-12	267.5	157.3	140.2	62.5	66.8	26.5	6.6	22.5	750.0
2012-13	259.1	152.4	136.3	61.1	64.7	25.7	6.4	22.0	727.5

## National Partnership on Improving Teacher Quality

The Commonwealth will provide \$550 million under the *National Partnership Agreement on Improving Teacher Quality*. The National Partnership includes reforms to target critical points in the teacher 'lifecycle' to attract, train, place, develop and retain quality teachers and leaders in our schools and classrooms. These reforms will provide a platform for raising student performance and will also support other school reforms targeting low SES school communities and literacy and numeracy outcomes.

The National Partnership targets the following outcomes:

- attracting the best entrants to teaching, including mid-career entrants;
- more effective training of principals, teachers and school leaders;
- developing teachers and school leaders to enhance their skills and knowledge throughout their careers;
- retaining and rewarding quality principals, teachers and school leaders; and
- improving the quality and availability of teacher workforce data.

**Table 2.54: Estimated payments for the National Partnership Agreement on Improving Teacher Quality**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	7.1	5.3	4.6	2.2	1.6	0.5	0.4	0.3	22.0
2009-10	12.8	9.5	8.7	4.0	2.9	1.0	0.6	0.5	40.0
2010-11	19.1	14.2	13.1	6.1	4.3	1.5	0.9	0.8	60.0
2011-12	77.3	57.3	53.3	24.9	17.4	5.8	3.8	3.2	243.0
2012-13	58.6	43.6	40.7	19.1	13.2	4.4	2.9	2.5	185.0
<b>State contribution</b>									
2008-09	0.8	0.6	0.5	0.3	0.2	0.1	0.0	0.0	2.5
2009-10	2.1	1.6	1.3	0.7	0.5	0.2	0.1	0.1	6.4
2010-11	3.4	2.7	2.1	1.1	0.8	0.3	0.2	0.1	10.7
2011-12	3.2	2.5	2.0	1.0	0.7	0.2	0.2	0.1	10.0
2012-13	-	-	-	-	-	-	-	-	-
<b>Total</b>									
2008-09	7.8	5.9	5.1	2.5	1.8	0.6	0.4	0.3	24.5
2009-10	14.9	11.1	10.0	4.7	3.4	1.1	0.7	0.6	46.4
2010-11	22.6	16.9	15.2	7.2	5.1	1.7	1.1	0.9	70.7
2011-12	80.5	59.9	55.3	25.9	18.1	6.1	3.9	3.4	253.0
2012-13	58.6	43.6	40.7	19.1	13.2	4.4	2.9	2.5	185.0

## National Partnership on Literacy and Numeracy

The Commonwealth will provide \$524 million over four years under the *National Partnership Agreement on Literacy and Numeracy*. The National Partnership supports reforms to drive accelerated improvements in literacy and numeracy. It will have a priority focus on primary-aged students at risk of falling behind, including Indigenous students. The reforms will contribute to literacy and numeracy outcomes identified in the National Education Agreement and the COAG target to halve the gap for Indigenous students in reading, writing and numeracy within a decade.

The National Partnership aims to deliver improved literacy and numeracy outcomes for targeted schools or school communities and students. Data from the National Assessment Program for Literacy and Numeracy and appropriate local data will be identified to measure literacy and numeracy outcomes for participating schools.

**Table 2.55: Estimated payments for the National Partnership on Literacy and Numeracy**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	30.3	22.0	20.6	9.4	6.8	2.4	1.4	1.2	94.2
2009-10	25.7	18.7	17.6	8.0	5.8	2.0	1.2	1.1	80.0
2010-11	56.0	40.9	38.7	17.7	12.5	4.4	2.6	2.3	175.0
2011-12	55.9	40.8	38.8	17.9	12.4	4.3	2.5	2.3	175.0
2012-13	-	-	-	-	-	-	-	-	-
<b>State contribution</b>									
2008-09	19.1	12.5	19.4	8.6	5.7	1.8	0.9	2.1	70.0
2009-10	21.8	14.3	22.2	9.9	6.5	2.1	1.0	2.4	80.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-
<b>Total</b>									
2008-09	49.3	34.6	40.0	18.1	12.5	4.2	2.3	3.3	164.2
2009-10	47.4	33.0	39.8	17.9	12.2	4.1	2.1	3.4	160.0
2010-11	56.0	40.9	38.7	17.7	12.5	4.4	2.6	2.3	175.0
2011-12	55.9	40.8	38.8	17.9	12.4	4.3	2.5	2.3	175.0
2012-13	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

### National Partnership on Early Childhood Education

The Commonwealth will provide \$957 million under the *National Partnership Agreement on Early Childhood Education*. The objective of the National Partnership is that by 2013 every child will have access to a pre-school program in the 12 months prior to full-time schooling. This program will be delivered by four-year university qualified early childhood teachers for 15 hours a week, 40 weeks a year.

The reforms will mean all children have access to affordable, quality early childhood education in the year before formal schooling, with a focus on ensuring access for children from Indigenous communities.

**Table 2.56: Estimated payments for the National Partnership on Early Childhood Education**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	12.2	8.9	8.3	4.0	2.9	1.2	0.8	0.7	39.0
2009-10	24.7	18.0	16.9	7.7	5.5	1.9	1.1	1.0	77.0
2010-11	31.0	22.6	21.5	9.8	6.9	2.4	1.4	1.3	97.0
2011-12	94.9	69.2	65.9	30.3	21.1	7.3	4.3	4.0	297.0
2012-13	142.4	104.0	99.5	46.2	31.6	10.9	6.5	6.0	447.0

## National Partnership on Indigenous Early Childhood Development

The Commonwealth will provide \$253.9 million under the *Indigenous Early Childhood Development National Partnership*. The National Partnership provides a commitment between all levels of government to reduce the gap in developmental outcomes between Indigenous and non-Indigenous children by improving mortality rates and access to early childhood education. The National Partnership will contribute to the outcomes of Indigenous children participating in quality early childhood education and development and child care services, Indigenous people using parent and family support services, Indigenous children's health programs, and antenatal, sexual and reproductive health programs.

The outputs of the National Partnership include:

- a minimum of 35 Children and Family Centres established in urban, regional and remote areas with high Indigenous populations and disadvantage;
- the provision of early learning, childcare and parent and family support services to Indigenous families at or through each of the Children and Family Centres; and
- the provision of antenatal care services targeted at young Indigenous women, sexual and reproductive health services for Indigenous teenagers, and maternal and child health services for Indigenous children and their mothers.

**Table 2.57: Estimated payments for the National Partnership for Indigenous Early Childhood Development**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	4.5	1.0	4.5	2.5	1.5	0.5	0.5	2.5	17.5
2009-10	19.0	4.2	19.2	10.8	6.4	2.1	2.1	10.8	74.6
2010-11	17.3	3.9	17.4	9.8	5.8	1.9	1.9	9.8	67.8
2011-12	14.1	3.1	14.2	8.0	4.8	1.5	1.5	8.0	55.2
2012-13	9.9	2.2	10.0	5.6	3.4	1.1	1.1	5.6	38.8

### National Partnership on Youth Attainment and Transitions

The Commonwealth will provide up to an additional \$100 million over six years, including up to \$50 million in 2013-14, to the States for a *National Partnership on Youth Attainment and Transitions* that will also support the delivery of a Compact with Young Australians.

The National Partnership supports the bring forward from 2020 to 2015 of COAG's Year 12 or equivalent attainment rate target. The reward funding of up to \$100 million in the National Partnership will be tied to the following specific outcomes:

- improved retention of young people in Year 10 and Year 12 in 2010; and
- improved Year 12 or equivalent attainment rates in 2012, consistent with the agreed trajectory towards the national 90 per cent Year 12 or equivalent attainment rate by 2015.

Determination of reward payments will be assessed against agreed differential target rates across jurisdictions. This will include recognition of current achievement and increases over current baseline Year 12 or equivalent attainment rates.

**Table 2.58: Estimated payments for the National Partnership for Youth Attainment and Transition**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	16.0	12.0	11.0	5.0	4.0	1.0	1.0	1.0	50.0
2012-13	-	-	-	-	-	-	-	-	-

### Other National Partnership payments for education

The following existing payments will continue to be paid from 1 July 2009 as National Partnership payments under the new federal financial relations framework.

#### Building the Education Revolution

The Commonwealth will provide \$14.7 billion over three years from 2008-09 to improve capital infrastructure for the benefit of schools and their local communities in Australia. This measure is part of the Nation Building and Jobs Plan announced by the Government in February 2009.

**Table 2.59: Estimated payments to the States for Building the Education Revolution**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	315.8	232.7	191.1	108.2	81.6	27.3	15.6	14.9	987.2
2009-10	2,725.1	2,016.5	1,848.6	856.5	616.7	208.6	133.0	108.7	8,513.6
2010-11	1,664.0	1,234.4	1,140.0	529.4	375.9	126.4	81.1	67.9	5,219.0
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

#### Digital Education Revolution

The Commonwealth will provide \$2.1 billion to the States over five years to implement the Digital Education Revolution. A National Secondary School Computer Fund has been established to provide grants of up to \$1 million to eligible secondary schools to assist them in providing new or upgraded information and communication technology to students in Years 9 to 12.

**Table 2.60: Estimated payments to the States for the Digital Education Revolution**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	410.4	277.9	243.0	119.0	87.1	27.4	21.1	11.4	1,197.3
2009-10	88.7	65.6	60.2	27.9	20.1	6.8	4.3	3.5	277.1
2010-11	63.8	47.3	43.7	20.3	14.4	4.9	3.1	2.6	200.0
2011-12	63.6	47.2	43.9	20.5	14.3	4.8	3.1	2.7	200.0
2012-13	63.3	47.1	44.0	20.7	14.3	4.8	3.1	2.7	200.0

### Trade Training Centres in Schools

The Commonwealth will provide \$1.3 billion over five years to implement the Trade Training Centres in Schools Program. The program will provide facilities to enhance vocational education opportunities for students in Years 9 to 12 in every government and non-government secondary school.

**Table 2.61: Estimated payments to the States for Trade Training Centres in Schools**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	74.8	55.3	50.5	23.6	16.9	5.7	3.7	2.9	233.4
2009-10	113.0	83.6	76.6	35.5	25.6	8.7	5.5	4.5	352.9
2010-11	45.6	33.9	31.3	14.5	10.3	3.5	2.2	1.9	143.1
2011-12	83.9	62.2	57.9	27.0	18.9	6.3	4.1	3.5	263.7
2012-13	86.8	64.6	60.4	28.4	19.5	6.5	4.2	3.7	274.1

### Quality On-The-Job Workplace Learning

The Commonwealth will provide \$106 million to the States over five years as part of the quality on-the-job workplace learning initiative to coordinate work placements for school students participating in vocational education and training.

**Table 2.62: Estimated payments to the States for Quality On-The-Job Workplace Learning**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	4.3	3.3	2.7	1.4	1.0	0.3	0.2	0.1	13.3
2009-10	4.3	3.3	2.7	1.4	1.0	0.3	0.2	0.1	13.3
2010-11	8.6	6.6	5.4	2.8	2.0	0.6	0.4	0.3	26.6
2011-12	8.5	6.6	5.5	2.8	2.0	0.6	0.4	0.3	26.6
2012-13	8.5	6.6	5.5	2.8	1.9	0.6	0.4	0.3	26.6

### National Solar Schools Plan

The Commonwealth will provide \$260 million to the States to help primary and secondary schools around the country take practical action to save energy and water while cutting their utility bills.

The National Solar Schools Plan offers grants of up to \$50 000 (GST exclusive) to install solar and other renewable power systems, rainwater tanks and a range of energy efficiency measures such as energy efficiency lighting, skylights, ceiling fans, insulation, sensors, automatic doors and external window fittings (for example double glazing, awnings and shutters).



**Table 2.63: Estimated payments to the States for the National Solar Schools Plan**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	23.9	18.0	15.7	7.5	5.5	1.8	1.3	0.9	74.6
2009-10	14.8	11.2	9.9	4.7	3.4	1.1	0.8	0.6	46.3
2010-11	14.7	11.2	9.9	4.7	3.4	1.1	0.8	0.6	46.3
2011-12	14.6	11.1	10.0	4.7	3.3	1.1	0.8	0.6	46.1
2012-13	14.6	11.1	10.1	4.8	3.3	1.1	0.8	0.6	46.3

### Secure Schools Program

The Commonwealth will provide up to \$20 million over four years for the Secure Schools Program to assist at-risk religious, ethnic and secular schools meet their particular security needs.

**Table 2.64: Estimated payments to the States for the Secure Schools Program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	1.0	-	-	-	-	-	-	-	1.0
2009-10	2.0	-	-	-	-	-	-	-	2.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

## **SKILLS AND WORKFORCE DEVELOPMENT**

In 2009-10, the States will receive \$1.7 billion in payments from the Commonwealth for skills and workforce development-related services, an increase of 25.3 per cent compared with the \$1.4 billion the States will receive in 2008-09.

The additional funding to the States includes \$45 million over five years for state skills and workforce development-related services as part of the COAG reform package agreed on 29 November 2008. The additional funding to the States includes:

- \$36.7 million over five years in recurrent base funding for the National Skills and Workforce Development SPP using a more generous indexation arrangement; and
- a \$8.5 million package in 2008-09 for the TAFE Fee Waivers for Childcare Qualifications National Partnership.

The additional funding to the States also includes \$200 million towards positioning Technical and Further Education (TAFE) infrastructure for tomorrow's challenges to revitalise teaching and learning spaces in TAFE institutes and other public providers, to respond to areas of current and expected future demand as part of the Nation Building Package announced by the Australian Government on 12 December 2008.

From 1 January 2009, the Commonwealth has provided a financial contribution to support state skills and workforce development-related services under the new National Skills and Workforce Development SPP. This new National SPP incorporates new indexation arrangements and replaces the following existing payments made up to 31 December 2008:

- \$642 million in funding previously provided under the Skilling Australia's Workforce Agreements, excluding payments that have been subsumed under the National Training System Commonwealth own-purpose expense;
- COAG agreed that funding of \$47.4 million annually (plus indexation) for management of the National Training System be quarantined from the agreement and that training ministers and senior officials monitor and advise on how this funding is allocated.

Table 2.65 provides information on all payments to the States to support state skills and workforce development-related services.

**Table 2.65: Payments to support state skills and workforce development services**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
<b>National Skills and Workforce Development SPP</b>	656.7	1,317.9	1,343.1	1,367.5	1,394.1
Skilling Australia's Workforce	642.2	-	-	-	-
<b>National Partnership payments</b>					
Better TAFE facilities	-	200.0	-	-	-
<b>New National Partnership payments</b>					
TAFE fee waivers for childcare qualifications	8.5	-	-	-	-
Productivity Places Program	70.4	208.2	319.4	375.9	375.9
<b>Total</b>	<b>1,377.8</b>	<b>1,726.1</b>	<b>1,662.5</b>	<b>1,743.4</b>	<b>1,770.0</b>

**National Skills and Workforce Development SPP**

The Government will provide \$6.1 billion over five years from 2008-09 to work towards increasing the skill levels of all Australians, including Indigenous Australians. The 2009-10 base funding will be provided on an on-going basis and indexed from 1 July 2010 by a growth factor.

As part of the related *National Agreement for Skills and Workforce Development*, each State will oversee the delivery of publicly funded training within its jurisdiction, ensuring the effective operation of the training market, including in relation to market information.

The Commonwealth and the States will also have joint responsibility to deliver some outcomes under the agreement, including a nationally consistent system of teaching standards, the development and maintenance of a national curriculum, and the development of policy and reform directions to support the achievement of Indigenous education outcomes.

**Table 2.66: Estimated payments for the National Skills and Workforce Development SPP**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	202.9	162.5	143.3	71.0	47.1	13.8	10.6	5.6	656.7
2009-10	438.6	326.3	255.0	131.7	99.1	30.9	22.6	13.7	1,317.9
2010-11	444.2	332.6	262.6	135.2	100.6	31.3	22.7	14.0	1,343.1
2011-12	448.6	338.8	270.8	139.0	101.8	31.6	22.8	14.2	1,367.5
2012-13	452.8	345.5	280.1	143.5	102.8	31.9	22.9	14.5	1,394.1

**Growth factor**

The Intergovernmental Agreement defines the growth factor for the National Skills and Workforce Development SPP as the product of :

$$0.85 \times \text{wage cost index one} + 0.15 \times \text{wage cost index six} .$$

In November 2008, the growth factor was estimated at 2.5 per cent per annum. The growth factor is estimated to be 1.9 per cent in 2010-11. The fall in the growth factor is due to a decrease in both wage cost indices.

## National Partnership on Productivity Places Program

The Productivity Places Program is part of the Government's Skilling Australia for the Future initiative and aims to reduce skills shortages and increase the productivity of industry and enterprises. The *National Partnership Agreement on Productivity Places Program* is a component of the Productivity Places Program.

The program aims to deliver up to 557,556 course enrolments and 402,881 qualification commencements. The National Partnership includes the additional 15,000 jobseeker places announced by the Commonwealth on 10 September 2008, with additional resourcing of \$45.5 million in 2008-09.

Funding under the National Partnership requires 50/40/10 cost sharing across the Commonwealth, States and private sources.

The Commonwealth will provide data to Skills Australia to assist in identifying industries, occupations and regions with skill shortages. Additionally, the Commonwealth will work in conjunction with the States to ensure the outcomes of the National Partnership are being met effectively. The States will have responsibility for implementing and managing the National Partnership.

**Table 2.67: Estimated payments for the Productivity Places Program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	30.3	-	18.6	9.5	7.1	2.2	1.6	1.0	70.4
2009-10	89.2	-	56.1	28.5	21.7	4.9	4.7	3.1	208.2
2010-11	139.0	-	85.9	43.7	32.5	6.3	7.3	4.7	319.4
2011-12	161.2	-	98.7	50.3	37.0	14.9	8.5	5.3	375.9
2012-13	161.2	-	98.7	50.3	37.0	14.9	8.5	5.3	375.9
<b>State contribution</b>									
2008-09	12.5	-	7.7	3.9	2.8	0.9	0.6	0.4	28.8
2009-10	40.8	-	26.2	13.3	10.2	3.1	2.1	1.5	97.0
2010-11	67.1	-	41.7	21.2	15.7	4.8	3.5	2.3	156.3
2011-12	79.7	-	48.8	24.8	18.1	5.6	4.2	2.6	183.8
2012-13	-	-	-	-	-	-	-	-	-
<b>Total</b>									
2008-09	42.8	0.0	26.3	13.4	9.9	3.1	2.3	1.4	99.2
2009-10	130.0	0.0	82.3	41.8	31.9	8.0	6.8	4.5	305.3
2010-11	206.2	0.0	127.6	64.9	48.2	11.2	10.8	6.9	475.7
2011-12	240.8	0.0	147.5	75.1	55.1	20.5	12.7	8.0	559.6
2012-13	161.2	0.0	98.7	50.3	37.0	14.9	8.5	5.3	375.9

### National Partnership on TAFE fee Waivers for Childcare Qualifications

The *National Partnership Agreement on TAFE Fee Waivers for Childcare Qualifications* provides \$8 million to remove fees for the diploma and advanced diploma of children's services courses delivered at TAFE institutions, or other government VET providers.

This agreement will assist in meeting the objectives of the *National Partnership Agreement on Early Childhood Education*, agreed by COAG on 29 November 2008.

**Table 2.68: Estimated payments for the National Partnership on TAFE Fee Waivers for Childcare Qualifications**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	4.3	1.6	0.8	0.6	0.6	0.2	0.3	0.1	8.5
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Better TAFE Facilities

The Commonwealth will provide \$200 million to the States in 2009-10 towards improving infrastructure in TAFE facilities. These payments are part of the overall \$500 million being invested under the Teaching and Learning Capital Fund for Vocational Education and Training announced as part of the Nation Building Package on 12 December 2008.

**Table 2.69: Estimated payments to the States for better TAFE facilities**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	63.4	49.0	39.1	22.0	14.6	4.7	3.2	4.0	200.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

## COMMUNITY SERVICES

### Payments to support state community services

In 2009-10 the States will receive \$2.5 billion in payments from the Commonwealth for state community services, an increase of 14.8 per cent compared with the \$2.2 billion the States will receive in 2008-09. This includes \$4.8 billion in funding over five years to support state disability services through the National Disability SPP.

The additional funding includes an injection of \$70 million recurrent base funding from 2008-09 to the National Disability SPP. The Commonwealth is also applying a higher level of indexation to the base funding. A further \$901 million from the Disabilities Assistance Package will be rolled into the base of the National Disability SPP.

Policy decisions included in this Budget that will be implemented through National Partnership payments include payments to the Northern Territory across areas including law and order, community safety, education, health, food security and interpreters as part of the *Closing the Gap – Northern Territory Emergency Response*.

From 1 January 2009, the Government has provided a financial contribution to support state disability services under the new National Disability SPP. This new National Disability SPP incorporates the following existing payments:

- \$643 million in 2008-09 under the existing disability services payment, which assists in the provision of accommodation support and other services for people with disabilities;
- \$28 million in 2008-09 under the existing young people with disabilities payments, which assists in reducing the number of younger people with a disability in residential aged care, with priority given to people under 50; and
- \$104 million in 2008-09 under the existing Disabilities Assistance Package, which assists in the provision of services for children with a disability and their families, and for older carers and their children.

Some payments under the former federal financial relations arrangements continue to be paid as National Partnership project payments.

Table 2.70 provides all the payments to the States to support state community services.

**Table 2.70: Payments to support state community services**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
<b>National Disability SPP</b>	431.1	903.7	1,038.9	1,180.2	1,229.3
Disability services	415.1	-	-	-	-
Young people with disabilities	16.6	-	-	-	-
<b>National Partnership payments</b>					
Aged care assessment	72.4	75.6	78.2	81.4	83.8
Certain concessions for pensioners and seniors card holders	219.7	230.6	238.6	246.5	255.6
Closing the Gap - Northern Territory	-	59.1	76.8	73.3	-
Home and community care	1,096.2	1,197.4	1,283.4	1,379.8	1,488.9
Home and community care services for veterans	17.2	18.0	18.5	18.4	18.4
National reciprocal transport concessions	12.0	12.0	12.0	12.0	12.5
Unaccompanied humanitarian minors	1.0	-	-	-	-
National action plan to build on social cohesion, harmony and security	3.2	-	-	-	-
<b>Total</b>	<b>2,284.5</b>	<b>2,496.4</b>	<b>2,746.4</b>	<b>2,991.6</b>	<b>3,088.5</b>

### National Disability SPP

The Commonwealth will provide funding to the States under the National Disability SPP as a financial contribution to support state community services. At its meeting of 29 November 2008, COAG agreed to a one-off payment of \$70 million to the States in 2008-09, and to roll the Disabilities Assistance Package into the base National Disability SPP. The 2009-10 base funding for the National Disability SPP will be provided on an on-going basis and indexed from 1 July 2010 by a growth factor.

**Table 2.71: National Disability SPP**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	142.8	99.9	83.2	37.7	43.1	13.5	6.3	4.6	431.1
2009-10	302.2	208.2	171.7	77.6	93.1	28.2	13.1	9.7	903.7
2010-11	344.8	243.9	199.2	93.2	99.9	31.1	15.5	11.4	1,038.9
2011-12	390.0	281.5	227.7	110.3	106.3	33.2	18.2	13.0	1,180.2
2012-13	399.3	295.4	245.4	119.3	105.5	32.6	18.8	13.0	1,229.3

### Growth factor

The Intergovernmental Agreement defines the growth factor for the National Disability SPP as the rolling five-year average of year-on-year growth in nominal gross domestic product.

For the purpose of calculating indexation, the Disabilities Assistance Package will be deducted from the base to calculate 2010-11 and 2011-12 funding as the package already includes a high rate of escalation. The package will form part of the base to calculate funding for 2012-13 onwards.

The growth factor is estimated to be 5.0 per cent in 2010-11. The growth factor is lower than estimated at November 2008, owing to lower-than-anticipated growth in nominal gross domestic product.



### National Partnership on Indigenous Economic Participation

The Commonwealth will provide \$173 million over five years under the *National Partnership Agreement on Indigenous Economic Participation*. The National Partnership establishes that the Commonwealth and the States aspire to halving the gap in employment outcomes between Indigenous and non-Indigenous Australians within a decade. Up to 13,000 Indigenous Australians will be assisted into employment over five years.

The National Partnership will significantly improve opportunities for Indigenous people to engage in private and public sector employment through a number of elements, including creating real sustainable employment in areas of government service delivery that have previously relied on subsidisation through the Community Development Employment Projects program, strengthening public sector Indigenous employment and career development strategies, and changes to current government procurement policies to maximise Indigenous employment.

**Table 2.72: Estimated payments for the National Partnership on Indigenous Economic Participation**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Commonwealth</b>									
<b>own-purpose expense</b>									
2008-09	-	-	-	-	-	-	-	-	15.0
2009-10	-	-	-	-	-	-	-	-	39.8
2010-11	-	-	-	-	-	-	-	-	39.8
2011-12	-	-	-	-	-	-	-	-	38.9
2012-13	-	-	-	-	-	-	-	-	39.2
<b>State contribution</b>									
2008-09	0.2	-	1.6	2.0	0.4	-	-	-	4.3
2009-10	0.7	-	4.9	6.1	1.3	-	-	-	13.0
2010-11	0.7	-	4.9	6.1	1.3	-	-	-	13.0
2011-12	0.7	-	4.9	6.1	1.3	-	-	-	13.0
2012-13	0.7	-	4.9	6.1	1.3	-	-	-	13.0
<b>Total</b>									
2008-09	0.2	0.0	1.6	2.0	0.4	0.0	0.0	0.0	19.3
2009-10	0.7	0.0	4.9	6.1	1.3	0.0	0.0	0.0	52.7
2010-11	0.7	0.0	4.9	6.1	1.3	0.0	0.0	0.0	52.8
2011-12	0.7	0.0	4.9	6.1	1.3	0.0	0.0	0.0	51.9
2012-13	0.7	0.0	4.9	6.1	1.3	0.0	0.0	0.0	52.1

### National Partnership on Remote Service Delivery

The Commonwealth will provide \$154 million to the States over five years and an additional \$34 million in 2013-14 under the *National Partnership Agreement on Remote Service Delivery*. The National Partnership implements a new service delivery model that clearly identifies service standards, roles and responsibilities and service delivery parameters to ensure that Indigenous Australians living in 26 selected remote locations receive and actively participate in services to close the gap in Indigenous disadvantage.

Locations have been agreed with respective jurisdictions having regard to a range of criteria, including a willingness to participate in the change process and rebuild social norms, and capacity for the locations to be developed and utilised as regional service hubs.

**Table 2.73: Estimated payments for the National Partnership on Remote Service Delivery**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Commonwealth</b>									
<b>own-purpose expense</b>									
2008-09	-	-	-	-	-	-	-	-	24.5
2009-10	-	-	-	-	-	-	-	-	31.2
2010-11	-	-	-	-	-	-	-	-	32.4
2011-12	-	-	-	-	-	-	-	-	33.4
2012-13	-	-	-	-	-	-	-	-	32.5
<b>State contribution</b>									
2008-09	0.8	-	1.6	1.2	0.8	-	-	6.2	10.6
2009-10	1.6	-	2.9	2.9	1.7	-	-	9.7	18.7
2010-11	1.8	-	3.0	2.9	1.9	-	-	10.0	19.4
2011-12	1.8	-	3.0	2.9	1.9	-	-	10.0	19.4
2012-13	1.7	-	2.7	2.2	1.7	-	-	9.0	17.2
<b>Total</b>									
2008-09	0.8	0.0	1.6	1.2	0.8	0.0	0.0	6.2	35.1
2009-10	1.6	0.0	2.9	2.9	1.7	0.0	0.0	9.7	49.8
2010-11	1.8	0.0	3.0	2.9	1.9	0.0	0.0	10.0	51.8
2011-12	1.8	0.0	3.0	2.9	1.9	0.0	0.0	10.0	52.8
2012-13	1.7	0.0	2.7	2.2	1.7	0.0	0.0	9.0	49.7

### Other National Partnership payments for community services

A number of National Partnership payments will continue to be paid under the new federal financial arrangements. A description of each of the payments for state community services to be made in 2009-10 is provided below.

#### Home and Community Care

The Commonwealth will provide \$1.2 billion to States in 2009-10 for the provision of services to frail older people and people with a disability and their carers through the Home and Community Care (HACC) Program. The HACC Program delivers high-quality, affordable and accessible services in the community, such as domestic assistance and personal care.

**Table 2.74: Estimated payments to the States for Home and Community Care**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	328.5	265.3	249.7	110.3	93.0	28.9	13.0	7.6	1,096.2
2009-10	354.3	285.7	280.0	120.7	101.3	31.8	14.6	8.9	1,197.4
2010-11	375.8	302.7	308.6	129.6	108.1	34.2	15.5	9.1	1,283.4
2011-12	403.2	325.2	334.0	139.7	115.1	36.4	16.5	9.7	1,379.8
2012-13	434.1	350.4	362.6	151.3	123.3	39.0	17.8	10.5	1,488.9

#### Home and Community Care — services for veterans

The Commonwealth will provide \$18.0 million in 2009-10 to support Home and Community Care program provision of community care services to veterans.

**Table 2.75: Estimated payments to the States for Home and Community Care — services for veterans**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	6.0	4.1	3.4	1.4	1.4	0.6	0.2	..	17.2
2009-10	6.3	4.3	3.6	1.4	1.5	0.6	0.3	0.1	18.0
2010-11	6.5	4.5	3.7	1.5	1.5	0.6	0.3	0.1	18.5
2011-12	6.4	4.4	3.7	1.5	1.5	0.6	0.3	0.1	18.4
2012-13	6.4	4.4	3.7	1.5	1.5	0.6	0.3	0.1	18.4

### Aged care assessment

The Commonwealth will provide \$76 million in 2009-10 to the States to enable Aged Care Assessment Teams to comprehensively assess the care needs of frail older people and to establish their eligibility for appropriate residential aged care, transitional care and community care services. A proportion of the estimated payments to the States will be tied to achieving key performance indicators as specified in the National Partnership agreement.

**Table 2.76: Estimated payments to the States for aged care assessment**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	25.1	17.4	12.2	7.2	6.7	1.9	0.8	1.0	72.4
2009-10	26.2	18.2	12.8	7.6	7.0	2.0	0.8	1.1	75.6
2010-11	27.1	18.8	13.2	7.8	7.3	2.1	0.8	1.1	78.2
2011-12	28.2	19.6	13.8	8.1	7.6	2.2	0.8	1.2	81.4
2012-13	29.0	20.2	14.2	8.4	7.8	2.2	0.9	1.2	83.8

### Certain concessions for pensioners

The Commonwealth will provide \$231 million in 2009-10 to contribute towards the cost of certain concessions for pensioners.

**Table 2.77: Estimated payments to the States for certain concessions for pensioners**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	76.4	54.6	38.1	19.2	21.7	7.0	1.6	1.1	219.7
2009-10	80.2	57.3	40.0	20.2	22.8	7.3	1.6	1.1	230.6
2010-11	83.0	59.3	41.4	20.9	23.6	7.6	1.7	1.2	238.6
2011-12	85.7	61.3	42.8	21.6	24.4	7.8	1.7	1.2	246.5
2012-13	88.9	63.6	44.4	22.4	25.3	8.1	1.8	1.2	255.6

### National reciprocal transport concessions for seniors card holders

The Commonwealth will provide \$12 million in 2009-10 to enable Seniors Card holders to access public transport concessions when they travel outside their home State.

**Table 2.78: Estimated payments to the States for national reciprocal transport concessions for seniors card holders**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	12.0	-	-	-	-	-	-	-	12.0
2009-10	12.0	-	-	-	-	-	-	-	12.0
2010-11	12.0	-	-	-	-	-	-	-	12.0
2011-12	12.0	-	-	-	-	-	-	-	12.0
2012-13	12.5	-	-	-	-	-	-	-	12.5

### Closing the Gap — Northern Territory

This Budget provides funding of \$807 million over three years to continue and strengthen the measures initiated under the Northern Territory Emergency Response (NTER). Of this funding, \$209 million over three years will be provided to the Northern Territory Government to deliver initiatives across law and order, community safety, education, health, food security, and interpreters. The Australian Government will work in partnership with the Northern Territory Government and Indigenous communities to move the NTER into a long term development phase. The Australian Government will work to negotiate a National Partnership agreement with the Northern Territory Government by the end of June 2009.

**Table 2.79: Estimated payments to the Northern Territory for Closing the Gap**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	0.0	0.0
2009-10	-	-	-	-	-	-	-	59.1	59.1
2010-11	-	-	-	-	-	-	-	76.8	76.8
2011-12	-	-	-	-	-	-	-	73.3	73.3
2012-13	-	-	-	-	-	-	-	0.0	0.0

### Unaccompanied humanitarian minors

The Commonwealth will provide \$3 million in 2008-09 to assist humanitarian minors without parents in Australia and the families providing their care through early intervention, counselling and assistance by State welfare agencies.

**Table 2.80: Estimated payments to the States for unaccompanied humanitarian minors**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.1	1.5	0.5	..	1.2	-	-	-	3.2
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

**National action plan to build on social cohesion, harmony and security**

The Commonwealth will provide \$1 million in 2008-09 as a contribution to partnership projects with the States aimed at further integrating the migrant community into broader Australian society.

**Table 2.81: Estimated payments to the States for a national action plan to build on social cohesion, harmony and security**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.3	0.3	0.2	-	..	0.1	..	..	1.0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

## AFFORDABLE HOUSING

### Payments to support affordable housing

In 2009-10, the States will receive \$6.8 billion in payments from the Commonwealth for state housing services, compared with the \$3.0 billion the States will receive in 2008-09.

The additional funding to the States includes around \$1.7 billion over five years for state housing services as part of the COAG reform package agreed on 29 November 2008. This includes:

- \$46 million over five years from 2008-09 to the States for housing investment under the National Affordable Housing SPP;
- \$400 million over four years from 2009-10 to the States as part of the *National Partnership Agreement on Homelessness*;
- \$400 million over 2008-09 and 2009-10 to the States to increase the supply of new social housing as part of the *National Partnership Agreement on Social Housing*; and
- \$834.6 million over five years from 2008-09 to the States for the *National Partnership Agreement on Remote Indigenous Housing* to improve housing outcomes for Indigenous Australians, which is critical to meeting the COAG-agreed Closing the Gap targets of improved Indigenous health, life expectancy and educational attainment.

In addition, the Government has provided up to \$6.4 billion over four years to meet priority social housing needs as part of the Nation Building and Jobs Plan announced by the Australian Government on 3 February 2009.

Policy decisions included in this Budget that will be implemented through National Partnership payments include the cashing out of the Social Housing Subsidy Program.

Further information on these policy decisions is included in Budget Paper No. 2, *Budget Measures 2009-10*.

From 1 January 2009, the Government has provided a financial contribution to support state housing services under the new National Affordable Housing SPP. This new National Affordable Housing SPP incorporates the following existing payments:

- \$777 million in 2008-09 under the existing *Commonwealth-State Housing Agreement* (block assistance/base funding);
- \$69 million in 2008-09 to develop community housing which provides appropriate and affordable rental accommodation for low- to middle-income earners;

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- \$42 million in 2008-09 to assist people who are homeless and in crisis;
- \$97 million in 2008-09 to assist Indigenous people on low- to moderate-incomes to access rental housing; and
- \$189 million in 2008-09 for the acquisition of accommodation for use under the Supported Accommodation Assistance Program.

Some payments under the former federal financial relations arrangements continue to be paid as National Partnership project payments.

Table 2.82 provides information on all the payments to support state affordable housing services.

**Table 2.82: Payments to the States to support affordable housing services**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
<b>National Affordable Housing SPP</b>	586.1	1,202.6	1,225.1	1,247.2	1,270.9
Commonwealth-State Housing Agreement block assistance/base funding	388.3	-	-	-	-
Community housing	34.3	-	-	-	-
Crisis accommodation assistance	21.2	-	-	-	-
Housing assistance for Indigenous people	48.7	-	-	-	-
Supported accommodation assistance	95.9	-	-	-	-
<b>New National Partnership payments</b>					
Remote Indigenous housing	540.0	432.7	412.8	463.9	479.0
Social housing	200.0	200.0	-	-	-
Homelessness	22.0	97.7	128.5	131.5	156.5
Investment in social housing	260.0	4,072.0	1,744.0	312.0	-
<b>National Partnership Payments</b>					
First Home Owners Boost	830.6	733.7	47.3	5.5	-
Social housing subsidy program	2.0	11.9	-	-	-
<b>Total</b>	<b>3,029.1</b>	<b>6,750.6</b>	<b>3,557.7</b>	<b>2,160.1</b>	<b>1,906.4</b>



### National Affordable Housing SPP

The Commonwealth will provide \$5.5 billion over five years from 2008-09 to the States under the National Affordable Housing SPP as a financial contribution to support state services in the housing sector. This represents an additional \$46.4 million in funding from 2008-09 over the five years.

This funding will be used to support a range of measures including social housing, assistance to people in the private rental market, support and accommodation for people who are homeless or at risk of homelessness, and home purchase assistance.

**Table 2.83: National Affordable Housing SPP**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	185.2	129.5	114.3	60.9	46.2	16.8	12.7	20.4	586.1
2009-10	380.0	265.8	234.5	125.0	94.9	34.4	26.1	41.9	1,202.6
2010-11	388.7	277.4	241.0	127.2	95.4	33.7	25.2	36.7	1,225.1
2011-12	396.6	289.1	248.0	129.8	95.6	32.7	24.3	31.2	1,247.2
2012-13	404.3	301.4	256.2	132.9	95.6	31.7	23.3	25.7	1,270.9

### Growth factor

The Intergovernmental Agreement outlines the agreed growth factor for the National Affordable Housing SPP. The growth factor is the Wage Cost Index 1, comprising a safety net wage adjustment weighted by 75 per cent and the all groups Consumer Price Index weighted by 25 per cent.

In November 2008, the growth factor was estimated at 2.1 per cent. The growth factor is estimated to be 1.9 per cent in 2010-11. This compares to around 1.6 per cent under the previous agreement.

### National Partnership on Remote Indigenous Housing

The *National Partnership Agreement on Remote Indigenous Housing* aims to facilitate significant reform in the provision of housing for Indigenous people in remote communities and to address overcrowding, homelessness, poor housing conditions and severe housing shortages in remote Indigenous communities.

**Table 2.84: Estimated payments to the States for the National Partnership on Remote Indigenous Housing**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	107.1	5.8	109.5	107.9	59.3	1.7	0.2	148.5	540.0
2009-10	63.2	4.5	69.2	105.8	52.7	4.9	-	132.4	432.7
2010-11	22.9	2.5	66.8	81.8	20.3	2.1	-	216.4	412.8
2011-12	26.2	2.5	96.5	98.5	23.3	3.1	-	213.9	463.9
2012-13	26.6	2.5	145.7	128.7	27.9	2.8	-	144.9	479.0
<b>Commonwealth own-purpose expense</b>									
2008-09	-	-	-	-	-	-	-	-	171.8
2009-10	-	-	-	-	-	-	-	-	55.3
2010-11	-	-	-	-	-	-	-	-	55.3
2011-12	-	-	-	-	-	-	-	-	55.2
2012-13	-	-	-	-	-	-	-	-	58.0
<b>Total</b>									
2008-09	107.1	5.8	109.5	107.9	59.3	1.7	0.2	148.5	711.8
2009-10	63.2	4.5	69.2	105.8	52.7	4.9	0.0	132.4	488.1
2010-11	22.9	2.5	66.8	81.8	20.3	2.1	0.0	216.4	468.1
2011-12	26.2	2.5	96.5	98.5	23.3	3.1	0.0	213.9	519.1
2012-13	26.6	2.5	145.7	128.7	27.9	2.8	0.0	144.9	536.9

### National Partnership on Social Housing

The Commonwealth will provide \$400 million over two years under the *National Partnership Agreement on Social Housing*. The National Partnership provides for the establishment of a Social Housing Growth Fund which will provide capital funding to support a range of projects to increase the supply of social housing and enable more disadvantaged households to access safe and secure housing that meets their needs. Funding is offered to the States on a per capita basis, subject to each State submitting suitable proposals.

Proposals for funding under the Social Housing Growth Fund must involve:

- the construction of new social housing dwellings;
- add to the supply of social housing dwellings within a jurisdiction;
- be completed and ready for occupation within two years of funding being allocated; and
- provide an appropriate response to an area of unmet need for social housing within the jurisdiction.

**Table 2.85: Estimated payments to the States for the National Partnership on Social Housing**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	65.1	49.6	40.2	20.3	15.0	4.6	3.2	2.1	200.0
2009-10	64.8	49.6	40.5	20.4	14.9	4.6	3.2	2.1	200.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-
<b>Total</b>									
2008-09	65.1	49.6	40.2	20.3	15.0	4.6	3.2	2.1	200.0
2009-10	64.8	49.6	40.5	20.4	14.9	4.6	3.2	2.1	200.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

## National Partnership on Homelessness

The Commonwealth will provide \$400 million over four years under the *National Partnership Agreement on Homelessness*. The National Partnership provides funding for the States to support homelessness initiatives consistent with the priorities identified in the Australian Government's *White Paper on Homelessness: The Road Home*, with a focus on prevention, early intervention and breaking the cycle of homelessness through a better connected service system.

**Table 2.86: Estimated payments to the States for the National Partnership on Homelessness**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	6.4	2.4	5.9	2.8	1.8	0.4	1.0	1.3	22.0
2009-10	25.0	18.8	24.1	11.9	7.2	4.3	1.9	4.5	97.7
2010-11	33.2	24.9	32.1	15.9	9.6	4.5	2.3	6.0	128.5
2011-12	34.5	25.9	33.4	16.6	10.0	2.6	2.4	6.2	131.5
2012-13	41.4	31.2	39.7	19.6	12.0	2.6	2.4	7.6	156.5
<b>Commonwealth</b>									
<b>own-purpose expense</b>									
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	-	3.9
2010-11	-	-	-	-	-	-	-	-	2.5
2011-12	-	-	-	-	-	-	-	-	2.5
2012-13	-	-	-	-	-	-	-	-	2.5
<b>State contribution</b>									
2008-09	6.4	4.9	5.9	2.8	1.8	0.4	1.0	1.3	24.4
2009-10	26.0	19.6	25.1	12.4	7.5	4.4	2.0	4.7	101.6
2010-11	33.8	25.4	32.7	16.2	9.8	4.5	2.4	6.1	131.0
2011-12	35.1	26.4	34.0	16.9	10.2	2.6	2.4	6.3	134.0
2012-13	42.1	31.7	40.4	19.9	12.2	2.6	2.4	7.7	159.0
<b>Total</b>									
2008-09	12.7	7.3	11.7	5.6	3.6	0.8	2.0	2.6	46.4
2009-10	50.9	38.3	49.1	24.3	14.8	8.7	3.9	9.3	203.2
2010-11	67.0	50.4	64.8	32.2	19.4	9.0	4.7	12.1	262.0
2011-12	69.6	52.3	67.4	33.4	20.2	5.2	4.8	12.5	268.0
2012-13	83.5	62.9	80.1	39.5	24.1	5.2	4.8	15.3	318.0

### Other National Partnership payments for state housing services

A number of National Partnership payments will continue to be paid under the new federal financial arrangements. A description of each of the payments for state housing services to be made in 2009-10 is provided below.

#### First Home Owners Boost

The Commonwealth will provide \$734 million to the States in 2009-10 for the First Home Owners Boost as part of the Economic Security Strategy. More information on the First Home Owners Boost can be found in Box 1.3 of this Budget Paper.

**Table 2.87: Estimated payments to the States for the First Home Owners Boost**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	263.9	225.1	161.3	89.4	54.9	15.9	13.4	6.7	830.6
2009-10	233.1	198.9	142.5	79.0	48.5	14.0	11.8	6.0	733.7
2010-11	15.0	12.8	9.2	5.1	3.1	0.9	0.8	0.4	47.3
2011-12	1.7	1.5	1.1	0.6	0.4	0.1	0.1	..	5.5
2012-13	-	-	-	-	-	-	-	-	-

#### Social Housing Subsidy Program

The Commonwealth has committed to provide around \$2 million each year to New South Wales until 30 June 2016, to expand housing options for low- to moderate-income earners as part of the social housing subsidy program. The Commonwealth will meet its future payment commitments to New South Wales under this program by providing a single payment in 2009-10 and ceasing future annual payments.

The program subsidises recurrent costs of financing rental accommodation in the private and non government sectors for low- to moderate-income earners.

**Table 2.88: Estimated payments to New South Wales for the Social Housing Subsidy Program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	2.0	-	-	-	-	-	-	-	2.0
2009-10	11.9	-	-	-	-	-	-	-	11.9
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

**Nation Building and Jobs Plan — social housing**

The Commonwealth will provide \$4.1 billion to the States in 2009-10 to invest in additional public and community housing to meet priority social housing needs, including reducing homelessness. This includes \$200 million in 2009-10 for repairs to existing public housing stock.

**Table 2.89: Estimated payments to the States for the Nation Building and Jobs Plan — social housing**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	84.8	64.5	52.1	26.3	19.5	6.1	4.2	2.7	260.0
2009-10	1,326.7	1,009.5	816.4	413.4	304.2	94.4	65.5	41.8	4,072.0
2010-11	568.1	432.4	349.8	177.2	130.2	40.4	28.1	17.9	1,744.0
2011-12	101.6	77.4	62.6	31.7	23.3	7.2	5.0	3.2	312.0
2012-13	-	-	-	-	-	-	-	-	-

## INFRASTRUCTURE

In 2009-10 the Commonwealth will provide \$5.1 billion to support infrastructure. These payments include \$3.8 billion for the Nation Building Program (previously Auslink).

Further information on these policy decisions is included in Budget Paper No. 2, *Budget Measures 2009-10*.

Payments to the States for the interstate road transport program, the Kings Highway upgrade and the East Kimberley development package are being made as National Partnership payments.

**Table 2.90: Payments to support state infrastructure services**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
<b>National Partnership payments</b>					
Nation Building program	5,599.5	3,821.6	3,221.8	3,669.4	3,625.5
Nation Building plan for the future	1,024.3	641.3	923.4	1,563.8	1,761.3
Community infrastructure program	250.0	-	-	-	-
Community infrastructure program - strategic	239.2	310.4	-	-	-
East Kimberley development package	16.4	178.8	-	-	-
Federation fund projects	1.0	-	-	-	-
Infrastructure employment projects	-	76.4	67.9	-	-
Interstate road transport	55.0	57.2	59.5	62.8	66.2
Kings Highway - upgrade	23.3	-	-	-	-
Local community sporting infrastructure	0.3	2.3	2.4	-	-
Supplementary road funding to South Australia	14.3	14.8	15.5	-	-
<b>Total</b>	<b>7,209.0</b>	<b>5,088.0</b>	<b>4,275.0</b>	<b>5,296.0</b>	<b>5,453.0</b>

### National Partnership payments for infrastructure

#### Nation Building Program

The Commonwealth will provide \$3.8 billion to the States in 2009-10 for on-road and rail infrastructure through the Nation Building Program, formerly AusLink. The program assists national and regional economic and social development by the provision of funding aimed at improving the performance of land transport infrastructure.

**Table 2.91: Estimated payments to the States for the Nation Building Program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	1,941.2	739.5	1,838.6	526.3	358.6	94.3	7.6	93.4	5,599.5
2009-10	1,054.9	541.5	1,143.4	396.2	376.2	161.5	31.5	116.5	3,821.6
2010-11	881.2	528.6	1,031.7	345.3	216.3	83.6	40.6	94.7	3,221.8
2011-12	1,006.0	629.3	1,188.4	413.2	227.5	99.1	27.0	79.1	3,669.4
2012-13	1,022.6	639.4	1,079.6	453.4	231.1	117.8	7.1	74.5	3,625.5

### Community infrastructure program

Construction of local community infrastructure will commence in 2008-09 with \$250 million in grants being provided to all local councils. The funding is being distributed to all local councils on the basis of a methodology which includes relative need, population and growth.

This rapid injection of funds into local communities is supporting local jobs in specific communities. Without this funding, important local projects which have been on the drawing board for some time would not be so close to becoming a reality.

**Table 2.92: Estimated payments to the States for the Community infrastructure program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	84.9	62.0	40.9	28.9	19.5	8.3	2.0	3.4	250.0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Community infrastructure program — strategic

The Government is making \$550 million available to local governments on a nationally competitive basis over two years from 2008-09.

The Government is conscious of the additional needs of local communities affected by the Victorian bushfires and the Queensland floods and is consulting with councils to determine options for assisting the rebuilding effort in their communities.

The Government will support major investments in a range of regional and local community infrastructure projects and take a strategic approach in responding to local priorities and needs.

**Table 2.93: Estimated payments to the States for the Community infrastructure program — strategic**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	66.8	65.1	44.6	27.8	20.5	10.1	-	4.3	239.2
2009-10	71.7	87.3	85.7	30.8	20.5	10.1	-	4.3	310.4
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-



### Federation Fund projects

The Commonwealth will provide funding from the Centenary of Federation Fund.

**Table 2.94: Estimated payments for the Federation fund projects**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	1.0	-	-	-	-	-	-	1.0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Interstate road transport

The Commonwealth will provide funding under the *Interstate Road Transport Act 1985* (the Act), equal to total revenue received from the States from registrations made under the federal interstate registration scheme and payments of amounts equal to penalties arising from prosecutions under the Act.

**Table 2.95: Estimated payments to the States for interstate road transport**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	25.4	14.8	5.2	2.2	6.7	0.3	0.3	0.3	55.0
2009-10	26.4	15.4	5.4	2.3	7.0	0.3	0.3	0.3	57.2
2010-11	27.4	16.0	5.7	2.4	7.2	0.3	0.3	0.3	59.5
2011-12	28.9	16.8	6.0	2.5	7.6	0.3	0.3	0.3	62.8
2012-13	30.5	17.8	6.3	2.6	8.0	0.3	0.3	0.3	66.2

### Infrastructure employment projects

The Commonwealth will provide funding for new, extensions to or refurbishment of existing community infrastructure, including social, cultural, tourism and recreational infrastructure; road, rail and local government-owned airport-related infrastructure; and environmental initiatives.

**Table 2.96: Estimated payments to the States for infrastructure employment programs<sup>(a)</sup>**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	24.6	18.9	15.5	7.9	5.6	1.7	1.2	0.8	76.4
2010-11	22.0	16.8	13.7	7.0	5.0	1.6	1.1	0.7	67.9
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

(a) Indicative distributions only.

### East Kimberley development package

The Government will provide \$195 million to Western Australia, local governments and not-for-profit organisations to support economic development in the East Kimberley region through investment in social and common use infrastructure. The contribution is conditional on a joint assessment with the Western Australian Government of the most effective infrastructure investments to meet the social and economic development needs of the region. The Western Australian Government will match this contribution.

**Table 2.97: East Kimberley development package**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	16.4	-	-	-	-	16.4
2009-10	-	-	-	178.8	-	-	-	-	178.8
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Kings Highway upgrade

The Government provided \$23.3 million in 2008-09 to upgrade the Kings Highway between Queanbeyan and Bungendore, New South Wales – the main link to the new Defence Headquarters Joint Operations Command – to improve road safety for local communities and reduce the impact of the new establishment on traffic volumes.

**Table 2.98: Estimated payments to New South Wales for the Kings Highway upgrade**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	16.3	-	-	-	-	-	7.0	-	23.3
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Local community sporting infrastructure

**Table 2.99: Estimated payments to New South Wales for Local community sporting infrastructure**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.3	-	-	-	-	-	-	-	0.3
2009-10	2.3	-	-	-	-	-	-	-	2.3
2010-11	2.4	-	-	-	-	-	-	-	2.4
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Supplementary road funding to South Australia

Since 2004-05, the Commonwealth has agreed to provide South Australia with supplementary funding to address its apparent disadvantage under the current distribution of the untied local roads grants. South Australia will receive \$14.8 million for this purpose in 2009-10.

**Table 2.100: Estimated payments of Supplementary road funding to South Australia**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	14.3	-	-	-	14.3
2009-10	-	-	-	-	14.8	-	-	-	14.8
2010-11	-	-	-	-	15.5	-	-	-	15.5
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

## ENVIRONMENT

In 2009-10, the States will receive \$479 million from the Commonwealth to support state environment services. This includes a number of payments under the former federal financial arrangements which are now being made as National Partnership payments.

**Table 2.101: Payments to support state environmental services**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
<b>National Partnership payments</b>					
Caring for our Country	159.0	138.0	138.0	138.0	138.0
Eradication of red imported fire ant	3.3	-	-	-	-
Environmental management of the former Rum Jungle mine site	-	2.0	1.2	3.3	0.4
Exotic disease preparedness	0.4	0.4	0.4	0.4	0.4
Great Artesian Basin sustainability initiative	8.3	14.9	14.9	14.9	14.9
Plant disease and eradication	0.4	-	-	-	-
Renewable remote power generation	56.0	40.5	25.0	-	-
The Living Murray	62.0	28.0	-	-	-
Water for the Future	158.2	240.0	80.9	17.4	-
Transfer of Commonwealth land to Victoria - Point Nepean	-	15.0	-	-	-
<b>Total</b>	<b>447.6</b>	<b>478.8</b>	<b>260.4</b>	<b>174.0</b>	<b>153.7</b>

### National Partnership payments for the environment

#### Caring for our Country

Caring for our Country is the Government's natural resource management initiative, and aims to integrate delivery of the Commonwealth's previous natural resource management programs: the Natural Heritage Trust; the National Action Plan for Salinity and Water Quality; the National Landcare Program; the Environmental Stewardship Program; and the Working on Country Indigenous land and environmental program.

Under Caring for our Country, regional bodies will continue to receive guaranteed funding of at least 60 per cent of historical average funding to secure their operations. This funding, \$138 million in 2009-10, will be paid through the States.

**Table 2.102: Estimated payments to the States for Caring for our Country<sup>(a)</sup>**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	41.0	32.4	25.8	29.4	19.0	5.8	1.4	4.3	159.0
2009-10	35.6	28.1	22.4	25.5	16.5	5.1	1.2	3.7	138.0
2010-11	35.6	28.1	22.4	25.5	16.5	5.1	1.2	3.7	138.0
2011-12	35.6	28.1	22.4	25.5	16.5	5.1	1.2	3.7	138.0
2012-13	35.6	28.1	22.4	25.5	16.5	5.1	1.2	3.7	138.0

(a) State allocations are yet to be finalised. These indicative allocations are based on previous distributions of funding among the States.

### Red imported fire ant eradication

Commonwealth funding provided \$3.3 million in 2008-09 to assist the Queensland Government to eradicate the red imported fire ant from Queensland. The fire ant, *Solenopsis invicta* is an insect pest that is considered to be a threat to lifestyle, the environment and the economy. The eradication program commenced in 2002.

**Table 2.103: Estimated payments to Queensland for red imported fire ant eradication**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	3.3	-	-	-	-	-	3.3
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Exotic disease preparedness program

The Commonwealth will provide \$400,000 in 2009-10 to fund the exotic disease preparedness program, which supports investigations into the role of wildlife species in the maintenance and spread of emerging animal diseases and incursion of major exotic diseases of animals.

**Table 2.104: Estimated payments to the States for exotic disease preparedness program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.2	..	0.1	..	-	-	-	-	0.4
2009-10	0.1	0.1	0.1	0.1	..	..	..	..	0.4
2010-11	0.1	0.1	0.1	0.1	..	..	..	..	0.4
2011-12	0.1	0.1	0.1	0.1	..	..	..	..	0.4
2012-13	0.1	0.1	0.1	0.1	..	..	..	..	0.4

### Plant disease and eradication

The Commonwealth will provide no further funding in 2009-10 to assist the Queensland Government to manage and operate the National Citrus Canker Eradication Program as the disease was declared to have been eradicated from Australia on 23 January 2009.

Citrus canker is a bacterial disease caused by *Xanthomonas axonopodis* pv. *citri* and is considered to be a serious threat to Australia's citrus industry.

**Table 2.105: Estimated payments to Queensland for plant disease and eradication**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	0.4	-	-	-	-	-	0.4
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

A number of other plant pest and weed eradication programs are subject to national funding agreements outside of formal emergency plant pest response arrangements. These remain unfunded in forward estimates.

#### Renewable Remote Power Generation

The Commonwealth will provide \$40.5 million to the States in 2009-10 to fund the Renewable Remote Power Generation program which provides financial support to increase the use of renewable generation in remote parts of Australia that presently rely on fossil fuel for electricity supply.

**Table 2.106: Estimated payments to the States for renewable remote power generation**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	12.9	4.5	11.7	13.2	3.6	1.6	-	8.6	56.0
2009-10	6.8	3.5	6.7	11.8	3.3	1.2	-	7.2	40.5
2010-11	2.1	1.1	2.2	13.4	1.2	0.2	-	4.9	25.0
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

#### Environmental management of the former Rum Jungle mine site

The Commonwealth will provide \$7 million in financial assistance over four years to the Northern Territory to support the on-going management of the former Rum Jungle mine site.

The measure includes funding to:

- support the environmental management and monitoring of the site; and
- assist with the development of site management and rehabilitation strategies in partnership with the site's traditional owners and industry.

**Table 2.107: Estimated payments to the Northern Territory for management of the former Rum Jungle mine site**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	-	2.0	2.0
2010-11	-	-	-	-	-	-	-	1.2	1.2
2011-12	-	-	-	-	-	-	-	3.3	3.3
2012-13	-	-	-	-	-	-	-	0.4	0.4

**Great Artesian Basin sustainability initiative**

The Commonwealth will provide \$14.9 million in 2009-10 to continue work on the repair of uncontrolled artesian bores and the replacement of wasteful open-earthen bore drains with piped water reticulation systems through the Great Artesian Basin sustainability initiative

The Great Artesian Basin sustainability initiative is being delivered through state agencies and the Commonwealth makes its contributions jointly with other key stakeholders, state governments and pastoral bore owners.

**Table 2.108: Estimated payments to the States for the Great Artesian Basin sustainability initiative**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	3.4	-	4.9	-	-	-	-	-	8.3
2009-10	6.0	-	7.9	-	1.0	-	-	-	14.9
2010-11	6.0	-	7.9	-	1.0	-	-	-	14.9
2011-12	6.0	-	7.9	-	1.0	-	-	-	14.9
2012-13	6.0	-	7.9	-	1.0	-	-	-	14.9

**The Living Murray**

The Commonwealth will provide \$28 million in 2009-10 to support the Living Murray program, Australia's most significant river restoration program.

The Living Murray program was established in 2002 in response to evidence showing the declining health of the River Murray system, and aims to achieve a healthy working River Murray system for the benefit of all Australians. This includes returning water to the River's environment. It is a partnership of the Australian, New South Wales, Victorian, South Australian and Australian Capital Territory Governments.

**Table 2.109: Estimated payments to the States for the Living Murray**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	37.9	13.1	-	-	11.0	-	-	-	62.0
2009-10	6.8	21.3	-	-	-	-	-	-	28.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Water for the Future

The Commonwealth will provide \$240 million in 2009-10 to the States to support the sustainable rural water use and infrastructure program.

On 3 July 2008 the Commonwealth and State governments finalised the *Agreement on Murray-Darling Basin Reform* to secure a sustainable future for the Murray-Darling Basin.

The Commonwealth has agreed in-principle to provide about \$3.7 billion for significant state-based water infrastructure and reform projects in South Australia, New South Wales, Victoria, Queensland and the Australian Capital Territory, subject to a due diligence assessment of the social, economic, environmental, financial and technical aspects of the projects.

**Table 2.110: Estimated payments to the States for Water for the Future**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	26.1	22.9	12.0	3.8	81.6	11.7	0.1	-	158.2
2009-10	10.1	19.9	33.1	12.8	144.7	18.5	1.0	-	240.0
2010-11	6.3	14.0	-	4.3	52.6	3.7	-	-	80.9
2011-12	6.0	5.5	-	3.9	2.0	-	-	-	17.4
2012-13	-	-	-	-	-	-	-	-	-

### Transfer of Commonwealth land to Victoria – Point Nepean

The Commonwealth will provide \$15 million, currently held by the Point Nepean Community Trust, to the Victorian Government as part of the transfer of the ownership of the former Quarantine Station at Point Nepean, Victoria, from the Commonwealth to the Victorian Government

**Table 2.111: estimated payments to the States for Transfer of Commonwealth land to Victoria**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	15.0	-	-	-	-	-	-	15.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-



## CONTINGENT PAYMENTS

Contingent payments arise where the Commonwealth has committed to provide compensation when an event occurs or otherwise guarantees the States' financial position. Payments to the States will only arise in the event that the relevant event occurs.

Table 2.112 contains existing payments that will continue to be paid from 1 January 2009 as National Partnership payments if a contingency arises.

**Table 2.112: Contingent payments to the States**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
<b>National Partnership payments</b>					
Exceptional circumstances assistance	589.0	227.0	-	-	-
Equine influenza emergency response	20.1	-	-	-	-
Hepatitis C settlement fund	1.4	1.4	1.4	1.4	-
Natural disaster relief	390.1	80.0	80.0	80.0	89.5
<b>Total</b>	<b>1000.6</b>	<b>308.4</b>	<b>81.4</b>	<b>81.4</b>	<b>89.5</b>

A brief description of all contingent payments including state allocations is listed below.

### Exceptional Circumstances assistance

The Commonwealth will provide \$227 million in 2009-10 for Exceptional Circumstances interest rate subsidies to the States for Exceptional Circumstances support to eligible farmers and small business operators in a region that is experiencing a severe downturn due to a rare and severe climatic or other event.

**Table 2.113: Estimated payments to the States for Exceptional Circumstances assistance**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	345.2	81.5	72.0	15.9	69.4	4.4	-	0.7	589.0
2009-10	129.1	71.1	-	-	24.5	2.2	-	-	227.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Equine influenza emergency response

The Commonwealth provided \$97.2 million to the States in 2007-08 towards response costs associated with eradication of the equine influenza. As not all response costs had been recognised at 30 June 2008, an amount of \$20.1 million was reallocated into 2008-09 to allow the Commonwealth to meet its obligations. No further funding is

required for this response as Australia was declared equine influenza-free according to international standards in December 2008.

**Table 2.114: Estimated payments to the States for the equine influenza emergency response**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	9.8	0.2	9.9	-	0.2	-	..	-	20.1
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Hepatitis C settlement fund

The Commonwealth will contribute up to \$1.4 million in 2009-10 to the States' schemes for out-of-court settlement costs for eligible individuals who contracted Hepatitis C through the blood supply between 1985 and 1991.

**Table 2.115: Estimated payments to the States for the Hepatitis C settlement fund**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	1.1	-	-	..	0.2	-	..	0.1	1.4
2009-10	1.1	-	-	..	0.2	-	..	0.1	1.4
2010-11	1.1	-	-	..	0.2	-	..	0.1	1.4
2011-12	1.1	-	-	..	0.2	-	..	0.1	1.4
2012-13	-	-	-	-	-	-	-	-	-

### Natural disaster relief

In 2009-10 the Commonwealth will provide \$80.0 million under the Natural Disaster Relief and Recovery Arrangements, to partially reimburse the States for their expenditure on relief assistance following an eligible natural disaster.

**Table 2.116: Estimated payments to the States for natural disaster relief**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	265.0	124.5	-	-	0.6	-	-	390.1
2009-10	24.1	1.4	31.3	7.6	2.7	0.5	-	12.5	80.0
2010-11	24.1	1.4	31.3	7.6	2.7	0.5	-	12.5	80.0
2011-12	24.1	1.4	31.3	7.6	2.7	0.5	-	12.5	80.0
2012-13	27.0	1.0	35.0	8.5	3.5	0.5	-	14.0	89.5

## OTHER

From time to time, the Commonwealth has also made various payments to the States to support other services, including payments in respect of:

- agriculture, forestry and fishing;
- public order and safety;
- fuel and energy; and
- recreation and culture.

A number of existing payments will continue to be paid from 1 January 2009 as National Partnership payments.

**Table 2.117: Payments to support other state services**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
<b>National Partnership payments</b>					
Disaster resilience Australia	26.1	21.0	5.0	5.0	5.0
Legal aid	176.4	165.6	170.7	173.9	170.8
Standard business reporting program	4.2	9.0	-	-	-
Restoration of Albert Hall, Canberra	-	0.5	-	-	-
Film and literature classification	0.6	5.3	-	-	-
Seamless national economy	100.0	-	-	200.0	250.0
CrimTrac police reference system	4.4	-	-	-	-
Improving policing in very remote areas	22.7	4.0	-	-	-
Indigenous communications program	-	0.6	2.3	2.0	2.1
Digital regions initiative(a)	-	2.8	16.9	25.4	8.2
North East Tasmania micro capital scheme	0.3	-	-	-	-
Sydney Cricket Ground - new grandstand	10.0	-	-	-	-
World sailing championships	1.0	2.0	2.0	3.6	-
Strengthening Tasmania	2.5	-	-	-	-
<b>Total</b>	<b>348.2</b>	<b>210.8</b>	<b>196.9</b>	<b>409.9</b>	<b>436.1</b>

(a) Includes payments direct to local government.

## National Partnership to Deliver a Seamless National Economy

The *National Partnership Agreement to Deliver a Seamless National Economy* is intended to deliver reductions in unnecessary and inconsistent regulation across jurisdictions and to improve processes for regulation-making and review. The Commonwealth has committed to provide funding of \$550 million over five years from 2008-09 to facilitate the implementation of and reward the delivery of reform priorities.

**Table 2.118: Estimated payments for a seamless national economy**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	32.6	24.8	20.1	10.1	7.5	2.3	1.6	1.0	100.0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	64.2	49.6	41.0	20.7	14.7	4.5	3.2	2.1	200.0
2012-13	79.9	61.9	51.6	26.0	18.3	5.6	4.0	2.6	250.0

## National Partnership on Disaster Resilience Australia

The Government will provide funding to the States over the next four years as part of an on-going program to strengthen efforts to combat man-made and natural threats and disasters across Australia.

The Government has reformed its approach to disaster management with a focus on community resilience which will be delivered in partnership with the States. In addition to undertaking projects of national significance, the Disaster Resilience Australia Package will provide grants for projects developed to address disaster risks through: disaster mitigation works which minimise the risks to communities, including increased risks resulting from the effects of climate change; supporting the work of volunteers in emergency management; assisting local government to meet its emergency management responsibilities; and building partnerships with business, non-government organisations and community groups to improve their ability to assist their communities during and following an emergency.

The package replaces a number of existing disaster mitigation programs, combining funds to allow the flexibility to address different priorities across the States over time, as well as projects of national importance.

**Table 2.119: Estimated payments for Disaster Resilience Australia**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>Payments to the States</b>									
2008-09	9.7	2.3	6.4	2.6	2.6	1.1	0.8	0.8	26.1
2009-10	6.5	2.1	5.7	2.3	2.3	1.0	0.7	0.8	21.0
2010-11	1.4	1.0	1.0	0.6	0.4	0.3	0.2	0.3	5.0
2011-12	1.4	1.0	1.0	0.6	0.4	0.3	0.2	0.3	5.0
2012-13	1.4	1.0	1.0	0.6	0.4	0.3	0.2	0.3	5.0
<b>Commonwealth own-purpose expense</b>									
2008-09									
2009-10									18.6
2010-11									19.0
2011-12									19.4
2012-13									19.9
<b>Total</b>									
2008-09	9.7	2.3	6.4	2.6	2.6	1.1	0.8	0.8	26.1
2009-10	6.5	2.1	5.7	2.3	2.3	1.0	0.7	0.8	39.6
2010-11	1.4	1.0	1.0	0.6	0.4	0.3	0.2	0.3	24.0
2011-12	1.4	1.0	1.0	0.6	0.4	0.3	0.2	0.3	24.4
2012-13	1.4	1.0	1.0	0.6	0.4	0.3	0.2	0.3	24.9

### Bushfire Mitigation Program

The Commonwealth will provide funding to assist bushfire mitigation through the construction, maintenance and signage of fire trail networks to assist local communities to better prepare for bushfires. The Bushfire Mitigation Program is a national program aimed at identifying and addressing bushfire mitigation risk priorities across the nation. It funds construction and maintenance of fire trails and associated accessibility measures that contribute to safer, sustainable communities better able to prepare for, respond to and withstand the effects of bushfires.

**Table 2.120: Estimated payments to the States for the Bushfire Mitigation program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	3.8	1.0	1.0	0.6	0.4	0.3	0.2	0.3	7.5
2009-10	1.4	1.0	1.0	0.6	0.4	0.3	0.2	0.3	5.0
2010-11	1.4	1.0	1.0	0.6	0.4	0.3	0.2	0.3	5.0
2011-12	1.4	1.0	1.0	0.6	0.4	0.3	0.2	0.3	5.0
2012-13	1.4	1.0	1.0	0.6	0.4	0.3	0.2	0.3	5.0

### Natural Disaster Mitigation Program

The Commonwealth will provide \$16.0 million in 2009-10 for the Natural Disaster Mitigation program. The Natural Disaster Mitigation program is a national program which aims to create safer, sustainable communities better able to withstand the effects of floods, storms, bushfires and other rapid-onset natural disasters. Projects that qualify for funding include risk management studies, early warning systems, community awareness and readiness measures, property buy-back schemes and structural works to protect against damage.

**Table 2.121: Estimated payments to the States for the Natural Disaster Mitigation program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	5.9	1.3	5.4	2.0	2.2	0.8	0.6	0.5	18.6
2009-10	5.1	1.1	4.7	1.7	1.9	0.7	0.5	0.5	16.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Other National Partnership payments

A number of National Partnership payments will continue to be paid under the new federal financial arrangements. A description of each of the payments to be made in 2009-10 is provided below.

#### Legal aid

The Commonwealth will provide \$165.5 million in 2009-10 to fund legal aid commissions in each State to provide legal assistance to disadvantaged persons in matters arising under the Commonwealth law.

The Commonwealth provides legal aid funding to enable disadvantaged Australians to access services which assist them to resolve their legal problems. Legal aid is not provided for every type of legal problem. Commonwealth funding is provided for matters of Commonwealth priority, particularly family law matters involving children. Legal aid services include legal education, early intervention advice, mediation and legal representation services.

**Table 2.122: Estimated payments to the States for legal aid**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	55.7	37.2	37.2	17.2	14.4	6.1	4.3	4.2	176.4
2009-10	51.6	34.0	36.2	16.4	14.1	5.5	4.2	3.7	165.6
2010-11	53.9	35.9	36.7	16.0	14.4	5.6	4.3	3.8	170.7
2011-12	55.4	37.0	36.7	16.2	14.7	5.7	4.4	3.9	173.9
2012-13	54.4	36.4	36.0	15.9	14.4	5.6	4.3	3.8	170.8

### Standard Business Reporting Program

The Commonwealth will provide \$9.0 million in 2009-10 to the States for the Standard Business Reporting Program. This program is a multi-agency initiative that will simplify business-to-government reporting by:

- making forms easier to understand;
- using accounting or record-keeping software to automatically pre-fill government forms; and
- introducing a single secure way to interact online with participating agencies.

Government agencies participating in the Standard Business Reporting Program include the Australian Treasury, Australian Bureau of Statistics, Australian Prudential Regulation Authority, Australian Securities and Investments Commission, Australian Taxation Office and all state government revenue offices.

**Table 2.123: Estimated payments to the States for the Standard Business Reporting Program**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.7	0.8	1.0	0.3	0.4	0.5	0.4	0.2	4.2
2009-10	1.0	1.0	0.6	1.4	1.3	1.2	1.3	1.4	9.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### CrimTrac Police Reference System

The Commonwealth provided \$4.4 million in 2008-09 to the States for their contribution toward a national information-sharing solution through the development of the CrimTrac Police Reference System.

**Table 2.124: Estimated payments to the States for CrimTrac police reference system**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.4	-	1.0	-	1.0	-	-	2.0	4.4
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Digital Regions Initiative

The Commonwealth will provide an estimated \$3 million to the States in 2009-10 for the Digital Regions Initiative, subject to the outcomes of a competitive assessment process. This initiative will co-fund innovative digital enablement projects to support improved education, health and emergency services in regional, rural and remote communities.

**Table 2.125: Estimated payments to the States for the Digital Regions Initiative<sup>(a)</sup>**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09									
2009-10	0.9	0.7	0.6	0.3	0.2	..	..	..	2.8
2010-11	5.5	4.2	3.5	1.8	1.2	0.4	0.3	0.2	16.9
2011-12	8.2	6.3	5.2	2.6	1.9	0.6	0.4	0.3	25.4
2012-13	2.6	2.1	1.7	0.9	0.6	0.2	0.2	0.1	8.2

(a) State allocations have been notionally allocated on an equal per capita basis, as there is no alternative basis on which to estimate state allocations. Includes payments to local government.

### Film and literature classifications

The Commonwealth will provide \$5.3 million in 2009-10 under the 1995 *Intergovernmental Agreement for a Revised Co-Operative Censorship Scheme* in Australia. The agreement establishes the National Classification Scheme with the aim of more uniform and simple censorship laws with consequential benefits to the public and industry.

The Commonwealth will meet its future payment commitments to the States under this program by providing a single payment in 2009-10 and ceasing future annual payments.

**Table 2.126: Estimated payments to the States for film and literature classifications**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.1	0.6
2009-10	0.6	0.6	0.6	0.7	0.7	0.7	0.7	0.7	5.3
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Improving policing in very remote areas

Improving policing in very remote communities is part of the July 2006 COAG package addressing violence and child abuse in Indigenous communities. The Commonwealth will provide \$4.0 million in 2009-10 to the States for the completion of construction of police stations and related infrastructure including police housing, and to the Northern Territory for sniffer dog teams to reduce the use of illicit substances in some Indigenous communities.

**Table 2.127: Estimated payments to the States for improving policing in very remote areas**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	4.3	10.0	4.0	-	-	4.4	22.7
2009-10	-	-	-	3.0	0.6	-	-	0.4	4.0
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Indigenous Communications Program

The Commonwealth will provide \$0.6 million to the States in 2009-10 for the Indigenous Communications Program. This program will provide funding in collaboration with the States for new or expanded public internet access and delivery of computer training in up to 120 remote Indigenous communities that have limited or no public access internet facilities.



**Table 2.128: Estimated payments to the States for the Indigenous communications program — internet access and training<sup>(a)</sup>**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	..	-	0.1	0.2	..	..	-	0.2	0.6
2010-11	0.1	-	0.4	0.8	0.2	..	-	0.8	2.3
2011-12	0.1	-	0.3	0.7	0.1	..	-	0.7	2.0
2012-13	0.1	-	0.3	0.7	0.1	..	-	0.7	2.1

(a) State allocations are yet to be finalised. These indicative allocations are based on preliminary estimates provided by the States of potentially eligible remote Indigenous communities.

### North-East Tasmania micro-capital scheme

The Commonwealth provided \$0.3 million to Tasmania in 2008-09 for the North-East Tasmania micro-capital scheme. The scheme provides business micro-capital to create sustainable jobs in the North-East regions of Tasmania, including Scottsdale and Launceston. Grants of up to \$50,000 are available to eligible applicants.

**Table 2.129: Estimated payments to Tasmania for the North-East Tasmania micro-capital scheme**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	0.3	-	-	0.3
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Restoration of Albert Hall, Canberra

The Commonwealth will provide \$500,000 to the Australian Capital Territory in 2009-10 for the restoration of the Albert Hall. The Albert Hall is a historical and cultural landmark of Canberra and is listed in the Register of the National Estate on the Australian Capital Territory Heritage Register. The Australian Capital Territory Government is responsible for the management and maintenance of the Albert Hall and is currently refurbishing it under a conservation plan. This grant is to assist the Australian Capital Territory Government in this \$2.7 million project.

**Table 2.130: Estimated payments to the Australian Capital Territory for the restoration of Albert Hall, Canberra**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-	-	-	-	-	-	0.5	-	0.5
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Strengthening Tasmania

The Commonwealth provided \$2.5 million in 2008-09 to Tasmania to undertake refurbishment of buildings in the Low Head Historic Precinct to promote increased visitation, and economic viability and long-term sustainability to the precinct through the generation of sufficient revenue to provide for adequate management and maintenance of the site's heritage assets as a public facility

**Table 2.131: Estimated payments to Tasmania for the North-East Tasmania micro-capital scheme**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	2.5	-	-	2.5
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### Sydney Cricket Ground — new grandstand

The Commonwealth contributed \$20 million to New South Wales over 2007-08 and 2008-09 to improve facilities and increase the capacity of the new Victor Trumper Grandstand at the Sydney Cricket Ground.

**Table 2.132: Estimated payments to New South Wales for Sydney Cricket Ground — new grandstand**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	10.0	-	-	-	-	-	-	-	10.0
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

### World sailing championships

The Commonwealth will provide \$2.0 million to Western Australia in 2009-10 to contribute to the successful staging of the International Sailing Federation World Championships in Western Australia in December 2011.

**Table 2.133: Estimated payments to the States for the world sailing championships**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	1.0	-	-	-	-	1.0
2009-10	-	-	-	2.0	-	-	-	-	2.0
2010-11	-	-	-	2.0	-	-	-	-	2.0
2011-12	-	-	-	3.6	-	-	-	-	3.6
2012-13	-	-	-	-	-	-	-	-	-

## LOCAL GOVERNMENT SERVICES

The Commonwealth provides a financial contribution in respect of the provision of local government services to the community. In 2009-10, payments for local government services will total \$1.4 billion.

**Table 2.134: Payments to support local government**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
<b>Financial assistance grants</b>					
General purpose assistance	1628.6	996.8	1396.3	1448.6	1510.6
Untied local roads grants	722.7	442.3	619.6	642.8	670.3
<b>Total</b>	<b>2351.3</b>	<b>1439.1</b>	<b>2015.9</b>	<b>2091.4</b>	<b>2180.9</b>

### Financial assistance grants

The Commonwealth has provided general purpose assistance to local governments since 1974-75.

State grants commissions determine the intra-State distribution of the financial assistance grants between local governments. This funding is untied and can be spent according to each local government's own priorities. From 1988-89, the ACT has also been included in these grants, reflecting its combined responsibility for both state and local government functions.

General purpose assistance is the larger of the two components of the financial assistance grants for local government and is distributed between the States on a per capita basis.

In 1991-92, payments made to local government for roads became untied funding and were added to the financial assistance grants. Although the untied local roads grants are no longer required to be spent on roads, they are distributed between the States using fixed state allocations, based on the interstate road shares which were calculated before the funding became untied.

The financial assistance grants are increased annually, based on an escalation factor that the Treasurer determines with reference to population growth and the consumer price index.

The Commonwealth has decided to make the first quarter payment for 2009-10 in the 2008-09 financial year. The net effect will be an additional payment of \$479.7 million in 2008-09 with a corresponding reduction in 2009-10. Accelerating the provision of funding to local government will assist the Government's strategy of supporting economic growth and jobs. Local governments will be able to bring forward their delivery of some services into 2008-09 or early 2009-10, when they may otherwise have been provided later in 2009 or in 2010.

**Distribution of financial assistance grants**

State shares of financial assistance grants for 2008-09 and 2009-10 are shown in Table 3.12 on a cash basis. The cash totals vary from the accrual totals shown in Table 3.1 due to adjustments for any overpayment or underpayment from the previous year. These adjustments arise because the Treasurer determines the escalation factors in the June prior to the end of each financial year, and the adjustment in the following financial year ensures that local governments receive their correct entitlement using a final escalation factor.

**Table 2.135: Financial assistance grants to local government (cash basis)**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2008-09</b>									
General purpose assistance	537	407	328	165	123	38	26	17	1642
Untied local road funding	211	150	137	111	40	39	23	17	729
Total(a)	749	557	464	277	163	77	50	34	2371
<b>2009-10</b>									
General purpose assistance	324	247	201	102	74	23	10	16	997
Untied local road funding	128	91	83	68	24	23	10	14	442
Total(b)	453	338	283	169	98	46	21	30	1439

- (a) The 2008-09 estimate takes into account an underpayment in 2007-08. The Treasurer will determine the final 2008-09 escalation factor in June 2009. The 2008-09 escalation factor is currently estimated to be 1.0425.
- (b) The 2009-10 escalation factor is currently estimated to be 1.0392. Financial assistance grants in 2009-10 will be paid on the basis of the escalation factor that the Treasurer will estimate in June 2009. The Treasurer will determine the final escalation factor for 2009-10 in June 2010. The 2009-10 estimate includes the estimated adjustment for the difference between the 2008-09 escalation factor estimated in June 2008 (used to calculate payments in 2008-09) and the final factor for 2008-09 (to be determined in June 2009). Using current estimates, this adjustment will be an increase of \$12.8 million.

## PART 3: GENERAL REVENUE ASSISTANCE

General revenue assistance is a broad category of payments, including GST payments. This assistance is provided to the States without conditions, to spend according to their own budget priorities.

### OVERVIEW OF PAYMENTS

In 2009-10, the States will receive \$41.8 billion in general revenue assistance from the Commonwealth, as shown in Table 3.1, comprising \$41.3 billion in GST payments and \$494 million of other general revenue assistance. This is a 2.8 per cent decrease in general revenue assistance, compared with the \$43.05 billion the States will receive in 2008-09.

The decrease in general revenue assistance in 2009-10 is largely the result of a reduction in GST payments, which are expected to be \$6.9 billion lower than forecast at 2008-09 Budget. The global recession, and its effect on private final consumption, has resulted in substantial downward revisions to GST revenues.

**Table 3.1: General revenue assistance by State**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	12,235	9,452	7,973	4,719	3,821	1,627	871	2,347	43,046
2009-10	12,394	9,356	7,599	4,048	3,792	1,526	874	2,236	41,824
2010-11	13,677	10,021	7,691	3,896	4,085	1,609	935	2,444	44,356
2011-12	14,858	10,749	7,971	3,832	4,407	1,708	986	2,670	47,180
2012-13	15,916	11,444	8,368	4,005	4,692	1,802	1,028	2,878	50,132

In 2009-10, total general revenue assistance to the States will represent 12.4 per cent of total Commonwealth expenditure. The bulk of general revenue assistance is from GST payments the Commonwealth provides to the States, as shown in Table 3.2.

**Table 3.2: General revenue assistance**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
GST payments	41,189	41,330	43,580	46,460	49,410
Other payments					
Budget balancing assistance	261	-	-	-	-
Royalties	1,083	698	684	627	627
Compensation					
Reduced royalties	55	60	57	57	57
GST policy decisions	-	-300	-	-	-
Snowy Hydro Ltd tax compensation	423	-	-	-	-
ACT municipal services	34	35	36	36	38
Total other	1,857	494	776	720	722
Total general revenue assistance	43,046	41,824	44,356	47,180	50,132

The Intergovernmental Agreement provides that all general revenue assistance – all of the payments covered in this Part – will be paid by the Commonwealth Treasury to each state treasury on the 21<sup>st</sup> day of each month.

## GST PAYMENTS

### GST revenue variations since the 2008-09 Budget

Table 3.3 is a reconciliation of the GST revenue estimates since the 2008-09 Budget, *Mid-Year Economic and Fiscal Outlook 2008-09 (MYEFO)* and February 2009 *Updated Economic and Fiscal Outlook (UEFO)*. The reconciliation accounts for policy decisions and parameter and other variations.

GST revenue in 2008-09 has been revised down by \$1.2 billion since the UEFO, reflecting lower growth in consumption subject to GST, dwelling investment and ownership transfer costs and the continued slowdown in tax collections since UEFO. In 2009-10, GST revenue is forecast to be lower than the UEFO estimate by \$2.3 billion, in line with further deterioration in the outlook for taxable consumption and delayed recovery in dwelling investment. The weakness in the taxable consumption base reflects a shift in consumer spending away from discretionary purchases, which are generally taxable, towards more essential goods that have large non-taxable components (for example, rent and fresh food).

**Table 3.3: Reconciliation of GST revenue estimates**

\$million	2008-09	2009-10	2010-11	2011-12
GST revenue at 2008-09 Budget	46,900	49,960	52,680	55,560
<i>Changes from 2008-09 Budget to MYEFO</i>				
Effect of policy decisions	0	0	0	0
Effect of parameter and other variations	-1,410	-1,870	-2,010	-2,380
Total variations	-1,410	-1,870	-2,010	-2,380
GST revenue at 2008-09 MYEFO	45,490	48,090	50,670	53,180
<i>Changes from MYEFO to UEFO</i>				
Effect of policy decisions	0	0	0	0
Effect of parameter and other variations	-1,134	-2,197	-2,360	-2,582
Total variations	-1,134	-2,197	-2,360	-2,582
GST revenue at 2009 UEFO	44,356	45,893	48,310	50,598
<i>Changes from UEFO to 2009-10 Budget</i>				
Effect of policy decisions	0	-80	-130	-184
Effect of parameter and other variations	-1,226	-2,183	-2,220	-1,744
Total variations	-1,226	-2,263	-2,350	-1,928
GST revenue at 2009-10 Budget	43,130	43,630	45,960	48,670

Table 3.4 shows policy decisions taken since UEFO that affect GST revenue. These decisions decrease the amount of GST revenue by \$634 million over five years, and include:

- a decrease in the 2008-09 Migration Program – Skilled Stream (\$161.5 million over five years);
- a decrease in the number of places in the 2009-10 Migration Program compared to the previous planning level (\$485.3 million over five years); and
- implementing most of the Board of Taxation’s recommendations from its review of the legal framework for the administration of the GST.

**Table 3.4: Policy decisions since UEFO 2009 that affect GST revenue**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
Carbon Pollution Reduction Scheme - GST treatment of units	-	-	-	-	-
GST and cross-border transport supplies			-2.0	-2.0	-2.0
GST - Government response to Board of Taxation report: GST administration	-	*	*	*	*
GST - representatives of incapacitated entities	-	..	..	..	..
Indirect Tax Concession Scheme - diplomatic and consular concessions	..	..	..	..	..
Migration Program - allocation of places for 2009-10	-	-44.5	-93.4	-146.2	-201.2
Migration Program - Skilled Stream decrease for 2008-09		-37.9	-39.7	-41.3	-42.6
Promoting a level playing field for Australian small business		1.9	2.4	3.2	3.6
Strategic Compliance – Supporting businesses and other taxpayers in financial distress	0	1.0	3.0	2.0	2.0
<b>Total GST revenue policy decisions</b>	<b>0.0</b>	<b>-79.5</b>	<b>-129.7</b>	<b>-184.3</b>	<b>-240.2</b>

Detailed information on each decision is included in Budget Paper No. 2, *Budget Measures 2009-10*.

### Reconciling GST revenue and GST payments to the States

The Commonwealth makes GST payments to the States equivalent to the revenue received from the GST. In 2009-10, GST revenue will be \$43.6 billion – an increase of \$500 million (1.2 per cent) from 2008-09.

GST revenue for a financial year varies from the amount of GST payments to the States for that year because of:

- GST revenues which are recognised on a Commonwealth whole-of-government basis, but are not recognised by the Commissioner of Taxation as at 30 June of each financial year, because the revenues will not be remitted to the Australian Taxation Office until the following financial year; and
- penalties, other than general interest charge penalties, which are not included in the definition in the Intergovernmental Agreement of GST to be paid to the States.

In June 2009, the Commissioner of Taxation will determine the amount of GST payable to the States in 2008-09. This is the last year that the Commissioner will determine the amount of GST payable to the States. From 2009-10, that amount will be based on the final GST outcome rather than the Commissioner's determination. To ensure that the States receive their correct entitlement of GST payments for the 2008-09 financial year, a balancing adjustment for each State will be made in the 2009-10 financial year.

The reconciliation of GST revenue and GST payments to the States is provided in Table 3.5.

**Table 3.5: GST revenue and GST payments to the States**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
GST revenue	43,130	43,630	45,960	48,670	51,880
less change in GST receivables	1,872	2,177	2,280	2,120	2,320
GST receipts	41,258	41,453	43,680	46,550	49,560
less non-GIC penalties collected(a)	110	100	100	90	150
less GST collected by Commonwealth agencies but not yet remitted to the ATO(b)	8	23	0	0	0
plus prior year balancing adjustment(c)	49				
<b>GST payments to the States</b>	<b>41,189</b>	<b>41,330</b>	<b>43,580</b>	<b>46,460</b>	<b>49,410</b>

(a) General interest charge (GIC) penalties are defined in the Intergovernmental Agreement as being a part of the Commonwealth's GST revenue that is paid to the States. However, while GST related non-GIC penalties are recognised in the Commonwealth's GST revenue, non-GIC penalties are not defined in the Intergovernmental Agreement as being a part of the GST revenue that is paid to the States.

(b) This is the GST component of sales by Commonwealth agencies which has been collected by those agencies but which, as at 30 June in each year, will not have been remitted to the Australian Taxation Office, because it is not due to be paid until the next Business Activity Statement is lodged (typically on 21 July in the following financial year).

(c) The Commissioner's determination for 2007-08 was \$49 million lower than the final outcome. As the GST payment for 2007-08 was made in accordance with the Commissioner's determination, this underpayment will be recovered in 2008-09.

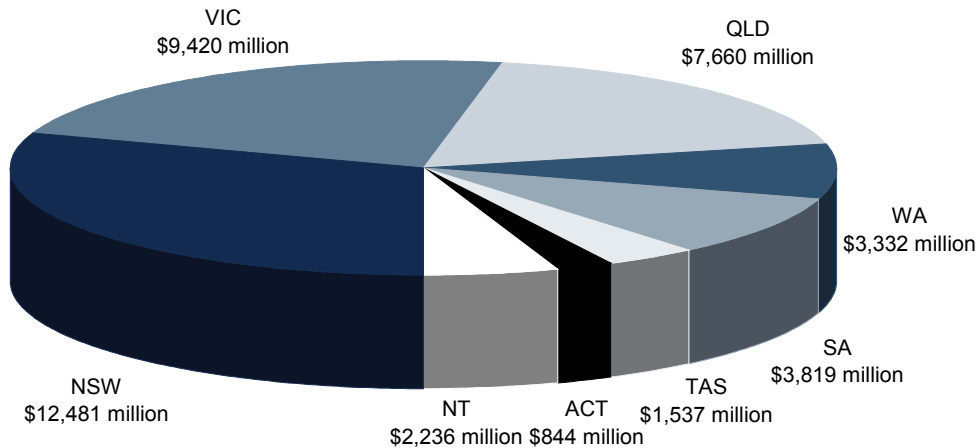
### Distribution of GST payments among the States

As agreed by COAG in the Intergovernmental Agreement, the Commonwealth distributes GST payments among the States and Territories in accordance with the principle of horizontal fiscal equalisation and having regard to the recommendations of the Commonwealth Grants Commission.



State shares of GST payments for 2009-10 (totalling \$41.3 billion) are shown in Chart 3.1.

**Chart 3.1: State shares of GST payments, 2009-10**



### GST relativities

The Commission recommends GST relativities to be used in calculating each State’s share of GST payments. The relativities determine how much GST revenue each State receives compared with an equal per capita share and are determined such that, if each State made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each State would have the capacity to provide services at the same standard.

This does not necessarily result in the same standard of government services – just the equalisation of each State’s capacity to provide the same standard of services. In calculating the GST relativities, the Commission takes into account differences in the States’ capacities to raise revenues and differences in the costs the States would incur in providing the same standard of government services.

Horizontal fiscal equalisation generally provides the necessary budget support to the smaller States so they have the capacity to provide services at a comparable standard to the larger States, while ensuring that the interstate transfers are not so large that they would significantly distort economic behaviour and reduce productivity growth.

The new Intergovernmental Agreement has significantly changed the scope of the revenue sharing relativities the Commission is asked to recommend. Previously, the Commission was asked to recommend a relativity to distribute a pool of GST payments plus health care grants provided by the Commonwealth under the *Australian Health Care Agreements* (some health care grants were quarantined from the GST pool). The Commission is now asked to recommend a relativity to distribute only GST payments. Health care grants are now treated in the same way as other payments which have been rationalised into the new National SPPs. This introduces a structural break between the 2008-09 GST relativities and the 2009-10 GST relativities – that is,

the revenue sharing relativities assessed by the Commission for 2009-10 are not comparable with the relativities assessed for 2008-09 and previous years.

To facilitate a comparison, the Commission has recalculated its 2008-09 GST relativities to be consistent with the Intergovernmental Agreement. The rebased 2008-09 GST relativities and the 2009-10 GST relativities are shown in Table 3.6.

**Table 3.6: GST relativities**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2008-09 rebased	0.88779	0.91393	0.96118	0.85782	1.23151	1.66332	1.25457	5.25633
2009-10	0.93186	0.91875	0.91556	0.78485	1.24724	1.62040	1.27051	5.25073

The GST relativities for 2009-10 were endorsed by the Ministerial Council for Federal Financial Relations on 25 March 2009.

### Applying the GST relativities to the GST pool

In 2009-10, the GST relativities will be applied to estimated state populations in order to determine an adjusted population for each State. Each State will receive its adjusted population share of the GST payments. The calculations for the distribution of the GST payments in 2008-09 (using the old methodology) and 2009-10 (using the new methodology) are shown in Table 3.7.

**Table 3.7: Distribution of the GST pool**

	Estimated 31 December population (1)	GST relativities (2)	Adjusted population (1) x (2) (3)	Share of adjusted population % (4)	Share of GST pool \$million (5)	Unquarantined health care grants \$million (6)	GST payments (5) - (6) \$million (7)
<b>2008-09(a)</b>							
NSW	7,035,986	0.91060	6,406,969	29.6	15,103.5	3,258.7	11,844.9
VIC	5,358,867	0.92540	4,959,096	22.9	11,690.4	2,379.2	9,311.2
QLD	4,346,332	0.96508	4,194,558	19.4	9,888.1	1,915.0	7,973.1
WA	2,200,651	0.88288	1,942,911	9.0	4,580.1	990.0	3,590.2
SA	1,610,990	1.20856	1,946,978	9.0	4,589.7	802.5	3,787.3
TAS	500,069	1.52994	765,076	3.5	1,803.6	208.1	1,595.5
ACT	348,094	1.17205	407,984	1.9	961.8	125.0	836.8
NT	221,784	4.51835	1,002,098	4.6	2,362.3	111.8	2,250.5
<b>Total</b>	<b>21,622,773</b>		<b>21,625,668</b>	<b>100.0</b>	<b>50,979.5</b>	<b>9,790.1</b>	<b>41,189.4</b>
<b>2009-10</b>							
NSW	7,125,035	0.93186	6,639,535	30.2	12,481	n/a	12,481
VIC	5,454,364	0.91875	5,011,197	22.8	9,420	n/a	9,420
QLD	4,450,593	0.91556	4,074,785	18.5	7,660	n/a	7,660
WA	2,258,527	0.78485	1,772,605	8.1	3,332	n/a	3,332
SA	1,629,034	1.24724	2,031,796	9.2	3,819	n/a	3,819
TAS	504,749	1.62040	817,895	3.7	1,537	n/a	1,537
ACT	353,412	1.27051	449,013	2.0	844	n/a	844
NT	226,514	5.25073	1,189,364	5.4	2,236	n/a	2,236
<b>Total</b>	<b>22,002,228</b>		<b>21,986,191</b>	<b>100.0</b>	<b>41,330.0</b>	<b>n/a</b>	<b>41,330.0</b>

(a) In 2008-09, the Commission was asked to recommend a relativity to distribute a pool of GST payments plus health care grants (HCGs) provided by the Commonwealth under the *Australian Health Care Agreements* (some HCGs were quarantined from the GST pool).

Estimates of GST payments to the States based on the Commonwealth's projections of GST relativities and population over the forward years are shown in Table 3.8.

**Table 3.8: GST payments, 2008-09 to 2012-13**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	11,844.9	9,311.2	7,973.1	3,590.2	3,787.3	1,595.5	836.8	2,250.5	41,189.4
2009-10	12,481.1	9,420.1	7,659.9	3,332.2	3,819.4	1,537.5	844.1	2,235.8	41,330.0
2010-11	13,676.9	10,021.1	7,690.9	3,167.6	4,084.7	1,608.7	899.1	2,431.0	43,580.0
2011-12	14,857.9	10,748.7	7,971.1	3,158.8	4,407.0	1,707.8	949.6	2,659.1	46,460.0
2012-13	15,916.1	11,443.7	8,368.1	3,331.4	4,692.1	1,801.6	990.0	2,867.0	49,410.0

The Commonwealth's projections of GST relativities for 2010-11 to 2012-13 assume that the States' fiscal capacities in 2008-09, 2009-10 and 2010-11 will be broadly consistent with the Commission's assessment of their relative fiscal capacities in 2007-08. However, the projections include adjustments to account for changes in GST revenue, state population and the distribution of the National SPPs.

The population estimates are constructed using the latest demographic data available from the Australian Bureau of Statistics and Treasury assumptions. Broadly, these assumptions are in respect of fertility, mortality, net overseas migration and interstate migration. Further information on the assumptions is provided in Appendix A.

**Box 3.1: The effect of horizontal fiscal equalisation**

One way to view the effect of horizontal fiscal equalisation is to compare each State’s share of the GST payments using the GST relativities, with a notional distribution on an equal per capita basis. In 2009-10, around \$3.3 billion (or 8.1 per cent) of the GST payments will be redistributed among the States, compared with an equal per capita distribution (Table A).

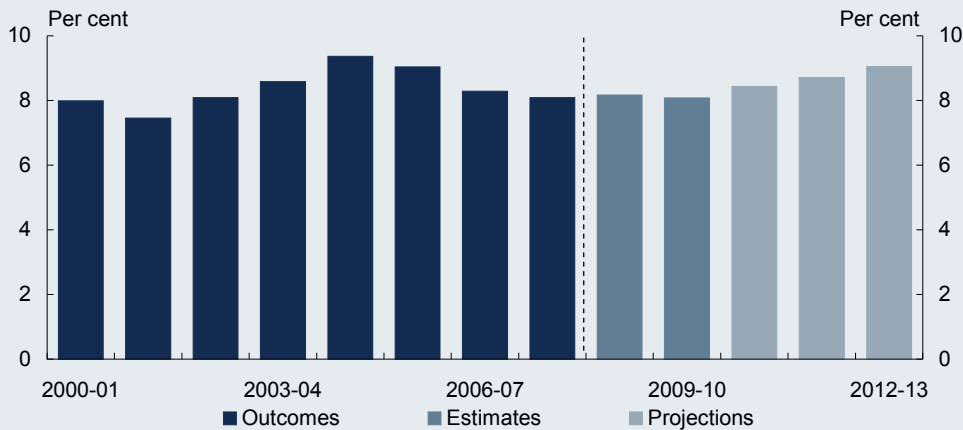
**Table A: Effect of horizontal fiscal equalisation, 2009-10**

	GST distributed using adjusted population \$million	Equal per capita distribution of GST \$million	Redistribution(a) \$million	Projected population million	Per capita redistribution \$
NSW	12,481.1	13,384.0	-902.9	7.125	-126.7
VIC	9,420.1	10,245.7	-825.6	5.454	-151.4
QLD	7,659.8	8,360.2	-700.4	4.451	-157.4
WA	3,332.2	4,242.5	-910.3	2.259	-403.1
SA	3,819.4	3,060.1	759.4	1.629	466.1
TAS	1,537.5	948.1	589.3	0.505	1,167.6
ACT	844.1	663.9	180.2	0.353	509.9
NT	2,235.8	425.5	1,810.3	0.227	7,992.0
Total	41,330.0	41,330.0	3,339.2	22.002	

(a) The total redistribution of \$3,339.2 million is the sum of positive items in that column.

The proportion of the GST payments being redistributed in 2009-10 is broadly consistent with the average redistribution since the commencement of the GST (Chart A), with the slight decrease in 2009-10 chiefly driven by a reduction in the fiscal capacity of New South Wales, offset by a growth in the fiscal capacities of Queensland and Western Australia.

**Chart A: Horizontal fiscal equalisation as a proportion of the GST payments**



Note: From 2000-01 to 2008-09, the Commission was asked to recommend relativities to distribute a pool of GST payments plus health care grants. This methodology is conceptually equivalent, when expressed in proportions of GST payments, with the current relativities recommended by the Commission. As such, Chart A is a comparison of the proportion of GST payments, rather than the proportion of the GST pool, estimated to be redistributed for this period.

**Box 3.1: The effect of horizontal fiscal equalisation (continued)**

The proportion of the GST payments being redistributed is projected to increase over the forward estimates, owing to lower growth in GST revenue and changes to the distribution of National SPPs.

- For a given assessment of the States' relative fiscal capacities, the proportion of GST payments being redistributed will increase if the level of GST revenue decreases.
- The treatment of the National SPPs by 'inclusion' for the purpose of the Commission determining GST revenue sharing relativities provides for State needs in respect of service delivery to be incorporated into the calculation of each State's share of GST revenue. As the distribution of the National SPPs transitions over five years to an equal per capita distribution, the amount of GST redistributed will increase.

**GST administration**

On 25 March 2009, the Ministerial Council for Federal Financial Relations endorsed the GST administration budget for the Australian Taxation Office of \$624.3 million for 2009-10, as shown in Table 3.9.

**Table 3.9: Reconciliation of the GST administration budget**

\$million	2008-09	2009-10	2010-11	2011-12
Administration budget at 2008-09 Budget	631.2	620.6	626.8	631.7
<i>Changes from 2008-09 Budget to MYEFO</i>				
Parameter variations	0.0	0.0	0.0	0.0
Total variations	0.0	0.0	0.0	0.0
Administration budget at 2008-09 MYEFO	631.2	620.6	626.8	631.7
<i>Changes from MYEFO to 2009-10 Budget</i>				
Parameter variations	0.6	3.7	3.7	2.5
Total variations	0.0	0.0	0.0	0.0
Administration budget at 2009-10 Budget	631.9	624.3	630.5	634.2

The Commissioner of Taxation administers the GST law and the States compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office in administering the GST, including costs incurred by the Australian Customs Service, as shown in Table 3.10.

**Table 3.10: GST administration budget**

\$million	2007-08	2008-09	2009-10	2010-11	2011-12	2012-13
(1) Australian Taxation Office budget	633.0	631.2	624.3	630.5	634.2	646.8
less prior year adjustment	32.8	1.4				
State government payments						
Total administration payments	600.2	629.8	624.3	630.5	634.2	646.8
(2) Australian Taxation Office outcome	631.6					
(3) Overpayment (1)-(2)	1.4					
Commonwealth budget impact	1.4	-1.4	0.0	0.0	0.0	0.0

## OTHER GENERAL REVENUE ASSISTANCE

The Commonwealth makes payments of other general revenue assistance to the States and Territories that are available for use by the States for any purpose, including:

- revenue sharing arrangements other than GST – for example, offshore petroleum royalty revenues;
- compensation payments for Commonwealth policy decisions; and
- payments to the Australian Capital Territory for national capital influences.

### Budget balancing assistance

In the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* of 1999, the Commonwealth guaranteed that the budget position of each State would be no worse than it would have been had tax reform associated with the introduction of the GST not been implemented. The guaranteed minimum amount is an estimate of the revenue that each State would have received under the previous system of Commonwealth grants, and if the state taxes had not been abolished as part of the reforms.

The Commonwealth will pay budget balancing assistance to the States during the transitional period (which will expire on 30 June 2009) if a State's share of GST payments in a financial year is less than its guaranteed minimum amount for that year. No budget balancing assistance is payable when GST revenue exceeds the guaranteed minimum amount.

In 2008-09, the guaranteed minimum amount for four States – New South Wales, South Australia, Tasmania and the Northern Territory – will exceed those States' shares of the GST payments, as shown in Table 3.11. Consequently, the Commonwealth will provide total budget balancing assistance of \$261 million in 2008-09.

**Table 3.11: Guaranteed minimum amount, GST payments and budget balancing assistance, 2008-09**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Guaranteed minimum amount	11,953	9,212	7,718	3,447	3,821	1,627	803	2,338	40,920
GST payments	11,845	9,311	7,973	3,590	3,787	1,595	837	2,250	41,189
Budget balancing assistance	109	0	0	0	34	31	0	87	261

Victoria, Queensland, Western Australia and the Australian Capital Territory will receive GST payments that exceed their guaranteed minimum amount. Consequently, no budget balancing assistance is payable to those States.

Further information on the guaranteed minimum amount is provided in Appendix B.

## Royalties

**Table 3.12: Royalties**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	1,074.2	-	-	-	8.8	1,083.0
2009-10	-	-	-	686.0	-	-	-	12.4	698.4
2010-11	-	-	-	671.0	-	-	-	12.6	683.6
2011-12	-	-	-	616.0	-	-	-	11.0	627.0
2012-13	-	-	-	616.0	-	-	-	11.0	627.0

### Royalty payments to Western Australia

The Commonwealth provides general revenue assistance to Western Australia from royalties collected under the *Offshore Petroleum (Royalty) Act 2006* in respect of the North West Shelf oil and gas project off the coast of Western Australia. The Commonwealth collects these royalties because it has jurisdiction over offshore areas.

These royalties are shared between the Commonwealth (approximately one-third) and Western Australia (approximately two-thirds). These payment arrangements are in accordance with the revenue sharing arrangements in section 75 of the *Offshore Petroleum and Greenhouse Gas Act 2006*.

### Royalty payments to the Northern Territory

The Commonwealth provides general revenue assistance to the Northern Territory in lieu of royalties on uranium mining in the Ranger Project Area due to the Commonwealth's ownership of uranium in the Northern Territory.

General revenue assistance is payable biannually at the royalty rate of 1.25 per cent of the net proceeds of sales. These royalties are paid under a continuing agreement, established under the 1978 Memorandum of Understanding between the Commonwealth and the Northern Territory.

## Compensation

### Payments in respect of ACT municipal services

**Table 3.13: ACT municipal services**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	34.2	-	34.2
2009-10	-	-	-	-	-	-	35.1	-	35.1
2010-11	-	-	-	-	-	-	35.6	-	35.6
2011-12	-	-	-	-	-	-	36.3	-	36.3
2012-13	-	-	-	-	-	-	37.6	-	37.6

The Commonwealth provides general revenue assistance to the Australian Capital Territory to:

- assist in meeting the additional municipal costs which arise from Canberra's role as the national capital; and
- compensate the Australian Capital Territory for additional costs resulting from the national capital planning influences on the provision of water and sewerage services.

The level of funding for this general revenue assistance is based upon the findings of the Commonwealth Grants Commission, in its second and third reports on financing for the Australian Capital Territory, prior to the move to self-government in 1989.

### Reduced royalties

**Table 3.14: Reduced royalties**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	55.0	-	-	-	-	55.0
2009-10	-	-	-	60.4	-	-	-	-	60.4
2010-11	-	-	-	57.1	-	-	-	-	57.1
2011-12	-	-	-	57.1	-	-	-	-	57.1
2012-13	-	-	-	57.1	-	-	-	-	57.1

The Commonwealth provides general revenue assistance to compensate Western Australia for the loss of royalty revenue resulting from the removal of the exemption of condensate from crude oil excise in the 2008-09 Budget.

### Taxation compensation in respect of Snowy Hydro Limited

**Table 3.15: Taxation compensation in respect of Snowy Hydro Limited**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	282.1	141.0	-	-	-	-	-	-	423.1
2009-10	-	-	-	-	-	-	-	-	-
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-



On 28 June 2002, the Snowy Mountains Hydro Electric Authority was corporatised. The assets and business of the Authority were transferred to Snowy Hydro Limited, a company jointly owned by the Commonwealth, New South Wales and Victoria (with 13 per cent, 58 per cent and 29 per cent shareholdings respectively).

The Commonwealth provides compensation payments to New South Wales and Victoria, in the form of general revenue assistance, for Commonwealth taxes paid by Snowy Hydro Ltd in proportion to the States' shareholdings.

Payments are made in accordance with the *Snowy Hydro Tax Compensation Deed* between the Commonwealth, New South Wales and Victoria. These taxes would have previously been payable to the States through tax equivalence regime payments.

One of the objectives of COAG's new federal financial framework is to rationalise the number of payments made between the Commonwealth and the States. COAG has provided in-principle endorsement for several payments to be cashed out, with one final payment equal to the present value of the future stream of payments.

The Commonwealth will meet its future payment commitments to New South Wales and Victoria in respect of Snowy Hydro Ltd tax compensation by providing a single payment in 2008-09 and ceasing future annual payments.

Further information on this policy decision is included in Budget Paper No. 2, *Budget Measures 2009-10*.

### **GST compensation for small business concession**

**Table 3.16: GST compensation for small business concession**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09	-	-	-	-	-	-	-	-	-
2009-10	-87.3	-64.5	-61.4	-30.7	-27.4	-11.0	-5.4	-12.4	-299.9
2010-11	-	-	-	-	-	-	-	-	-
2011-12	-	-	-	-	-	-	-	-	-
2012-13	-	-	-	-	-	-	-	-	-

In 2004-05, the Commonwealth and the States agreed to allow small businesses and non-profit organisations that voluntarily registered for the GST to pay and report GST on an annual rather than monthly or quarterly basis. The measure was designed to reduce the compliance costs faced by these organisations and has the effect of deferring some GST revenue from one financial year to the next. The Commonwealth agreed to compensate the States for this deferral of GST revenue.

The Commonwealth and the States agreed that the annual payments should be suspended from 2006-07 because final tax return data indicated that the impact of the measure on GST revenue was much lower than forecast. The overestimate of the cost of the measure led to an overpayment of compensation to the States, which is estimated to be \$309 million at the end of 2008-09.

*Budget Paper No. 3*

The Government will recover the net overpayment in 2009-10. The amount to be recovered is the present value of the overpayment less the present value of the stream of future annual payments. This arrangement will extinguish all current and future Commonwealth and state commitments in respect of this measure.

Further information on this policy decision is included in Budget Paper No. 2, *Budget Measures 2009-10*.

## **MIRROR TAX ARRANGEMENTS**

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

These arrangements mirror certain state taxes, including payroll taxes, land taxes and stamp duties, with respect to Commonwealth places.

The States collect these mirror taxes on behalf of the Commonwealth and bear the administrative costs of collection. All mirror tax revenues are credited to the Commonwealth and simultaneously appropriated to the States. Hence, mirror taxes are recorded as both a Commonwealth revenue and expense, with no net impact on the Commonwealth's budget position.

**Table 3.17: Mirror taxes accrued on behalf of the States**

\$million	2008-09	2009-10	2010-11	2011-12	2012-13
Mirror taxes	397.1	407.0	422.7	440.1	462.2
Payments to state governments	-397.1	-407.0	-422.7	-440.1	-462.2
Commonwealth budget impact	0.0	0.0	0.0	0.0	0.0

## PART 4: DEBT TRANSACTIONS

The Commonwealth holds a stock of around \$3.7 billion in loans advanced to the States. The States make interest payments and repayments to the Commonwealth in respect of these loans.

Prior to the 1980s, the Commonwealth advanced the States loans under a range of agreements. These advances were often made over very long repayment periods (some in excess of 50 years), although the terms of each agreement vary considerably.

Most of the interest payments and repayments relate to housing, including: Loan Council housing nominations; Commonwealth-State Housing Agreement loans; and the war services land settlement scheme. Repayments are also made against loans under agreements for infrastructure, natural disasters and other purposes administered by various Commonwealth agencies.

Total advances, interest and repayments from the States to the Commonwealth are shown in Table 4.1.

**Table 4.1: Summary of advances, interest and repayments**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at									
30 June 2008	1,393,605	1,877	484,051	509,700	643,118	236,081	217,123	260,239	3,745,793
<b>2008-09</b>									
Advances	1,500	-	3,000	-	-	-	-	500	5,000
Interest	-73,233	-104	-25,159	-25,944	-33,296	-12,019	-10,973	-13,453	-194,181
Repayments	-47,807	-662	-24,141	-13,582	-16,533	-6,260	-11,672	-6,064	-126,721
<b>2009-10</b>									
Advances	1,500	-	3,000	-	-	-	-	500	5,000
Interest	-70,889	-69	-24,588	-25,333	-32,525	-11,742	-10,122	-13,223	-188,491
Repayments	-49,267	-533	-24,919	-13,782	-17,315	-6,531	-11,905	-6,380	-130,632
<b>2010-11</b>									
Advances	1,500	-	3,000	-	-	-	-	500	5,000
Interest	-68,404	-38	-23,987	-24,710	-31,703	-11,449	-9,306	-12,966	-182,563
Repayments	-50,436	-389	-25,727	-14,122	-18,137	-6,668	-9,181	-6,645	-131,305
<b>2011-12</b>									
Advances	1,500	-	3,000	-	-	-	-	500	5,000
Interest	-65,819	-16	-23,352	-24,040	-30,829	-11,148	-8,833	-12,698	-176,735
Repayments	-51,648	-198	-26,494	-14,429	-19,003	-6,812	-8,146	-6,923	-133,653
<b>2012-13</b>									
Advances	1,500	-	3,000	-	-	-	-	500	5,000
Interest	-63,131	-5	-22,689	-23,408	-29,898	-10,836	-8,421	-12,413	-170,801
Repayments	-53,002	-93	-26,981	-14,771	-19,914	-6,968	-8,183	-7,214	-137,126

**Streamlining payments under the new federal financial framework**

The Intergovernmental Agreement provides for payments which the States are required to make to the Commonwealth to be netted from the monthly payments of general revenue assistance. The Ministerial Council for Federal Financial Relations has agreed that, over time, all payments of interest and repayments of advances will be netted from payments of general revenue assistance. This is a more efficient administrative process for the payment of interest and repayment of advances to the Commonwealth.

The streamlining of interest payments and repayments will operate in a similar way to GST administration costs – since 1 January 2009, the Commonwealth has been deducting GST administration costs from monthly payments of general revenue assistance.

Interest payments and repayments will continue to be reported separately, but with interest payments and repayments deducted from general revenue assistance at the time the payments fall due.

### Commonwealth-State Housing Agreement loans

The Commonwealth receives principal repayments and interest payments from the States in respect of advances made to them under the various Housing Agreements, Northern Territory Housing Agreement and Housing Assistance Acts.

Advances were made by the Commonwealth to the States from 1945 to 1984 to provide financial assistance in respect of the erection of new dwellings, provision of finance to home builders and rental housing assistance. Under the various agreements, the States are required to make repayments so that the loan is fully repaid over a term of 53 years. Advances to the States under each Act were made at a fixed interest rate discounted from the long-term prevailing market rate. The interest rates on the outstanding advances range from 3 to 6 per cent per annum. The last loan matures in 2037.

**Table 4.2: Commonwealth-State Housing Agreement loans**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	846,696	-	239,204	225,163	362,735	117,414	-	30,546	1,821,758
<b>2008-09</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-44,090	-	-12,351	-11,682	-18,850	-6,078	-	-1,556	-94,607
Repayments	-34,125	-	-9,122	-8,801	-11,885	-4,494	-	-609	-69,036
<b>2009-10</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-42,479	-	-11,926	-11,266	-18,310	-5,870	-	-1,530	-91,381
Repayments	-34,766	-	-9,283	-8,798	-12,409	-4,685	-	-636	-70,577
<b>2010-11</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-40,822	-	-11,490	-10,849	-17,739	-5,650	-	-1,503	-88,053
Repayments	-35,290	-	-9,459	-8,933	-12,955	-4,739	-	-664	-72,040
<b>2011-12</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-39,122	-	-8,693	-10,421	-17,133	-5,425	-	-1,475	-82,269
Repayments	-35,810	-	-9,578	-9,047	-13,527	-4,796	-	-694	-73,452
<b>2012-13</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-37,364	-	-8,525	-9,986	-16,494	-5,195	-	-1,445	-79,009
Repayments	-36,264	-	-9,689	-9,167	-14,123	-4,861	-	-725	-74,829

### Loan Council — housing nominations

The Commonwealth receives principal repayments and interest payments from the States in respect of outstanding advances made to them under States (Works and Housing) Assistance Acts.

**Table 4.3: Loan Council — housing nominations**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	447,175	-	160,938	275,263	270,548	118,667	-	155,764	1,428,355
<b>2008-09</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-22,464	-	-8,062	-13,802	-13,531	-5,941	-	-7,774	-71,574
Repayments	-6,589	-	-2,424	-4,203	-3,946	-1,766	-	-2,193	-21,121
<b>2009-10</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-22,213	-	-7,969	-13,638	-13,378	-5,872	-	-7,691	-70,761
Repayments	-6,885	-	-2,533	-4,392	-4,123	-1,846	-	-2,292	-22,071
<b>2010-11</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-21,949	-	-7,869	-13,464	-13,216	-5,799	-	-7,602	-69,899
Repayments	-7,195	-	-2,647	-4,590	-4,309	-1,929	-	-2,395	-23,065
<b>2011-12</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-21,667	-	-10,113	-13,280	-13,046	-5,723	-	-7,508	-71,337
Repayments	-7,519	-	-2,766	-4,796	-4,502	-2,016	-	-2,503	-24,102
<b>2012-13</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-21,390	-	-9,712	-13,085	-12,865	-5,641	-	-7,407	-70,100
Repayments	-7,858	-	-2,891	-5,012	-4,705	-2,107	-	-2,616	-25,189

## Housing for servicemen

The Commonwealth receives principal repayments and interest payments from the States in respect of advances to finance the construction, maintenance and upgrade of public housing for use by service personnel.

**Table 4.4: Housing for servicemen**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	50,740	-	28,756	5,782	2,177	-	-	-	87,454
<b>2008-09</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-2,270	-	-1,284	-257	-98	-	-	-	-3,909
Repayments	-1,046	-	-633	-194	-29	-	-	-	-1,902
<b>2009-10</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-2,225	-	-1,256	-248	-97	-	-	-	-3,826
Repayments	-1,123	-	-677	-206	-32	-	-	-	-2,038
<b>2010-11</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-2,175	-	-1,227	-239	-95	-	-	-	-3,736
Repayments	-1,186	-	-721	-210	-35	-	-	-	-2,152
<b>2011-12</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-2,124	-	-1,195	-203	-94	-	-	-	-3,616
Repayments	-1,254	-	-767	-221	-39	-	-	-	-2,281
<b>2012-13</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-2,068	-	-1,162	-221	-92	-	-	-	-3,543
Repayments	-1,330	-	-819	-227	-42	-	-	-	-2,418

### War service land settlement scheme

The Commonwealth receives principal repayments and interest payments in respect of advances made to veterans of World War II or the Korea/Malaya campaigns for the purpose of providing working capital funding, paying and effecting improvements and acquiring stock, plant and equipment.

**Table 4.5: War service land settlement scheme**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	1,542	1,598	-	-	-	-	-	-	3,140
<b>2008-09</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-87	-90	-	-	-	-	-	-	-177
Repayments	-534	-569	-	-	-	-	-	-	-1,103
<b>2009-10</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-57	-59	-	-	-	-	-	-	-116
Repayments	-417	-450	-	-	-	-	-	-	-867
<b>2010-11</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-33	-33	-	-	-	-	-	-	-66
Repayments	-292	-328	-	-	-	-	-	-	-620
<b>2011-12</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-17	-14	-	-	-	-	-	-	-31
Repayments	-153	-165	-	-	-	-	-	-	-318
<b>2012-13</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-9	-5	-	-	-	-	-	-	-14
Repayments	-147	-84	-	-	-	-	-	-	-231



### Other housing loans

The Commonwealth receives principal repayments and interest payments in respect of loans relating to assets transferred from the Commonwealth to the Northern Territory at the time of self-government in 1978 and to the Australian Capital Territory at the time of self-government in 1989.

The Commonwealth has provided several similar loans mainly for water and sewerage.

**Table 4.6: Other housing loans**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	-	-	-	-	-	-	199,366	62,264	261,629
<b>2008-09</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-8,971	-3,469	-12,440
Repayments	-	-	-	-	-	-	-7,025	-2,671	-9,696
<b>2009-10</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-8,655	-3,342	-11,997
Repayments	-	-	-	-	-	-	-7,258	-2,798	-10,056
<b>2010-11</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-8,329	-3,208	-11,537
Repayments	-	-	-	-	-	-	-7,368	-2,932	-10,300
<b>2011-12</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-7,997	-3,068	-11,065
Repayments	-	-	-	-	-	-	-7,592	-3,072	-10,664
<b>2012-13</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-7,655	-2,921	-10,576
Repayments	-	-	-	-	-	-	-7,629	-3,219	-10,848

## Sewerage loans

New South Wales, Queensland and South Australia make principal repayments and interest payments in respect of loans provided under the *Urban and Regional Development (Financial Assistance) Act 1974*, *Sewerage Agreements Act 1973* and *Sewerage Agreements Act 1974*.

These loans were made to all States to undertake projects associated with the provision of sewerage facilities with the objective of eliminating the backlog of sewerage works in principal Australian cities. They facilitated reticulation in respect of built-up areas which were unsewered and construction or upgrade of main carriers, treatment works and pumping stations.

**Table 4.7: Sewerage loans**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	42,623	-	11,309	-	-	-	-	-	53,932
<b>2008-09</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-3,975	-	-1,035	-	-817	-	-	-	-5,827
Repayments	-3,793	-	-884	-	-673	-	-	-	-5,350
<b>2009-10</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-3,533	-	-923	-	-740	-	-	-	-5,196
Repayments	-4,178	-	-973	-	-751	-	-	-	-5,902
<b>2010-11</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-3,048	-	-800	-	-653	-	-	-	-4,501
Repayments	-4,602	-	-1,072	-	-838	-	-	-	-6,512
<b>2011-12</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-2,515	-	-663	-	-556	-	-	-	-3,734
Repayments	-5,069	-	-1,180	-	-935	-	-	-	-7,184
<b>2012-13</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-1,928	-	-515	-	-447	-	-	-	-2,890
Repayments	-5,584	-	-1,299	-	-1,044	-	-	-	-7,927

### Northern Territory — water and sewerage loans

The Commonwealth receives principal repayments and interest payments in respect of a loan relating to water and sewerage assets transferred from the Commonwealth to the Northern Territory at the time of self-government in 1978.

**Table 4.8: Northern Territory — water and sewerage loans**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	-	-	-	-	-	-	-	11,514	11,514
<b>2008-09</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-596	-596
Repayments	-	-	-	-	-	-	-	-136	-136
<b>2009-10</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-589	-589
Repayments	-	-	-	-	-	-	-	-136	-136
<b>2010-11</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-582	-582
Repayments	-	-	-	-	-	-	-	-136	-136
<b>2011-12</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-576	-576
Repayments	-	-	-	-	-	-	-	-136	-136
<b>2012-13</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-569	-569
Repayments	-	-	-	-	-	-	-	-136	-136

## Natural disaster relief

The Commonwealth receives principal repayments and interest payments from the States in respect of loan advances from the Commonwealth under the Natural Disaster Relief Arrangements and the repayment of overpaid advances.

These loans facilitate:

- continuing improvement in natural disaster risk assessment;
- cost-effective mitigation measures; and
- support for disaster affected communities.

The arrangements include concessional interest rate loans to the States in respect of advances made by them to individuals affected by natural disasters.

**Table 4.9: Natural disaster relief**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	4,540	-	43,845	-	-	-	-	152	48,537
<b>2008-09</b>									
Advances	1,500	-	3,000	-	-	-	-	500	5,000
Interest	-333	-	-2,427	-	-	-	-	-58	-2,818
Repayments	-1,622	-	-11,078	-	-	-	-	-455	-13,155
<b>2009-10</b>									
Advances	1,500	-	3,000	-	-	-	-	500	5,000
Interest	-372	-	-2,514	-	-	-	-	-71	-2,957
Repayments	-1,810	-	-11,453	-	-	-	-	-518	-13,781
<b>2010-11</b>									
Advances	1,500	-	3,000	-	-	-	-	500	5,000
Interest	-372	-	-2,601	-	-	-	-	-71	-3,044
Repayments	-1,810	-	-11,828	-	-	-	-	-518	-14,156
<b>2011-12</b>									
Advances	1,500	-	3,000	-	-	-	-	500	5,000
Interest	-372	-	-2,688	-	-	-	-	-71	-3,131
Repayments	-1,810	-	-12,203	-	-	-	-	-518	-14,531
<b>2012-13</b>									
Advances	1,500	-	3,000	-	-	-	-	500	5,000
Interest	-372	-	-2,775	-	-	-	-	-71	-3,218
Repayments	-1,810	-	-12,283	-	-	-	-	-518	-14,611

## Railway project loans

Advances in respect of rail standardisation loans have been made to New South Wales, Victoria and Western Australia. These loans were advanced in the 1960s for the construction and upgrade of standardised rail networks.

**Table 4.10: Railway project loans**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	279	279	-	3,492	-	-	-	-	4,050
<b>2008-09</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-14	-14	-	-203	-	-	-	-	-231
Repayments	-93	-93	-	-384	-	-	-	-	-570
<b>2009-10</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-10	-10	-	-181	-	-	-	-	-201
Repayments	-83	-83	-	-386	-	-	-	-	-552
<b>2010-11</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-5	-5	-	-158	-	-	-	-	-168
Repayments	-61	-61	-	-389	-	-	-	-	-511
<b>2011-12</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-2	-2	-	-136	-	-	-	-	-140
Repayments	-33	-33	-	-365	-	-	-	-	-431
<b>2012-13</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-116	-	-	-	-	-116
Repayments	-9	-9	-	-365	-	-	-	-	-383

### Captains Flat (Abatement of Pollution) Agreement

The Commonwealth receives principal repayments and interest payments from New South Wales in relation to capital works undertaken at Captains Flat to prevent pollution of the Molonglo River. The advances were made under the *Captains Flat (Abatement of Pollution) Agreement Act 1975*.

**Table 4.11: Captains Flat (Abatement of Pollution) Agreement**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	10	-	-	-	-	-	-	-	10
<b>2008-09</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	..	-	-	-	-	-	-	-	..
Repayments	-5	-	-	-	-	-	-	-	-5
<b>2009-10</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	..	-	-	-	-	-	-	-	..
Repayments	-5	-	-	-	-	-	-	-	-5
<b>2010-11</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Repayments	-	-	-	-	-	-	-	-	-
<b>2011-12</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Repayments	-	-	-	-	-	-	-	-	-
<b>2012-13</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
Repayments	-	-	-	-	-	-	-	-	-

### Australian Capital Territory loans

The Commonwealth receives repayments from the Australian Capital Territory to service the remaining notional debt held against assets transferred from the Commonwealth, on self-government, for public transport (land and buildings), electricity, water supply and sewerage.

Interest receipts from the Australian Capital Territory are on Australian Government loans and on Commonwealth Government Securities nominally outstanding on behalf of the Australian Capital Territory.

**Table 4.12: Australian Capital Territory loans**

\$,000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Outstanding loans at 30 June 2008	-	-	-	-	-	-	17,757	-	17,757
<b>2008-09</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-2,002	-	-2,002
Repayments	-	-	-	-	-	-	-4,647	-	-4,647
<b>2009-10</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-1,467	-	-1,467
Repayments	-	-	-	-	-	-	-4,647	-	-4,647
<b>2010-11</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-977	-	-977
Repayments	-	-	-	-	-	-	-1,813	-	-1,813
<b>2011-12</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-836	-	-836
Repayments	-	-	-	-	-	-	-554	-	-554
<b>2012-13</b>									
Advances	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-766	-	-766
Repayments	-	-	-	-	-	-	-554	-	-554





## **PART 5: DEVELOPMENTS IN THE CONSOLIDATED NON-FINANCIAL PUBLIC SECTOR**

No economy has escaped the effects of the global recession and the state economies are no exception.

It is anticipated that most States will see large falls in their own-source revenues, creating challenges in delivering productivity-enhancing infrastructure and necessary public services. Reflecting these declines in revenue, the States will, in aggregate, face shrinking net operating balances, growing fiscal deficits and increasing net debt.

The Commonwealth and State governments have acted, individually and collectively, on many fronts to address these issues, including through the Nation Building and Jobs Plan, and the Economic Security Strategy. These packages include a range of stimulatory programs, such as the First Home Owners Boost, designed to underpin key economic sectors whilst delivering important social services and incentives.

The guarantee of state and territory borrowing is a further step taken by the Commonwealth to protect Australia's economic security, which will ensure that the States have the capacity to raise debt to undertake their infrastructure projects.

## **INTRODUCTION**

This part provides a framework in which to consider developments in the Commonwealth's budget through consideration of the fiscal position of all Australian Governments.

It discusses trends in key fiscal indicators including the operating balance, fiscal balance, cash balance, gross fixed capital formation, balance sheet data (net debt, net financial worth and net worth), and net interest payments at the Commonwealth and state/local levels of government, and together at the consolidated level. These indicators are discussed in greater detail in Budget Paper No. 1, Statement 9.<sup>1</sup>

For further information on the data used in the charts and tables in this part, see Appendix A. Additional data tables can be found in Appendix C.

## **OVERVIEW**

State economies have slowed as a result of the global financial crisis and global recession. It is anticipated that most States will see large falls in their own-source revenues, creating challenges for States trying to deliver productivity-enhancing infrastructure and necessary public services.

The state/local general government sector has, in aggregate, been running net operating balance surpluses over the majority of the past decade. The net operating balance measures the gap between a State's recurrent expenses and its revenues. A net operating balance surplus indicates that a State's revenues exceed its expenses. Notwithstanding the global recession, in 2008-09 the States, in aggregate, still expect to maintain a positive net operating balance, but at a significantly lower level than in recent years. However, as only three of the eight States released their 2009-10 budgets before the Commonwealth, this picture could change over the next few months as other States release their budgets with revised estimates of their fiscal positions.

The state aggregate general government fiscal balance was in a small surplus as a per cent of GDP prior to 2007-08. The fiscal balance measures a government's investment-savings balance. A fiscal surplus indicates that a government is saving more than enough to finance all of its investment spending and is therefore not contributing directly to the current account deficit. A fiscal deficit indicates that a

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1 The data in this part come from 2008-09 mid-year financial reports except for Victorian, Australian Capital Territory and Northern Territory data, which are drawn from 2009-10 budgets. This means that expected fiscal impacts flagged in some state financial publications since mid-year financial reports, for instance, those from the Queensland economic and fiscal update, have not been incorporated.

government needs to borrow or liquidate financial assets in order to fund its capital and/or recurrent expenditures.

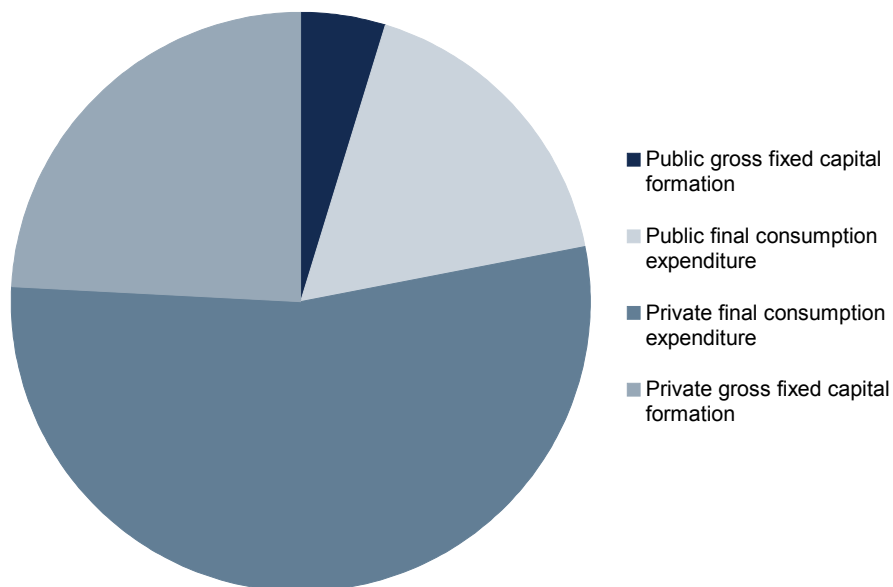
The fiscal balance differs from the net operating balance through the inclusion of net capital investment. The relatively low levels of fiscal surpluses, as a percentage of GDP, in recent years and the expected fiscal deficits in 2008-09 and 2009-10 show, in conjunction with positive net operating balances, that state governments have been borrowing to fund infrastructure expenditure.

## THE PUBLIC SECTOR

The public sector constitutes a significant portion of the Australian economy, around 22 per cent of domestic final demand (as shown in Chart 5.1). The Commonwealth accounts for around 33.7 per cent of public final demand, while the state/local level of government accounts for 66.3 per cent.

Domestic final demand consists of public final demand (which comprises public gross fixed capital formation and public final consumption expenditure) and private final demand (which comprises private gross fixed capital formation and private final consumption expenditure).

**Chart 5.1: Contribution of public and private sectors to domestic final demand**



Source: ABS cat. no. 5206.0, as at December 2008.

The global recession has seen a fall in private demand and subsequent decline in private sector investment activity. To help fill the gap, Government economic stimulus packages are expected to increase the contribution of the public sector to domestic final

demand. The cooperative arrangements developed with the States have enabled these stimulatory measures to be delivered in a timely and targeted manner.

A significant portion of these stimulus packages are targeted towards investment in critical nation-building infrastructure. This type of government activity is chiefly undertaken by the public non-financial corporations sector, most of which is at the state/local level of government.

**Box 5.1: Structure of the public sector**

The non-financial public sector (NFPS) comprises the general government sector and the public non-financial corporations (PNFC) sector. The general government sector provides non-market goods and services such as policing, health and education. The PNFC sector comprises government-controlled corporations engaged in providing market goods such as electricity and public transport, but not financial services. For further information see Budget Paper No. 1, Statement 9, Appendix A.

**STATE GENERAL GOVERNMENT SECTOR NET OPERATING BALANCE**

The net operating balance measures, in accrual terms, the gap between a State's recurrent expenses and revenue for a given period. This is the headline measure used by most States and provides an indication of the medium-term sustainability of the existing level of government services. In the short-term, the net operating balance is subject to cyclical movements. As such, in times of slowing economic growth, it could be expected that a State's net operating balance would deteriorate as a result of a reduction in revenue without a corresponding reduction in expenses.

In the current economic climate, States' own-source revenues are declining. While expenses as a percentage of GDP are expected to remain relatively constant over the forward estimates, several States are expecting to deliver net operating deficits in 2009-10.

With the exception of Victoria, the Australian Capital Territory and the Northern Territory, state estimates are based on 2008-09 mid-year financial reports. Victorian, the Australian Capital Territory and the Northern Territory estimates are based on 2009-10 budgets.

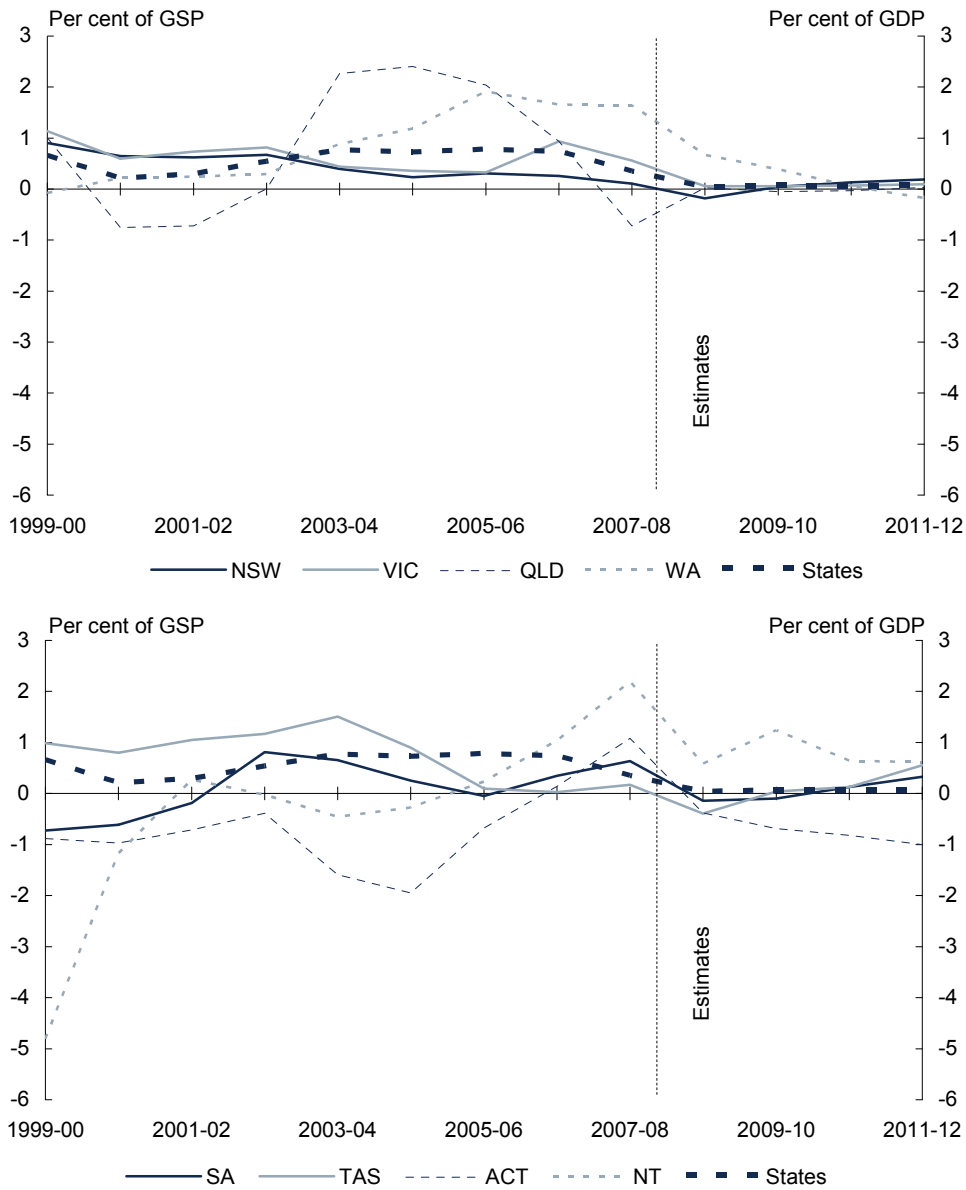
The aggregate state general government sector net operating balance position is expected to be a surplus of \$493 million (0.04 per cent of GDP) in 2008-09, and a surplus of \$906 million (0.1 per cent of GDP) in 2009-10.

Based on available 2009-10 state budget estimates, both the Australian Capital Territory and the Northern Territory indicate a downward trend in net operating

balances from 2009-10 over the forward estimates. While Victoria indicates a small improvement in net operating surpluses over the forward estimates, these surpluses are much smaller than those recorded prior to 2008-09.

As noted, the remaining States' estimates are based on 2008-09 mid-year financial reports and therefore do not reflect the continuing effects of the global recession on the Australian economy or particular state economies. It is likely that, following the release of the remaining state budgets, a further deterioration in the aggregate state general government sector net operating balance position will occur. In particular, any shift in the positions of the larger states, Queensland, Western Australia and New South Wales, could be expected to significantly alter the aggregate state net operating balance position.

**Chart 5.2: State general government sector net operating balance<sup>(a)(b)</sup>**



- (a) States' net operating balances are expressed as a percentage of Gross State Product (GSP) (left-hand axis) and the aggregate state net operating balance is expressed as a percentage of Gross Domestic Product (GDP) (right-hand axis).
- (b) Estimates for Queensland are based on their mid-year fiscal and economic review and do not reflect the changes flagged in their economic and fiscal update.

## **FISCAL BALANCE**

The fiscal balance measures, in accrual terms, a government's investment-savings balance. It is calculated as the gap between government savings (plus net capital transfers) and investment in non-financial assets. A fiscal surplus indicates that a government is saving more than enough to finance all of its investment spending and is therefore not contributing directly to the current account deficit. A fiscal deficit indicates that a government needs to borrow or liquidate financial assets in order to fund its capital and/or recurrent expenditures.

As the fiscal balance includes capital transfers and investment in non-financial assets, which are not included in the net operating balance, the difference between the fiscal balance and the net operating balance is the effect of investment in infrastructure.

The fiscal balance of the Commonwealth general government sector is expected to be in deficit in 2008-09, 2009-10 and over the forward estimates.

The state/local general government sector fiscal balance is expected to be in a deficit of 0.9 per cent of GDP in 2008-09 and 1.1 per cent of GDP in 2009-10. The forecast deficits reflect smaller operating surpluses and higher levels of planned capital investment over the forward estimates compared to previous years. As with the aggregate state net operating balance, the release of the remaining state 2009-10 budgets is likely to impact the aggregate state/local fiscal balance.

The consolidated general government sector fiscal balance is expected to be in a deficit of 3.9 per cent of GDP in 2008-09 and 5.7 per cent of GDP in 2009-10.

The consolidated PNFC sector fiscal balance is expected to be in a deficit of 1.6 per cent of GDP in 2008-09 and 1.6 per cent of GDP in 2009-10. The increase in the consolidated PNFC sector deficit in recent years mainly reflects increased capital expenditure by PNFCs at the state/local level.

Consolidated PNFC sector revenue and expenses have decreased significantly as a share of GDP since the late 1990s. This is partly attributable to the privatisation of PNFCs by both the Commonwealth and state/local governments. For example, Telstra no longer forms part of the PNFC sector following the sell-down of the Commonwealth's interest in Telstra in 2006-07. Although state/local PNFCs have historically dominated the consolidated PNFC sector, the difference has increased significantly since the sell-down of Telstra.

Fiscal balance deficits at both the Commonwealth and state/local levels of government result in the consolidated NFPS being in fiscal deficit in 2008-09 and 2009-10.

## **CASH BALANCE**

The principal difference between the accrual-based fiscal balance and the cash balance is the timing of transactions. Whereas accrual accounting captures forward commitments before they actually occur, cash-based accounting captures payments and receipts as they occur.

A cash surplus reflects the extent to which cash is available to a government to increase financial assets or decrease liabilities, assuming no revaluations or other changes occur. A cash deficit indicates a government's need to call on financial markets to meet its budget obligations, either through running down its financial assets or by borrowing.

### **General government**

As shown in Chart 5.3, the consolidated general government sector cash balance is expected to be in deficit in 2008-09 (3.3 per cent of GDP) and in 2009-10 (5.7 per cent of GDP). This position is expected to improve over the forward estimates to a cash deficit of 3.8 per cent of GDP in 2011-12.

The Commonwealth general government sector cash balance has recorded strong surpluses over recent years. In the short-term however, it is expected to be in deficit. This deterioration largely reflects lower taxation revenues and lower than expected returns from investments as a result of the global recession. The cash deficit also reflects the Commonwealth's response to the global recession, including through the spending associated with the Economic Security Strategy, the Government's infrastructure investment strategies, as well as the \$15.2 billion COAG funding agreement with the States.

As a result of this increase in Commonwealth funding, grants to state and local governments have increased. The transfer of these funds has minimal impact on the state/local cash balance, as this funding affects both receipts and payments.

The state/local general government sector maintained a cash surplus each year from 1994-95 to 2005-06, with the exception of 1998-99. Average cash deficits of 0.6 per cent of GDP are expected from 2008-09 to 2011-12 (Panel A, Chart 5.4). Flowing from the downturn in economic activity, these cash deficits reflect decreases in key revenue bases, in particular, decreases in GST revenue and revenues related to the property sector. The state/local cash position is expected to be in deficit in 2008-09 (0.6 per cent of GDP) and 2009-10 (0.8 per cent of GDP), improving to a deficit of 0.4 per cent of GDP in 2011-12.

### **Public non-financial corporations sector**

As shown in Chart 5.3, the consolidated PNFC sector maintained a cash surplus through much of the 1990s.



A cash deficit of 1.9 per cent of GDP is estimated for the consolidated PNFC sector in 2008-09, improving slightly to a deficit of 1.8 per cent of GDP in 2009-10.

The Commonwealth's PNFC sector is small compared to that at the state/local level, where the majority of PNFCs are located. This reflects the role of State and local governments in the provision of essential services in areas such as electricity, gas, water and transport. As capital investment activity is greater in the PNFC sector, the bulk of expenditure on infrastructure is usually delivered at the state/local level. This infrastructure construction is being supported by all levels of Australian Government.

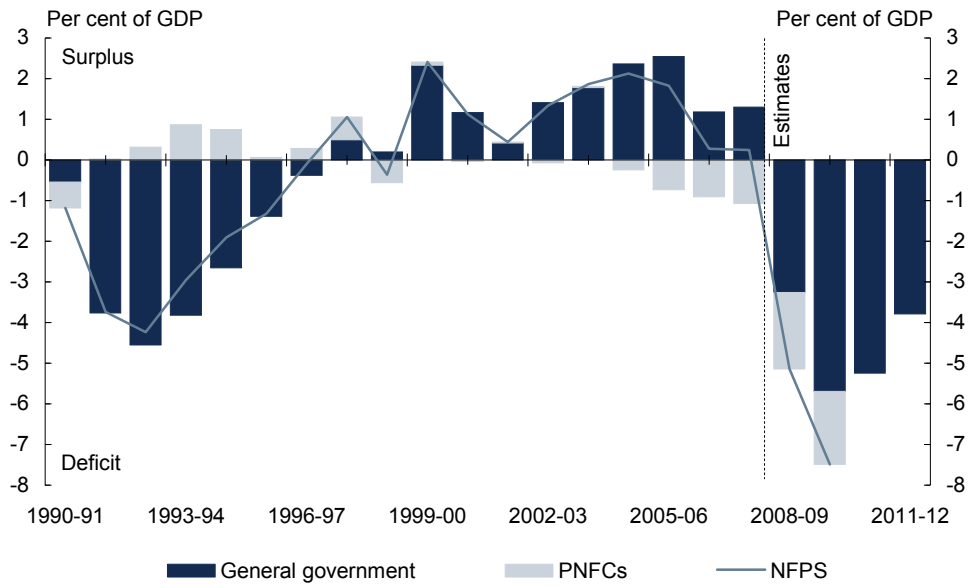
Cash deficits are expected at the state/local level, of 1.8 per cent of GDP in 2008-09 and 1.6 per cent of GDP in 2009-10. Cash deficits at both the Commonwealth and state/local levels of government are driving the expected PNFC sector cash deficits at the consolidated level.

### **Non-financial public sector**

It is estimated that the consolidated NFPS will record a cash deficit of 5.1 per cent of GDP in 2008-09 and 7.5 per cent of GDP in 2009-10. The expected state/local NFPS deficit is predominantly a result of the large capital expenditure programs being delivered by state/local PNFCs. This expenditure includes States' own investment programs, as well as Commonwealth-funded programs under the Commonwealth's stimulus packages. The Commonwealth NFPS cash deficit also reflects funding under the \$15.2 billion COAG package.

As noted previously, it is likely that, following the release of the remaining state budgets, the aggregate state/local cash balance will change.

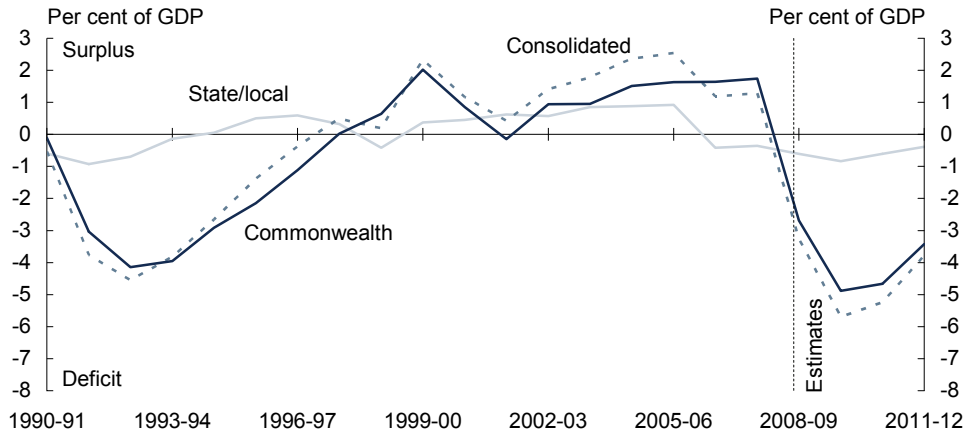
**Chart 5.3: Consolidated cash balance by sector<sup>(a)</sup>**



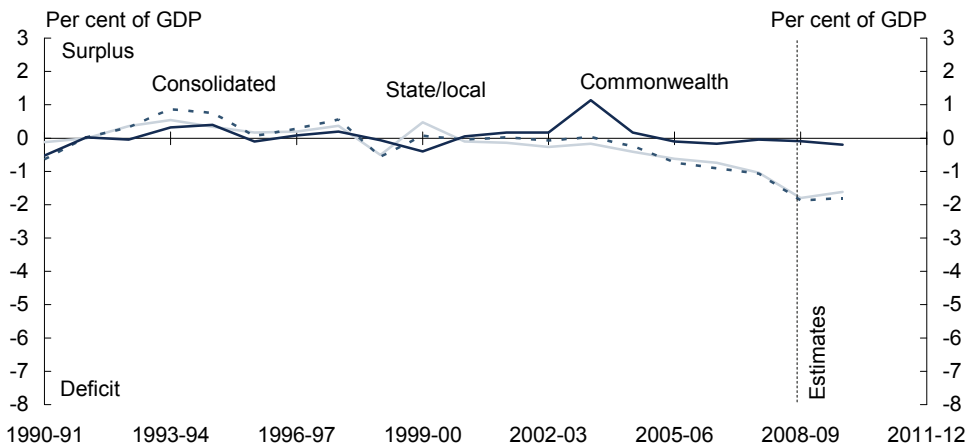
(a) Data for the PNFC sector (and therefore the NFPS) are not available beyond 2009-10.

**Chart 5.4: Cash balance by sector and level of government<sup>(a)</sup>**

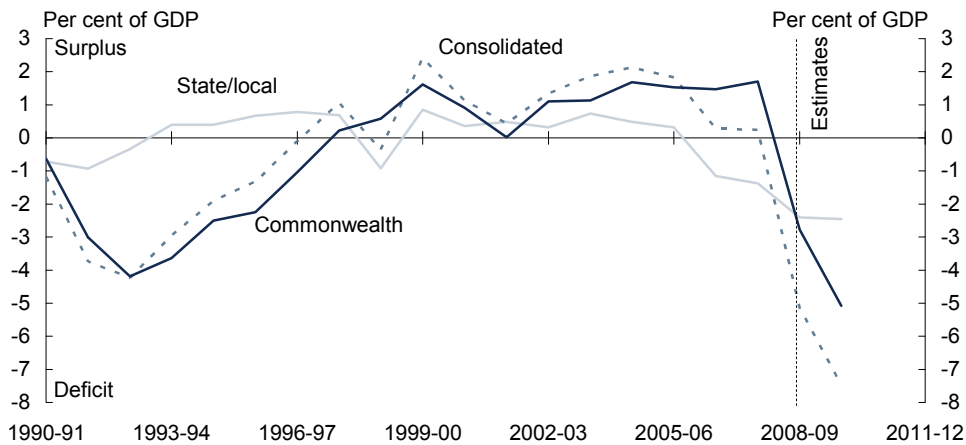
**A: General government sector**



**B: Public non-financial corporations sector**



**C: Non-financial public sector**



(a) Data for the PNFC sector (and therefore the NFPS) are not available beyond 2009-10.

## **Receipts and payments**

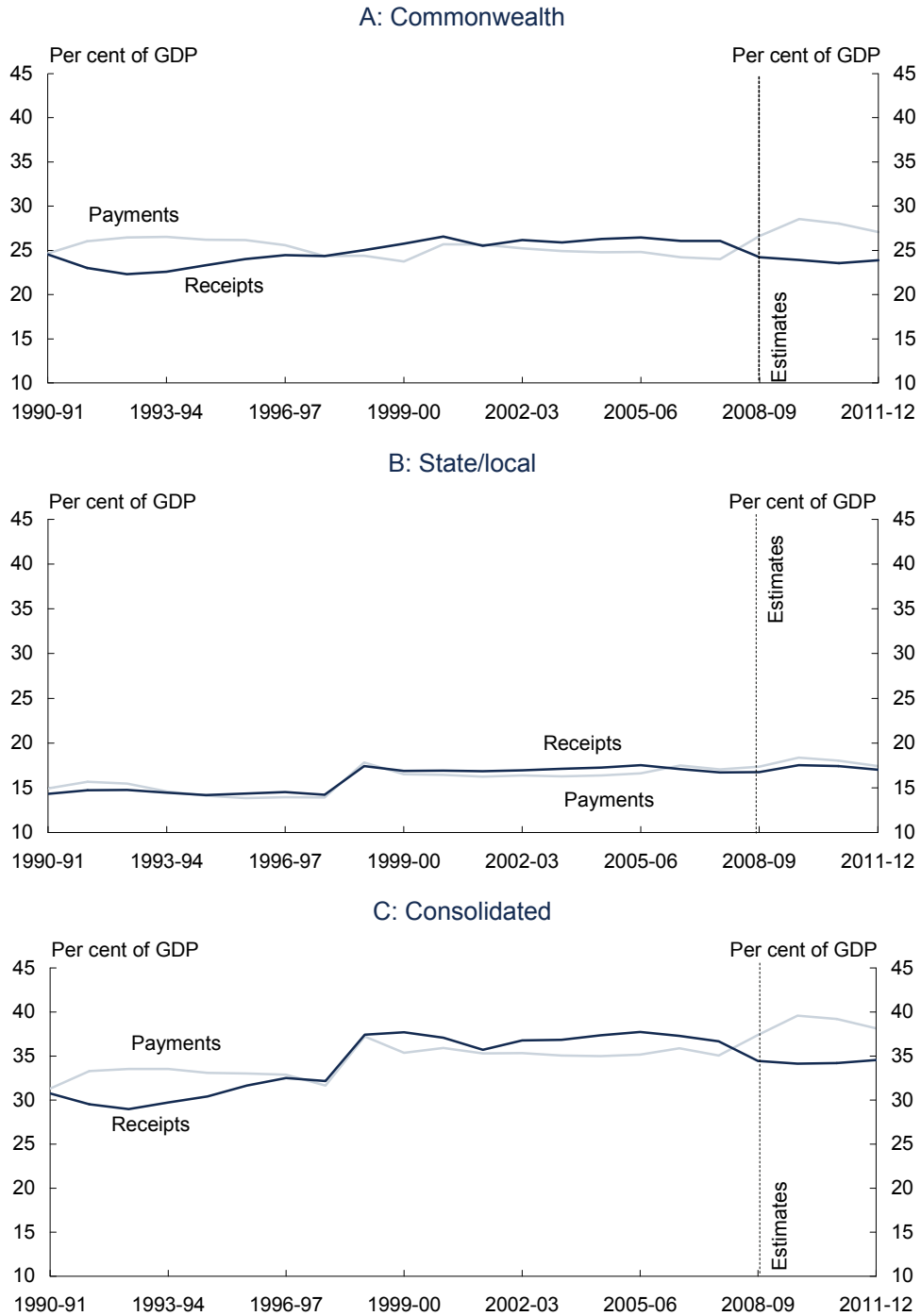
Chart 5.5 shows the trend in general government sector cash receipts and payments at the Commonwealth, state/local and consolidated levels of government, which underpin the developments in cash balances explained above. The general government sector is an appropriate focus for an assessment of public sector receipts and payments as it is the sector that collects taxes and provides non-market public services. The general government sector also accounts for the majority of NFPS receipts and payments.

Estimates of Commonwealth receipts and payments in Panel A of Chart 5.5 are inclusive of GST receipts and the associated payments of GST revenue to the States. The increase in payments in 2009-10 reflects the increased payments to the States under the Nation Building and Jobs Plan.

With the exception of Victoria, the Australian Capital Territory and the Northern Territory, state/local estimates, as shown in Panel B of Chart 5.5, are based on 2008-09 mid-year financial reports. These do not include Commonwealth funds paid through the States for infrastructure investment under the Nation Building and Jobs Plan, the Economic Security Strategy and, for Western Australia, the \$15.2 billion COAG package.

The PNFC sector is an important provider of economic infrastructure and contributes revenue to the general government sector, mainly in the form of dividends. State/local governments account for the majority of total PNFC sector receipts and payments.

**Chart 5.5: General government sector receipts and payments by level of government<sup>(a)</sup>**



(a) The increases in receipts and payments in 1998-99 for the state/local sector, and in 1999-2000 for the Commonwealth, were predominantly due to the move to an accrual accounting framework and the subsequent 'grossing up' of cash receipts and payments. Prior to 1999-2000 some cash receipts were netted off payments.

## **INFRASTRUCTURE INVESTMENT**

The global financial crisis has affected financial markets around the world, and state government borrowing is no exception. The spread between the cost of the benchmark Commonwealth Government Securities and state-issued semi-government bonds has increased along with competition for a shrinking pool of available credit. These factors have contributed to less liquid credit markets and to increasing difficulty for States attempting to access those markets.

In recent years, State governments have generally maintained a positive net operating balance. State borrowing has occurred, particularly in the PNFC sector, to fund infrastructure.

Given the situation facing state borrowing, and the potential implications for infrastructure spending if the States were unable to access credit markets, the Commonwealth Government has responded to ensure that the States have the capacity to raise debt. The guarantee of state and territory borrowing will underpin the ability of State governments to access the credit market.

### **Box 5.2: Guarantee of state and territory borrowing**

The guarantee is available for both existing and new issuances of securities, but does not extend to securities denominated in foreign currencies. The guarantee is available over a range of maturities, allowing the States to more readily structure their finances to meet their longer term infrastructure plans.

A fee will be charged for the use of the guarantee. The fee on new issuances will be 30 basis points for AAA/Aaa-rated States and 35 basis points for AA+/Aa1-rated States. Existing securities can be guaranteed for 15 basis points for AAA/Aaa-rated States and 20 basis points for AA+/Aa1-rated States.

The Australian Loan Council will provide an additional level of transparency and rigour to the operation of the guarantee, as state borrowing requirements will continue to be considered by the Loan Council through the Loan Council Allocation process.

## **Gross fixed capital formation**

Gross fixed capital formation is the value of acquisitions less disposals of new or existing fixed assets. The level of gross fixed capital formation is useful as a measure of investment in infrastructure.

Owing to the States' responsibilities in a range of capital intensive areas, such as electricity, gas, water and transport, including both rail and port infrastructure, the states have a large share of consolidated gross fixed capital formation. This section relates to state gross fixed capital formation.

The figures reported in this section include funding provided by the Commonwealth under the Nation Building and Jobs Plan for Victoria, the Australian Capital Territory and the Northern Territory, as reported in their budgets released on 5 May 2009. The data for the remaining States are based on their most recent mid-year financial reports, which do not include funding under the Nation Building and Jobs Plan. Funding under the Nation Building and Jobs Plan is described in more detail in Part 2 of this Budget Paper.

## **General government sector**

Gross fixed capital formation in the aggregate state general government sector as a share of GDP has increased strongly over recent years. From 1 per cent of GDP in 2003-04, gross fixed capital formation in the state general government sector is expected to increase to around 1.8 per cent of GDP in 2009-10.

## **Public non-financial corporations sector**

The PNFC sector currently has the largest expenditure on gross fixed capital formation. Gross fixed capital formation in the state PNFC sector has increased strongly over the past 10 years, both as a nominal dollar amount and as a proportion of GDP. Gross fixed capital formation has increased from a low of around \$3.7 billion (0.6 per cent of GDP) in 1999-2000 to around \$19.7 billion (1.7 per cent of GDP) in 2007-08.

From 2007-08 to 2009-10, gross fixed capital formation in the aggregate state PNFC sector is expected to increase from around \$19.7 billion to around \$26.8 billion (2.3 per cent of GDP), an increase of 36.1 per cent. This represents the highest level of gross fixed capital formation, as a proportion of GDP, since the commencement of accrual accounting.

Gross fixed capital formation in the aggregate state PNFC sector is expected to fall to \$19.3 billion in 2011-12, coming off an expected peak of \$26.8 billion in 2009-10. The greatest driver of this decrease is Queensland's reduction from an expected peak of \$9.9 billion (4.2 per cent of GSP) in gross fixed capital formation in 2008-09 to levels more consistent with historical averages, as a proportion of gross state product.

Queensland's mid-year financial report is forecasting gross fixed capital formation will total around \$4.9 billion (1.8 per cent of GSP) in 2011-12.

Many States have adjusted capital spending across the forward estimates period to 2011-12 in their mid-year financial reports. Although some infrastructure projects were deferred, the resulting reduction in total capital expenditure was partially offset by the announcement of new projects.

The Victorian, Australian Capital Territory and Northern Territory budgets reflect increased gross fixed capital formation over the forward estimates, compared with their mid-year financial reports. This reflects the inclusion of Commonwealth funding under the Nation Building and Jobs Plan as well as States' own infrastructure projects.

### Non-financial public sector

Gross fixed capital formation in the aggregate state NFPS is the aggregate of gross fixed capital formation in the state general government and PNFC sectors.

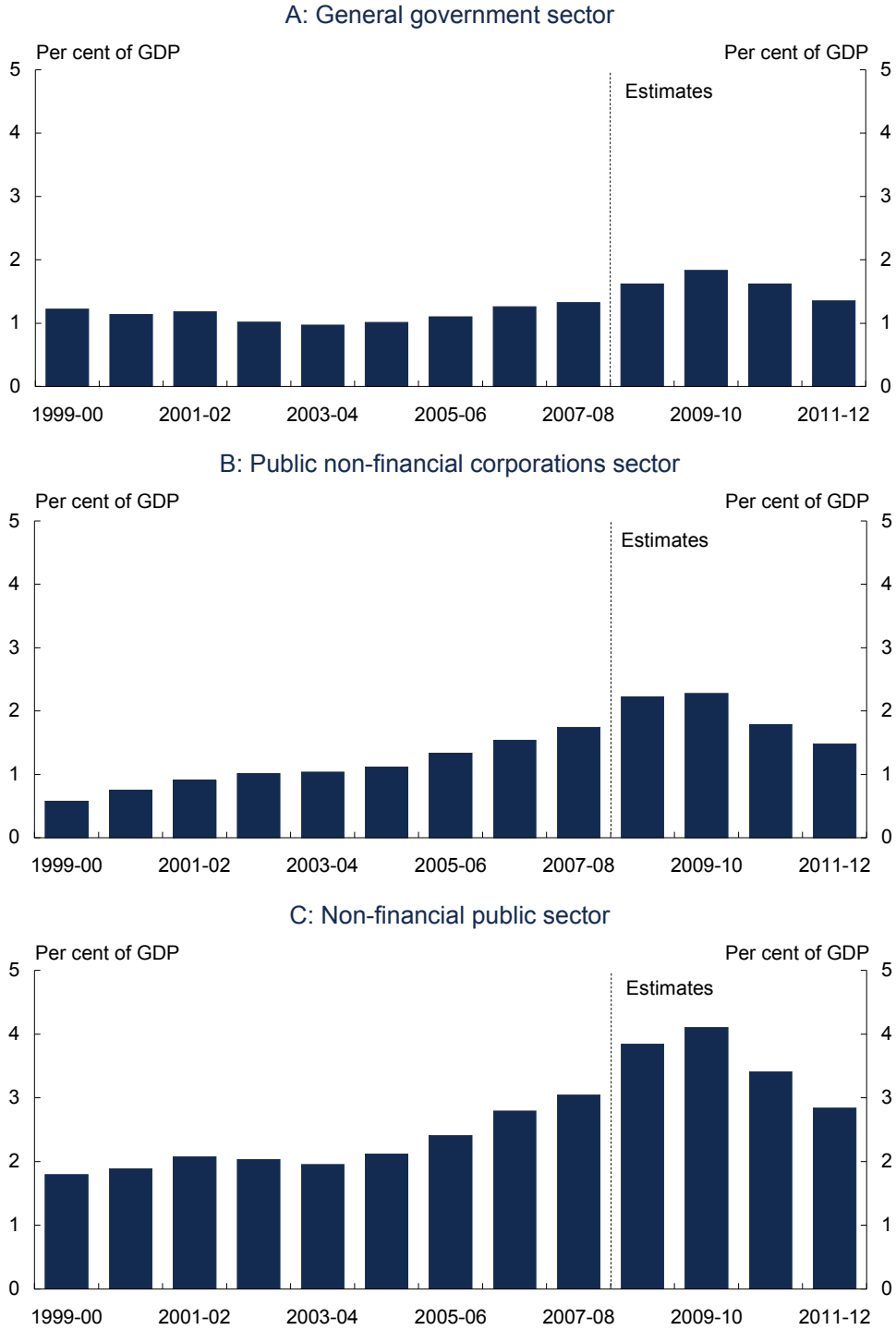
From a low of around \$11.6 billion (1.8 per cent of GDP) in 1999-2000, gross fixed capital formation in the state NFPS is expected to increase to around \$48.4 billion (4.1 per cent of GDP) in 2009-10.

**Table 5.1: Non-financial public sector gross fixed capital formation by State (\$m)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	States
2002-03	6,098	3,100	3,542	1,697	622	390	157	268	15,888
2003-04	6,327	3,173	3,344	1,997	672	464	260	224	16,447
2004-05	6,608	2,967	5,059	2,498	801	522	277	325	19,040
2005-06	7,791	3,564	6,533	3,393	806	624	251	360	23,323
2006-07	9,140	4,864	9,586	3,616	942	359	285	386	29,178
2007-08	10,246	4,541	12,630	4,534	1,065	466	437	520	34,439
2008-09	12,469	7,304	16,576	5,559	2,044	705	695	655	46,007
2009-10	12,776	10,532	14,266	5,546	2,317	796	1,210	944	48,387
2010-11	12,369	9,476	11,455	4,401	1,250	802	1,092	825	41,670
2011-12	12,009	7,094	10,060	4,754	1,095	721	434	683	36,851



**Chart 5.6: Aggregate state gross fixed capital formation by sector**



## NET DEBT

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, investments, loans and placements). Net debt does not include superannuation-related liabilities.

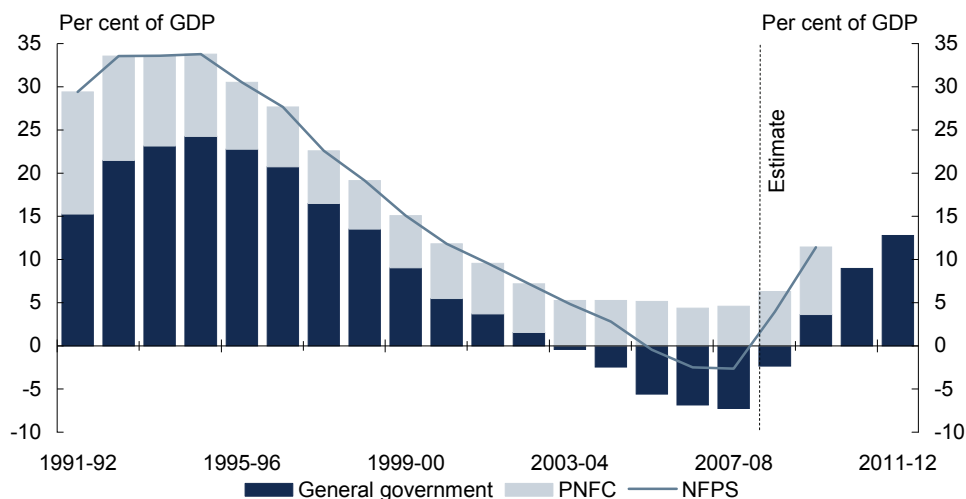
The improvement in consolidated NFPS net debt from the mid-1990s through to 2007-08, shown in Chart 5.7, primarily reflects both the Commonwealth and the state/local governments moving into budget surpluses and the continued application of privatisation proceeds to debt retirement at both levels of government.

Since 2007-08, consolidated NFPS net debt has increased owing to an increase in net debt at both the Commonwealth and state/local levels of government.

Individually, the majority of States are expecting positive net debt in 2008-09 and over the forward estimates. Following the release of updated figures in the remaining States' 2009-10 budgets, the aggregate state/local net debt positions in Chart 5.8, and the consolidated net debt figure in Chart 5.7, will likely change. Any shift in the positions of the larger states, Queensland, Western Australia and New South Wales, would alter the consolidated net debt level.

The increase in consolidated NFPS net debt reflects increased Commonwealth borrowing as a result of the global recession, and continued state borrowing.

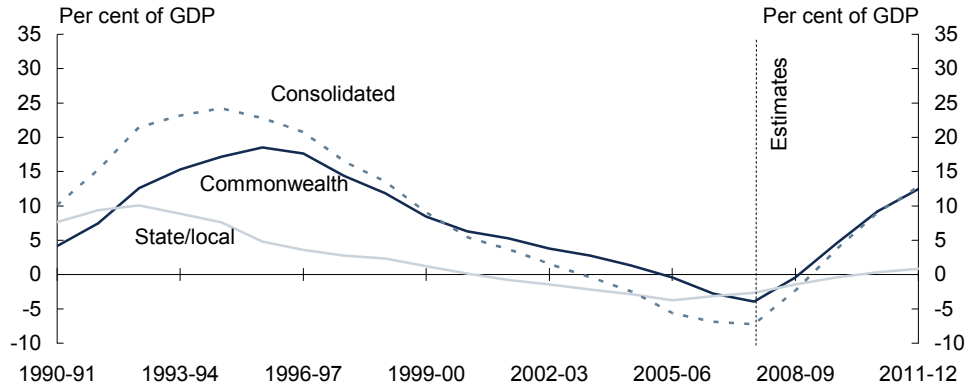
**Chart 5.7: Consolidated net debt by sector  
(as at end of financial year)<sup>(a)</sup>**



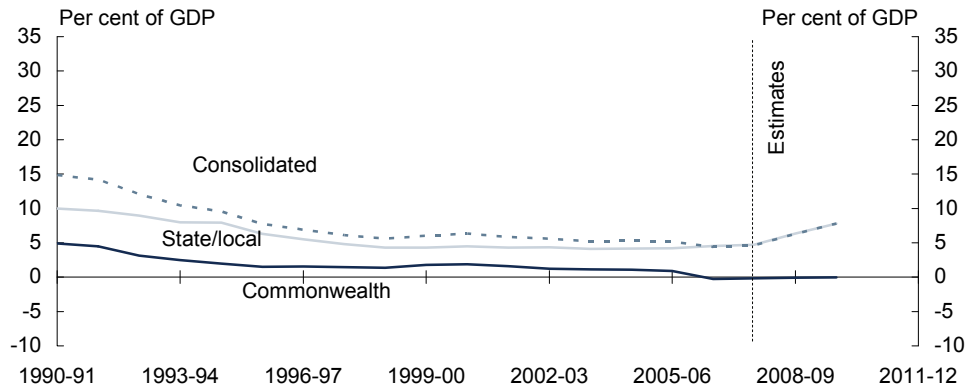
(a) Data for the PNFC sector (and therefore the NFPS) are not available beyond 2009-10.

**Chart 5.8: Net debt by sector and level of government  
(as at end of financial year)<sup>(a)</sup>**

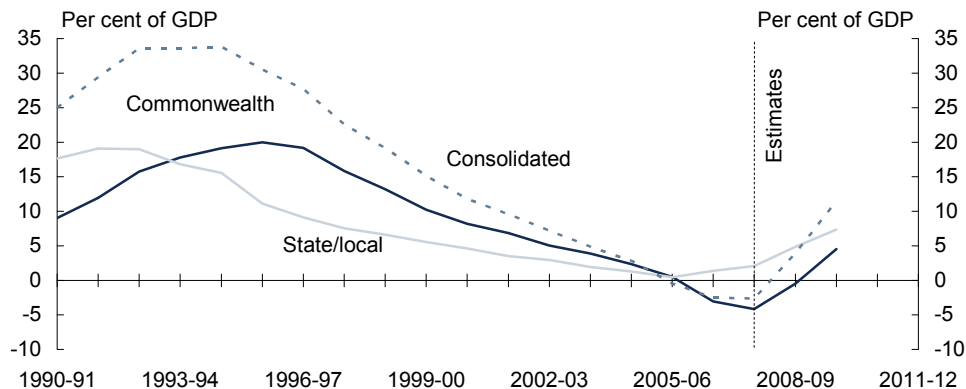
**A: General government sector**



**B: Public non-financial corporations sector**



**C: Non-financial public sector**



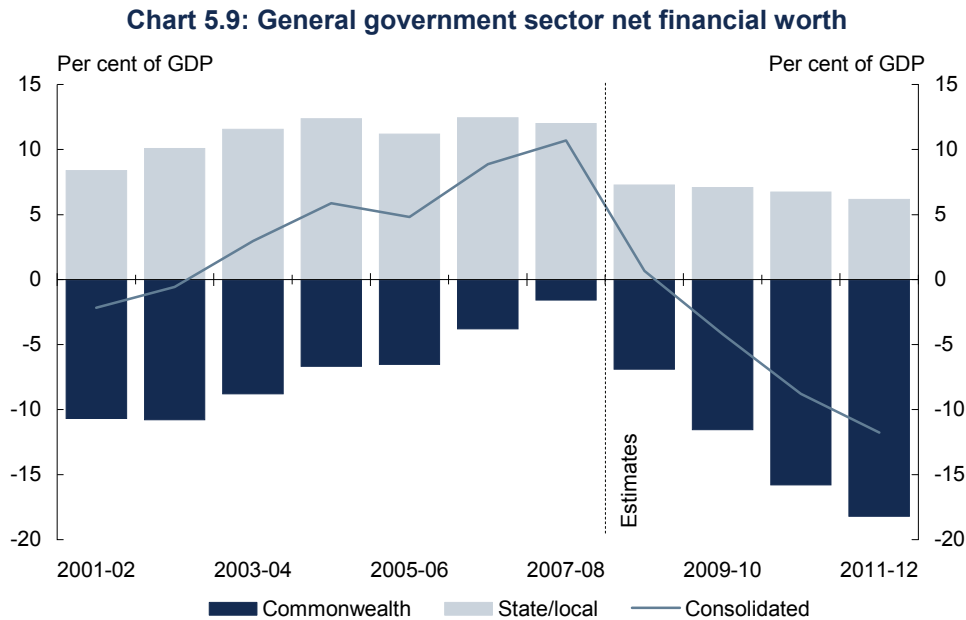
(a) Data for the PNFC sector (and therefore the NFPS) are not available beyond 2009-10.

## NET FINANCIAL WORTH

Net financial worth measures a government's net holdings of financial assets. It is a broader measure than net debt, as it includes employee-related liabilities such as superannuation, but is narrower than net worth as it excludes non-financial assets.

Following the trend in net debt, Commonwealth general government sector net financial worth has fallen since 2007-08, as a result of the global financial crisis and global recession. Net financial worth in the state/local general government sector is expected to fall, as a per cent of GDP, over the forward estimates from a peak in 2006-07.

At the consolidated level, net financial worth is expected to decline in 2008-09 and over the forward estimates.



## **NET WORTH**

Net worth is the broadest measure of the balance between assets and liabilities as it includes all assets less all liabilities.

The state/local general government sector is estimated to have a positive net worth of 65.1 per cent of GDP in 2008-09 and 67.4 per cent of GDP in 2009-10. State/local net worth has increased in nominal terms each year between 1998-99 and 2007-08. As a proportion of GDP, over the same period, it has increased from 60.1 per cent of GDP to 69.6 per cent of GDP.

Historically, the Commonwealth general government sector has frequently recorded negative net worth. The Commonwealth is expecting negative net worth in 2009-10 and over the forward estimates. This primarily reflects the significant funding provided by the Commonwealth to the States and to local government for capital works, with the resultant assets recorded in the balance sheets of the state and local governments. Looking ahead, general government sector net worth is expected to decline across all levels of government as a result of the global financial crisis and global recession.

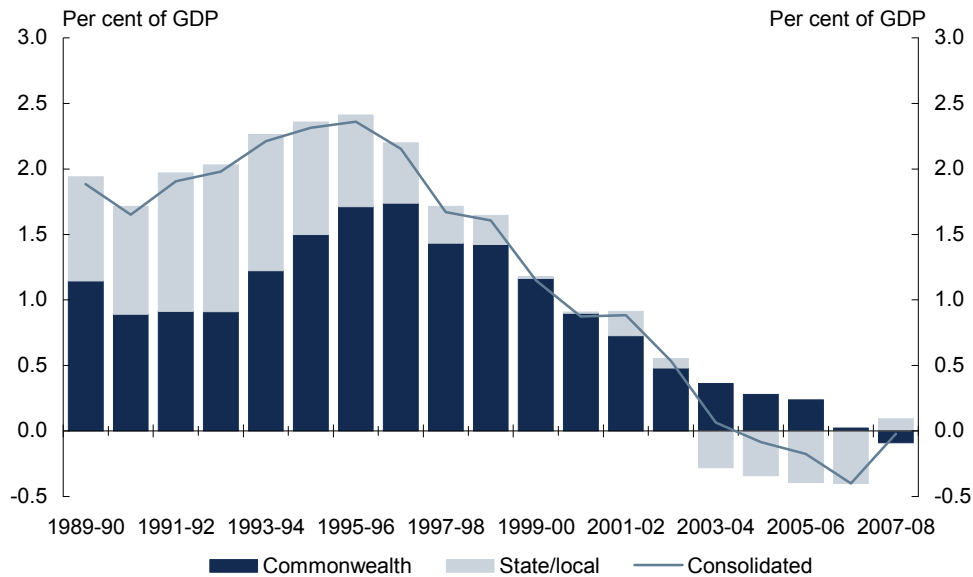
## **NET INTEREST PAYMENTS**

Net interest payments reflect the cost of servicing debt. The higher the net debt of a government (lower net financial worth), the greater the call that will be imposed on a government's future revenue flows to service that debt.

Consolidated general government sector net interest payments peaked in 1995-96, reflecting the increased level of Commonwealth general government sector net debt. Since then Commonwealth and state/local general government sector net interest payments have been decreasing, reaching a low in 2006-07, as the Commonwealth and state/local general government sectors experienced sustained budget surpluses, which were used, in part, to pay down debt levels.

In 2007-08 state/local general government net interest payments began to increase as a result of an increase in the level of state/local sector net debt.

**Chart 5.10: General government sector net interest payments**



## THE AUSTRALIAN LOAN COUNCIL

The Australian Loan Council is a Commonwealth-State ministerial council that coordinates public sector borrowing. The Loan Council consists of the Prime Minister of Australia and the Premier/Chief Minister of each State and Territory. However, in practice, each member is represented by a nominee, usually the Treasurer of that jurisdiction, with the Commonwealth Treasurer as Chairman.

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

The Loan Council traditionally meets annually in March to consider jurisdictions' nominated borrowings 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.

From 2009-10 the Loan Council will undertake several new roles in relation to infrastructure and borrowing.

As announced in the 2008-09 Budget, the Loan Council will consider the macroeconomic implications of proposed expenditure from the Building Australia Fund, the Health and Hospitals Fund and the Education Investment Fund. The Loan

Council will then report to the Commonwealth to inform the Government's final decisions regarding funding of projects from these funds.

Following the announcement of funding decisions from the funds, affected jurisdictions will have an opportunity to make appropriate amendments to their Loan Council Allocation nominations.

The Loan Council will also provide an additional level of scrutiny regarding the use of the guarantee of state and territory borrowing. The additional oversight by the Loan Council will enhance its role of improving government accountability, and will provide an additional layer of scrutiny and transparency over public sector financing.

### **Outcome of the 2009 Australian Loan Council meeting**

The Loan Council met on 25 March 2009 to consider Loan Council Allocation nominations for 2009-10. The Loan Council approved each jurisdiction's nominated allocation. In aggregate, the nominations represent a deficit of \$58.9 billion (Table 5.2). The States nominated a deficit of \$24.8 billion and the Commonwealth nominated a deficit of \$34.1 billion.

The Commonwealth's 2009-10 Loan Council Allocation budget update is available in Budget Paper No. 1, Statement 9, Appendix B.

State 2009-10 Loan Council Allocation budget updates will be available in the States' 2009-10 budgets.

Table 5.2: Loan Council Allocation (LCA) nominations for 2009-10<sup>(a)</sup>

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	C/with	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Nominated 2009-10 LCAs</b>										
General government sector cash surplus(-)/deficit(+)	1,077	703	3,286	856	729	-51	-112	-27	32,452	
PNFC sector cash surplus(-)/deficit(+)	4,284	4,120	5,617	2,495	700	76	199	147	980	
Non-financial public sector cash surplus(-)/deficit(+)(b)	5,362	4,823	8,904	3,351	1,429	25	87	120	33,432	
Acquisitions under finance leases and similar arrangements	406	*	0	130	14	0	0	0	499	
<i>equals</i> ABS GFS cash surplus(-)/deficit(+)	5,768	*	8,904	3,481	1,443	25	87	120	33,931	
<i>minus</i> Net cash flows from investments in financial assets for policy purposes(c)	-187	-3	180	0	-7	-4	-7	-1	-995	
<i>plus</i> Memorandum items(d)	676	328	41	-423	-558	49	4	0	-853	
<b>Loan Council Allocations</b>	<b>6,631</b>	<b>5,153</b>	<b>8,765</b>	<b>3,058</b>	<b>892</b>	<b>78</b>	<b>98</b>	<b>121</b>	<b>34,073</b>	<b>58,869</b>
2009-10 tolerance limit(e)	1,375	859	950	549	289	128	80	87	5,955	

(a) LCA nominations for 2009-10 reflect best estimates of cash surpluses/deficits. Nominations have been provided on the basis of policies announced up to and included in jurisdictions' mid-year financial reports and the Commonwealth's mid-year economic and fiscal outlook and the updated economic and fiscal outlook. Each jurisdiction will publish an updated LCA estimate as part of its budget documentation.

(b) The sum of the deficits of the general government and PNFC sectors may not directly equal the NFPS deficit due to intersectoral transfers.

(c) Net cash flows from investments in financial assets for policy purposes 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, these flows have implications for a government's call on financial markets. Net cash flows from investments in financial assets for policy purposes are displayed with the same sign as reported in cash flow statements.

(d) Memorandum items are used to adjust the NFPS surplus/deficit 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 NFPS surplus/deficit certain transactions that the Loan Council has agreed should not be included in LCAs, for example, the funding of more than employers' emerging costs under public sector superannuation schemes, or borrowings by entities such as statutory marketing authorities. Where relevant, memorandum items include an amount for gross new borrowings of government home finance schemes.

(e) Tolerance limits are designed, *inter alia*, to accommodate changes to LCAs resulting from changes in policy. Tolerance limits apply between jurisdictions' LCA nominations and budget estimates, and again between budget estimates and outcomes. They are calculated as 2 per cent of NFPS cash receipts from operating activities in each jurisdiction.

\* These figures were not reported.



## **PART 6: ACCOUNTABILITIES UNDER THE FEDERAL FINANCIAL RELATIONS FRAMEWORK**

Improved accountability is a key objective of the new framework for federal financial relations. There have been consequential changes to accountabilities within the Commonwealth with the introduction of the financial framework.

The Commonwealth and the States have committed to enhancing the public accountability of all governments by implementing a new performance reporting framework. These reforms will enable the community to assess better the quality and efficiency of service delivery by all governments.

### **OVERVIEW**

The Intergovernmental Agreement describes the institutional arrangements for the new federal financial relations framework:

- COAG is the key decision-making body with respect to implementing the framework, and will monitor progress on all aspects of the new framework;
- the Ministerial Council for Federal Financial Relations has responsibility for the general oversight of the operation of the Intergovernmental Agreement and the on-going monitoring and maintenance of reforms, including ensuring that National Agreements and National Partnerships are aligned with the design principles of the Intergovernmental Agreement;
- sectoral Ministerial Councils have responsibility for: policy in respect of National Agreements and National Partnerships; proposing new National Partnerships; and, making recommendations to COAG on the development of objectives, outcomes, outputs and performance indicators for National Agreements; and
- all payments to the States are subject to the new framework and will be centrally administered through monthly payments from the Commonwealth Treasury to the state treasuries.

These arrangements under the Intergovernmental Agreement affect accountabilities across the Commonwealth.

## COMMONWEALTH ACCOUNTABILITIES

### Policy and payment accountability arrangements

Under the new framework, policy outcomes and objectives have been separated from funding arrangements to ensure that the policy focus is on achieving better services for all Australians and addressing social inclusion.

National Agreements establish the policy objectives in the key service sectors. They set out the objectives, outcomes, outputs and performance indicators which are mutually-agreed between all jurisdictions.

National Agreements are not funding agreements. Funding is provided separately in National SPPs, which are specified in the Intergovernmental Agreement. The provision of funding under National SPPs is not contingent on achieving the outcomes or achieving the performance benchmarks outlined in National Agreements. The only condition in National SPPs is that the funding be spent in the sector for which it is provided.

National Agreements may be associated with a National SPP, but this is not a requirement. For example, the *National Indigenous Reform Agreement* outlines the mutually-agreed objectives for Indigenous reform, with the Commonwealth and the States each having flexibility in funding the achievement of those reforms. There is no associated National SPP.

National Partnership agreements also outline the mutually-agreed policy objectives in areas of nationally-significant reform or to achieve service delivery improvements. National Partnerships may provide for payments on the achievement by the States of performance benchmarks or for delivering reform progress. However, National Partnerships do not need to provide a financial contribution to the States.

For both National Agreements and National Partnership agreements, the primary responsibility for policy is with the relevant portfolio Minister.

Under the new centrally administered payment arrangements of the framework, all payments are processed by the Commonwealth Treasury and paid directly to each state treasury. State treasuries are responsible for distributing the funding within their jurisdiction. In the Commonwealth, the Treasurer is accountable for the appropriations, estimates and efficient payments, under the framework. These arrangements are implemented through the *Federal Financial Relations Act 2009*.

Having state treasuries distribute Commonwealth-sourced funding to State portfolio agencies helps reinforce that State agencies are primarily accountable to their own Parliament and public for their service delivery performance, including in respect of their delivery of programs for which the Commonwealth provides a financial contribution.

This distinction between policy and funding flows through to accountability arrangements at the Commonwealth level under the new framework. These accountability arrangements are summarised in Table 6.1.

**Table 6.1: Commonwealth policy and payments accountability arrangements**

	Policy	Payment estimates	Making payments
National SPPs	Treasurer	Treasurer	Treasurer
National Agreements	Portfolio Minister(a)	No payments	No payments
NP payments - facilitation	Portfolio Minister(a)	Treasurer(b)	Treasurer
NP payments - reward	Portfolio Minister(a)	Treasurer(b)	Treasurer
NP payments - project	Portfolio Minister(a)	Treasurer(b)	Treasurer
General revenue assistance (incl. GST)	Portfolio Minister (usually the Treasurer)	Treasurer(b)	Treasurer
Local government SPPs	Portfolio Minister	Portfolio Minister	Portfolio Minister
Commonwealth own-purpose expense	Portfolio Minister	Portfolio Minister	Portfolio Minister

(a) The Ministerial Council for Federal Financial Relations is also accountable to COAG under the Intergovernmental Agreement for ensuring to the fullest extent possible the National Agreements and National Partnerships are aligned with the framework's design principles.

(b) On advice from the portfolio Minister.

### National SPPs

For National SPPs, the Treasurer is accountable for all relevant aspects including:

- Negotiation of the funding levels and growth factors;
- the appropriations and the efficient processing of payments;
- estimates of payments;
- reporting in respect of payments; and
- each National SPP being expended by the States within the relevant sector.

### National Agreements

For National Agreements, portfolio Ministers are accountable for the development of objectives, outcomes, outputs and performance indicators and all relevant policy matters. The Treasurer is responsible for ensuring that National Agreements align with the design principles described in *Schedule E – National Policy and Reform Objectives* of the Intergovernmental Agreement.

### National Partnerships

Portfolio Ministers are responsible for policy relating to National Partnership payments and for proposing new specific projects and reforms which could be supported by National Partnerships.

For Commonwealth-own purpose expenses, which can be provided to assist in the achievement of objectives for National Partnership agreements, payment and policy are the responsibility of the relevant portfolio Minister.

For National Partnership payments, the Treasurer is accountable for:

- ensuring to the fullest extent possible that National Partnerships are aligned with the design principles described in *Schedule E – National Policy and Reform Objectives* of the Intergovernmental Agreement;
- ensuring that National Partnerships in a sector which is covered by a National Agreement are aligned with the objectives of that National Agreement;
- ensuring that National Partnerships support the delivery of clearly specified outputs or projects, or facilitate the implementation of, or reward the delivery of, reforms of national significance;
- negotiating base funding levels for reform-based National Partnerships;
- developing principles for the funding levels of project-based National Partnerships;
- assessing whether expiring National Partnerships should be converted into existing or new National SPPs or general revenue assistance; and
- appropriations for, and the efficient provision of, payments.

#### **General revenue assistance**

The Treasurer has accountability for the estimates of, appropriations for, and the efficient payment of, general revenue assistance, which includes GST payments. The terms and conditions upon which payments are made are set out in *Schedule D – Payment Arrangements* of the Intergovernmental Agreement. The *Federal Financial Relations Act 2009* provides for the Treasurer to credit amounts to the COAG Reform Fund for payments of general purpose financial assistance other than GST payments.

Where there is policy or legislation associated with general revenue assistance – for example, royalties revenue sharing arrangements in the *Offshore Petroleum and Greenhouse Gas Act 2006* – that policy responsibility rests with the relevant portfolio Minister, with the Treasurer accountable for payments.

**Box 6.1: The Federal Financial Relations Act 2009**

The *Federal Financial Relations Act 2009* implements the payment arrangements of the new financial framework. For the first time in decades, the complexity of all the Commonwealth's financial relations with the States is contained in one piece of legislation. Previously, each of the payments for specific purposes had its own legislative instruments, payment arrangements and administrative processes.

**National SPPs**

The *Federal Financial Relations Act 2009* provides a standing appropriation for the Commonwealth to make on-going financial contributions to the States through five National SPPs. The Act sets the amount of base funding for each National SPP for 2009-10 and provides for the funding to be indexed annually by a growth factor determined by the Treasurer. A State's share of a National SPP in a financial year is also determined by the Treasurer. *Schedule D – Institutional Arrangements* of the Intergovernmental Agreement describes the detailed arrangements.

**GST payments**

The Act provides a standing appropriation for the Treasurer to make GST payments to the States and provides for the Treasurer to determine the distribution between the States, based on the recommendations of the Commonwealth Grants Commission. *Schedule D – Institutional Arrangements* of the Intergovernmental Agreement describes the detailed arrangements.

**Other payments**

The Act provides for the Treasurer, through a written determination, to credit amounts to the COAG Reform Fund for the purpose of making grants of National Partnership payments and general revenue assistance to the States.

Under these arrangements, payments are transparent to the public and subject to parliamentary scrutiny. The Treasurer's determinations are legislative instruments and will be registered on the Federal Register of Legislative Instruments.

Parliamentary scrutiny is also provided by requiring that the Treasurer gain approval for the maximum amount that he may credit to the COAG Reform Fund for the purpose of making these payments to the States.

While the annual Appropriation Acts will no longer provide the appropriation for these types of payments, the maximum amount that the Treasurer may credit to the COAG Reform Fund in a particular financial year will be legislated. A general drawing rights limit will restrict the total amount that may be covered by drawing rights under the *Financial Management and Accountability Act 1997* and, hence, the amount that can be paid out from the Fund in a financial year. Limiting the ability to issue drawing rights is an effective mechanism because the *Financial Management and Accountability Act 1997* does not permit expenditure without the person making the payment having been issued with a valid drawing right. This ensures that the Parliament's role in approving Commonwealth expenditure is preserved.

**Box 6.1: The Federal Financial Relations Act 2009 (continued)**

The Appropriation Bill (No. 2) 2009-10 provides that the general drawing rights limits in the 2009-10 financial year for the purpose of providing general revenue assistance (other than GST payments) to the States is \$1 billion and for National Partnership payments is \$23 billion.

**Box 6.2: Financial Management and Accountability Act 1997**

The *Financial Management and Accountability Act 1997* (the FMA Act) applies to all payments associated with the new federal financial framework. In general, the FMA Act applies to any contract, agreement or arrangement under which public money is, or may become, payable.

Regulation 13 of the FMA Regulations provides that, before entering into agreements under which public money is, or may become, payable, relevant delegates must ensure that the associated spending proposal has been approved under FMA Regulation 9 and, if necessary, authorised in writing under FMA Regulation 10.

**National SPPs**

The FMA Act will only apply to new commitments where *Schedule D – Payment Arrangements* of the Intergovernmental Agreement is varied.

**National Agreements**

The FMA Act does not apply because National Agreements are not contracts, agreements or arrangements under which public money is, or may become, payable. However, entering into negotiations over new or revised National Agreements does require compliance with the provisions of the Intergovernmental Agreement.

**National Partnership agreements**

Where each National Partnership agreement sets out the terms and conditions of any associated National Partnership payment, the FMA Act will apply.

Portfolio Ministers are likely to negotiate implementation plans that set out the milestones and actual payments, as provided for in some National Partnership agreements. Before agreeing implementation plans, appropriate approvals under the relevant FMA regulations are required.

## Reporting accountability arrangements

Reporting accountabilities within the Commonwealth reflect the policy and payment accountabilities in the new federal financial relations framework. These are outlined in Table 6.2.

**Table 6.2: Commonwealth reporting accountabilities**

	Portfolio Budget Statements	
	Financial reporting	Non-financial reporting
National SPPs	Treasurer	Treasurer
National Agreements	No payments	Portfolio Minister
NP payments - facilitation	Treasurer	Portfolio Minister
NP payments - reward	Treasurer	Treasurer
NP payments - project	Treasurer	Portfolio Minister
General revenue assistance (incl. GST)	Treasurer	Portfolio Minister (usually the Treasurer)
Local government SPPs	Portfolio Minister	Portfolio Minister
Commonwealth own-purpose expense	Portfolio Minister	Portfolio Minister

There are some exceptions to the stylised accountabilities shown in Table 6.2. As the new framework commenced on 1 January 2009, all agencies have made payments in 2008-09 in respect of payments which are now Treasury's responsibility. Some payments from special accounts also have different accountabilities. For example, payments from the Nation Building Funds are processed by Treasury, but the appropriations and payment accountabilities are with the portfolio Ministers. Most payments for non-government schools and payments for interstate road transport are also treated this way.

### Financial reporting

From 2009-10, Portfolio Budget Statements reflect the payment arrangements for the new framework, which commenced on 1 January 2009.

In the 2009-10 Budget documents, the accountabilities for the reporting of payments to the States is as follows:

- the Treasury Portfolio Budget Statements present financial information for the following appropriations:
  - assistance under each of the five National SPPs (Programs 1.4 to 1.8);
  - general revenue assistance payments (Program 1.9); and
  - assistance under National Partnerships (Program 1.10);
- other portfolios will generally no longer receive appropriations to make payments to the States.

Table 1.3 in the Treasury's Portfolio Budget Statements provides detailed information on all programs for which appropriations have been provided under the *Federal Financial Relations Act 2009*. The Portfolio Budget Statements of other agencies provide a similar table in respect of payments previously made by that agency. This provides a basis for comparison with payments that had previously been reported in relevant agencies' Portfolio Budget Statements in 2008-09 and prior financial years.

This Budget Paper provides detailed whole-of-government information on the Commonwealth's payments to the States.

- Part 2 provides information on Commonwealth payments to support specific state services through National SPPs and National Partnership payments.
- Part 3 provides information on GST payments and other general revenue assistance.

### **Non-financial reporting**

Non-financial reporting accountabilities are as follows:

- the Treasurer is accountable for all aspects of policy in respect of National SPPs;
- the Treasurer is accountable for the new federal financial framework and payments made under the *Federal Financial Relations Act 2009*;
- the relevant portfolio Minister is accountable for all aspects of policy in respect of National Agreements;
- the relevant portfolio Minister is accountable for all aspects of policy in respect of National Partnership agreements, including in respect of the performance benchmarks which may trigger the requirement that a project payment be made;
- the Treasurer is accountable for all aspects of payments and estimates in respect of all general revenue assistance; and
- the relevant portfolio Minister is accountable for policy in respect of general revenue assistance that is legislated through, and falls within, their portfolio – otherwise the Treasurer is accountable.

## **PERFORMANCE REPORTING FRAMEWORK**

In agreeing to the new federal financial relations framework, the Commonwealth and the States committed to on-going performance reporting and working collaboratively to improve performance reporting to enhance public accountability. The performance reporting framework focuses on the achievement of results, value for money and timely provision of publicly available performance information.



### **Determining achievement against benchmarks**

The performance of the Commonwealth and the States in achieving mutually-agreed outcomes and performance benchmarks specified in National Agreements will be monitored and assessed by the COAG Reform Council, which will report publicly on an annual basis. Specifically, the Council will:

- publish performance information for all jurisdictions against National Agreement outcomes and performance benchmarks;
- produce an analytical overview of performance information for each National Agreement, and National Partnerships to the extent they support the objectives in a National Agreement;
- independently assess whether predetermined performance benchmarks have been achieved before an incentive payment is made to reward nationally-significant reforms under National Partnerships; and
- monitor the aggregate pace of activity in progressing COAG's agreed reform agenda.

In addition, to assist the COAG Reform Council in its role, the Productivity Commission has been tasked by COAG to report every two to three years on the economic impacts and benefits of COAG's agreed reform agenda.

Although there are no performance benchmarks associated with National SPPs, States are required to expend funding in the relevant sector – the Treasurer is accountable for ensuring this occurs. To demonstrate compliance, each State Treasurer will provide a report to the Ministerial Council for Federal Financial Relations within six months of the end of every financial year, detailing how much funding was spent in the relevant sector and, if required, provide a detailed explanation for any discrepancy with the amounts provided by the Commonwealth.

National Partnership project payments involve set funding arrangements that specify funding to be provided at a certain time, and may be subject to the satisfactory attainment by the States of performance benchmarks or milestones. Portfolio Ministers will determine, based upon expenditure or performance reporting arrangements set out in the National Partnership, whether the project payment will be made.

As National Partnership facilitation payments have no performance benchmarks, the Treasurer will generally determine whether to make such payments specified in a National Partnership agreement.

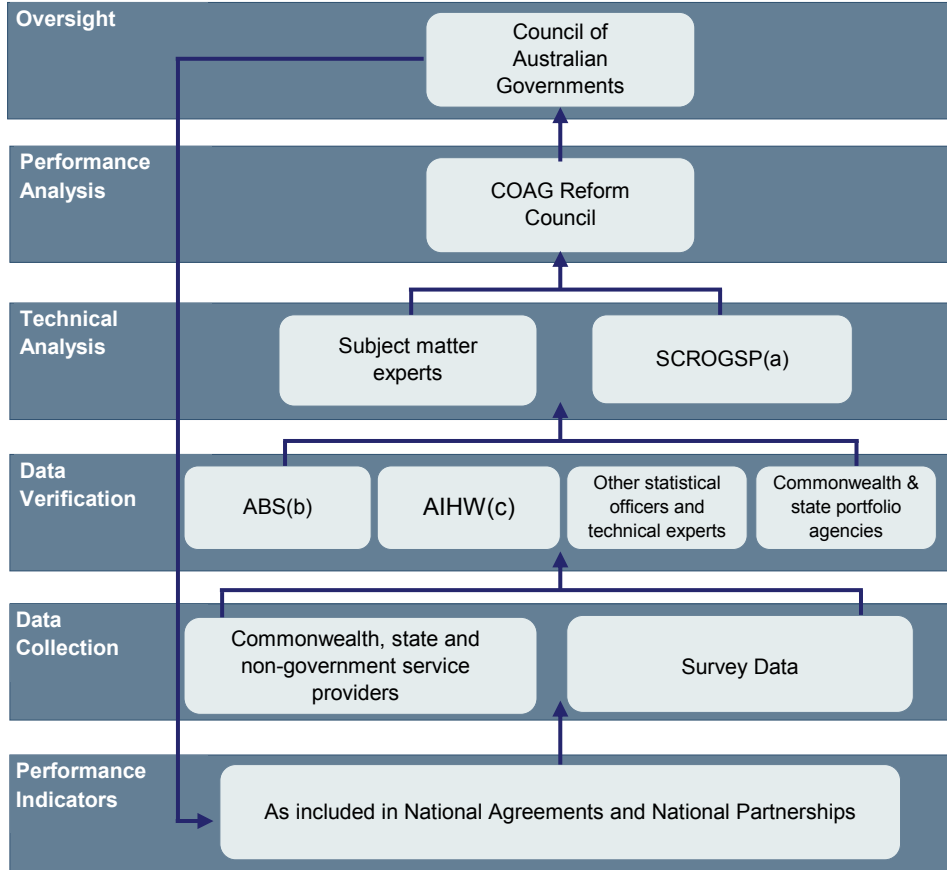
**Table 6.3: Accountabilities for determining benchmark achievements**

	Determining achievement against benchmarks
National SPPs	Treasurer
National Agreements	COAG Reform Council
NP payments - facilitation	No performance benchmarks
NP payments - reward	COAG Reform Council
NP payments - project	Portfolio Minister
General revenue assistance (incl. GST)	No performance benchmarks
Local government SPPs	Portfolio Minister
Commonwealth own-purpose expense	Portfolio Minister

### Performance reporting processes

The new performance reporting framework, which commenced on 1 January 2009, reinforces the accountability of state governments to their own communities for their service delivery. The performance reporting framework acts as a mechanism to improve public performance reporting against clearly specified performance indicators and benchmarks described in the National Agreements and National Partnerships. The key components of the performance reporting framework are outlined in Chart 6.1.

**Chart 6.1: Performance reporting information flows**



- (a) Steering Committee for the Review of Government Service Provision
- (b) Australian Bureau of Statistics
- (c) Australian Institute of Health and Welfare

The COAG Reform Council will provide annual reports to COAG containing the performance data and provide a comparative analysis of the performance of governments in meeting the objectives of the National Agreements. The reports will also highlight examples of good practice and performance so that, over time, innovative reforms or methods of service delivery may be adopted by other jurisdictions.

The Steering Committee for the Review of Government Service Provision will provide performance information to the COAG Reform Council, which will provide reports to COAG no later than three months after receiving the performance information. The Commonwealth and the States will provide the COAG Reform Council with information necessary for it to fulfil its role. In preparing its performance reports, the

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COAG Reform Council may draw upon other data collection agencies and subject experts it considers relevant to its work.

Jurisdictions will be consulted for a period of one month before the COAG Reform Council releases its reports, with the COAG Reform Council independently assessing whether any feedback from a jurisdiction needs to be reflected in its final findings.

The COAG Reform Council's reports on the performance information for all governments against National Agreement outcomes and performance benchmarks will be made public.

In relation to the performance reporting framework, COAG has assigned responsibility to the Ministerial Council for Federal Financial Relations for:

- progressing the implementation of the performance reporting framework, including the continuous improvement program, and development and oversight of a new National Performance Reporting System; and
- maintaining a register of the national minimum data sets required to allow comparative reporting of governments' achievements against agreed objectives and outcomes.

The development of the new national performance reporting framework provides the opportunity to move, as far as possible, to a single, integrated, national reporting system that will reduce collection costs and confusion in interpreting performance. To progress the implementation of the performance reporting framework, the Ministerial Council for Federal Financial Relations has endorsed the establishment of a Heads of Treasuries Committee to oversee these roles.

The Heads of Treasuries Committee will convene a Consultative Forum to ensure that the full range of expertise is brought to bear in implementing and improving the performance reporting framework.

## APPENDIX A: PARAMETERS AND FURTHER INFORMATION

This appendix provides information on the parameters used in producing this Budget Paper.

Statement 2: Economic Outlook of Budget Paper No. 1, *Budget Strategy and Outlook 2009-10* provides information on the forecasting approach used in the 2009-10 Budget as well as estimates and projections of GDP and CPI.

### POPULATION

Population is an important parameter in federal finances. It is used extensively to distribute funding between the States and in the calculation of annual growth factors.

#### Estimates of state populations

Table A.1 sets out the state population series used in this Budget Paper.

**Table A.1: Population by State, at 31 December**

million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2000-01	6.503	4.797	3.597	1.897	1.500	0.470	0.312	0.196	19.274
2001-02	6.643	4.854	3.670	1.919	1.519	0.473	0.323	0.200	19.601
2002-03	6.671	4.903	3.751	1.940	1.524	0.474	0.323	0.197	19.784
2003-04	6.716	4.948	3.840	1.969	1.531	0.480	0.323	0.199	20.006
2004-05	6.760	5.002	3.919	1.998	1.538	0.484	0.324	0.201	20.227
2005-06	6.803	5.052	4.001	2.029	1.546	0.487	0.327	0.204	20.450
2006-07	6.855	5.165	4.132	2.081	1.576	0.492	0.336	0.213	20.850
2007-08	6.925	5.244	4.221	2.130	1.592	0.496	0.342	0.217	21.168
2008-09(e)	7.036	5.359	4.346	2.201	1.611	0.500	0.348	0.222	21.623
2009-10(e)	7.125	5.454	4.451	2.259	1.629	0.505	0.353	0.227	22.002
2010-11(e)	7.209	5.545	4.552	2.314	1.646	0.509	0.359	0.231	22.364
2011-12(e)	7.289	5.633	4.651	2.368	1.662	0.514	0.364	0.236	22.716
2012-13(e)	7.366	5.717	4.749	2.421	1.677	0.518	0.369	0.241	23.057

(e) Treasury estimates.

The state populations for 2000-01 to 2007-08 are the population of each State on 31 December, as determined by the Commonwealth Statistician in June of the respective year.

The state populations for 2008-09 to 2012-13 are estimates of the population of each State on 31 December in the respective year. They are constructed using the latest demographic data available from the Australian Bureau of Statistics and Treasury assumptions. Broadly, these assumptions are in respect of fertility, mortality, net overseas migration and interstate migration.

### Fertility

Treasury's assumptions about the total fertility rate are based on the medium and high fertility assumptions used in the Australian Bureau of Statistics *Population Projections, 2006-2101* (ABS cat. no. 3222.0).

For 2008 the total fertility rate is projected to be 1.95, consistent with the latest published births data, followed by a gradual decline to 1.8 by 2021, and equivalent to around 1.9 in 2012. These assumptions sit midway between the medium (1.8) and high (2.0) assumptions in *Population Projections*.

The assumed fertility rate includes a continuation of later child-bearing trends in the age-specific rates, although at a lesser rate than the historic trend due to recent signs that this may be slowing.

### Mortality

Treasury's estimates assume a continuing decline in mortality rates across Australia, with state differentials persisting. Overall, mortality is assumed to decline to the year 2012, at the rate observed over the period 1971-2005, from the level observed in the latest death registration data for 2007-08.

### Net overseas migration

Net overseas migration is the difference between permanent and long-term arrivals, and permanent and long-term departures.

Net overseas migration has departed significantly from historic averages in recent years, reaching historically high levels. This has been associated with increasing levels of fee paying foreign students and high levels of skilled long-term temporary and permanent migration due to strong economic conditions and low unemployment.

Improved methods for estimating net overseas migration introduced by the Australian Bureau of Statistics, increased volumes of international movements across Australia's borders, changes to the composition of international visitors and their duration of stay behaviour and international travel patterns of Australian residents (including duration of absence and frequency of travel) make estimates of net overseas migration difficult. This is exacerbated by the economic downturn which removes some of the support for the historic high levels of immigration.

Table A.2 shows the net overseas migration estimates for 2009 to 2013 used in this Budget Paper.

**Table A.2: Net overseas migration**

	2008	2009	2010	2011	2012
Net overseas migration, Australia	260,000	220,000	200,000	190,000	180,000

State and Territory shares of net overseas migration are estimated by using a weighted average of the three most recent observed years – 2006, 2007 and 2008 – with weights of 1, 2 and 4 respectively.

### Interstate migration

Treasury's estimates of net interstate migration are based on a weighted average of the three most recent observed years – 2006, 2007 and 2008 – with weights of 1, 2 and 4 respectively.

**Table A.3: Net interstate migration**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2009	-23,800	-2,100	23,900	5,200	-4,600	400	200	800	0
2010	-23,800	-2,100	23,900	5,200	-4,600	400	200	800	0
2011	-23,800	-2,100	23,900	5,200	-4,600	400	200	800	0
2012	-23,800	-2,100	23,900	5,200	-4,600	400	200	800	0

## AGE-GENDER WEIGHTED POPULATIONS

Treasury's estimates of state population have been used to calculate the population weighted for hospital utilisation for different age-gender cohorts used in calculating estimates of the growth factor for the National Healthcare SPP.

**Table A.4: Age-gender weighted population**

million	2008	2009	2010	2011	2012
Weighted population, Australia	24.442	24.985	25.531	26.088	26.644

## SCHOOL ENROLMENTS

Student enrolment projections are based on a 99 per cent grade progression ratio model and take into account movements between government and non-government sectors. Student enrolment data does not take into account future economic, migration or policy changes. They are used in calculating estimates of the growth factor for the National Schools SPP.

**Table A.5: School enrolments**

	2008	2009	2010	2011	2012
FTE enrolments, government schools	-	2,282,910	2,285,631	2,293,732	2,306,111

## LOCAL GOVERNMENT

The Commonwealth provides a financial contribution to local governments to enhance their capacity to provide services to the community. The financial assistance grants are increased annually based on an escalation factor which the Treasurer determines with reference to population growth and the consumer price index. Estimates of the population growth factor, as defined in section 5 of the *Local Government (Financial Assistance) Act 1995*, and consumer price index, as defined in section 8 of the *Local Government (Financial Assistance) Act 1995*, are presented in Table A.6.

**Table A.6 Local government parameters**

per cent	2008-09	2009-10	2010-11	2011-12	2012-13
Consumer price index(a)	2 2/4	1 3/4	2 2/4	2	2 2/4
Population(b)	1 2/4	2	2	1 3/4	1 3/4

(a) Defined in section 8 of the *Local Government (Financial Assistance) Act 1995*  
 (b) Defined in section 5 of the *Local Government (Financial Assistance) Act 1995*

## WAGE AND COST INDICES

Table A.7 shows the wage and cost indices used in this Budget Paper, rounded to the nearest quarter.

**Table A.7 Wage and cost indices**

per cent	2008-09	2009-10	2010-11	2011-12	2012-13
Average government schools recurrent costs	-	6	6	6	6
Health specific price index	-	3 1/2	3 1/4	3 1/2	3 3/4
Health technology index	-	1 1/4	1 1/4	1 1/4	1 1/4
Wage cost index - 1	-	1 3/4	2	1 3/4	2
Wage cost index - 6	-	1 1/2	2	2	2 1/4

## GST RELATIVITIES

Table A.8 sets out the GST relativities used in this Budget Paper.

The GST relativities for 2000-01 to 2008-09 are the relativities recommended by the Commonwealth Grants Commission to distribute a combined pool of GST payments and health care grants, as provided for in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations* of 1999.

The GST relativities for 2009-10 are the relativities recommended by the Commonwealth Grants Commission to distribute GST payments only, as provided for in the *Intergovernmental Agreement on Federal Financial Relations*.



## Appendix A: Parameters and Further Information

Treasury's projections of GST relativities for 2010-11 to 2012-13 assume that the States' fiscal capacities in 2008-09, 2009-10 and 2010-11 will be broadly consistent with the Commission's assessment of their relative fiscal capacities in 2007-08.

The projections are adjusted to account for changes in GST revenue, population and the distributions of the National SPPs.

**Table A.8: GST relativities since 2000-01<sup>(a)</sup>**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2000-01	0.90913	0.87049	1.01830	0.98365	1.18258	1.51091	1.11289	4.16385
2001-02	0.92032	0.87539	1.00269	0.97516	1.17941	1.50095	1.14633	4.02166
2002-03	0.90631	0.86824	1.01174	0.97592	1.19447	1.55419	1.15216	4.24484
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
2005-06	0.86846	0.87552	1.04389	1.02500	1.20325	1.55299	1.14300	4.26682
2006-07	0.87332	0.89559	1.02387	1.00480	1.18862	1.54931	1.14575	4.32755
2007-08	0.89079	0.90096	1.00607	0.94747	1.20791	1.54465	1.16293	4.36824
2008-09	0.91060	0.92540	0.96508	0.88288	1.20856	1.52994	1.17205	4.51835
2009-10	0.93186	0.91875	0.91556	0.78485	1.24724	1.62040	1.27051	5.25073
2010-11(p)	0.97177	0.92567	0.86542	0.70117	1.27117	1.61797	1.28426	5.38521
2011-12(p)	0.99378	0.93036	0.83552	0.65035	1.29281	1.62095	1.27307	5.49580
2012-13(p)	1.00487	0.93082	0.81951	0.64002	1.30101	1.61779	1.24899	5.54313

(a) Relativities for years to 2008-09 were used to distribute a combined pool of GST payments and health care grants. Relativities for 2009-10 and forward years are calculated to distribute GST payments only.

(p) Treasury projections.

## DATA SOURCES

The information in Part 5 of this Budget Paper is consistent with the Australian Bureau of Statistics Government Finance Statistics reporting framework for the public sector.

Commonwealth data are sourced from Australian Government Final Budget Outcomes, the Australian Bureau of Statistics, and Australian Government Consolidated Financial Statements. See Statement 10: Historical Australian Government Data of Budget Paper No. 1, *Budget Strategy and Outlook 2009-10*, for more information. State data for 2008-09 onwards are sourced from Victorian, Northern Territory and Australian Capital Territory 2009-10 budgets and other jurisdictions' 2008-09 mid-year reports. Expected fiscal impacts flagged in some state financial publications since mid-year financial reports, for instance those from the Queensland economic update, have not been incorporated.

Australian Government budget aggregates have been back-cast to 1999-2000 (where applicable) for recent accounting clarification changes that require revisions to the historic series, ensuring that data is consistent across the accrual period from 1999-2000.

### *Budget Paper No. 3*

The 2009-10 Budget also includes revisions to Australian Government budget aggregates that improve the accuracy and comparability of the data through time. See Statement 10: Historical Australian Government Data of Budget Paper No. 1, *Budget Strategy and Outlook 2009-10*, for more information on these revisions.

## **FURTHER INFORMATION**

Several publications of the Australian Bureau of Statistics also provide information that is relevant to analysing federal financial relations, including:

- *Australia Demographic Statistics* (cat. no. 3101.0);
- *Population Projections, 2006-2101* (cat. no. 3222.0);
- *Taxation Revenue, Australia* (cat. no. 5506.0);
- *Government Finance Statistics, Australia* (cat. no. 5512. 0);
- *Australian System of Government Finance Statistics – Concepts, Sources and Methods* (cat. no. 5514.0);
- *Information Paper: Developments in Government Finance Statistics* (cat. no. 5516.0); and
- *Information Paper: Accruals Based Government Finance Statistics* (cat. no. 5517.0).

Several publications by the Commonwealth Grants Commission can also provide information relevant to the analysis of federal financial relations relating to the distribution of GST revenue. In relation to the 2009-10 financial year the relevant publications are:

- *Report on State Revenue Sharing Relativities 2009 Update*;
- *Relative Fiscal Capacities of the States 2009*; and
- *2009 Update Report Working Papers*.

These publications are also available in relation to previous financial years.

## **APPENDIX B: GUARANTEED MINIMUM AMOUNT AND BUDGET BALANCING ASSISTANCE**

### **TRANSITIONAL PERIOD**

In the *Intergovernmental Agreement on the Reform of Commonwealth-State Relations* of 1999, the Commonwealth guaranteed that, in each of the transitional years following the introduction of The New Tax System in July 2000, the budget position of each State would be no worse than if the financial reforms had not been implemented.

For each of the transitional years where the GST paid to a State is less than the guaranteed minimum amount, the Commonwealth pays that State budget balancing assistance to cover the shortfall.

As part of the agreement with the States to abolish most of the state taxes listed for review under the Intergovernmental Agreement, the Commonwealth extended the transitional period from 30 June 2006 to 30 June 2009.

The guaranteed minimum amount is calculated according to a methodology agreed between the Commonwealth and the States. Components of the guaranteed minimum amount incorporate parameter variations to account for changes in economic conditions which are applied to the agreed methodology. States provide their own estimates of the revenue forgone from the abolition of state taxes. Details of the calculation of the guaranteed minimum amount for each State for 2008-09 are shown in Table B.2.

### **COMPONENTS OF THE GUARANTEED MINIMUM AMOUNT**

#### **State revenue forgone**

The GST replaced two grants the Commonwealth paid to the States prior to 1 July 2000: financial assistance grants and revenue replacement payments. Estimates of both these amounts are components of the guaranteed minimum amount. In addition, revenue forgone from the abolition of state taxes listed in the Intergovernmental Agreement is included, once all States have abolished a tax, based on each State's own estimates of the revenue forgone from the abolition of the tax.

By 1 July 2005, the States had abolished several taxes that were listed in the Intergovernmental Agreement. This first tranche of abolished state taxes included accommodation tax, financial institutions duty, quoted marketable securities duty and debits tax. In 2006, the Commonwealth reached agreement with all States on the abolition of a second tranche of taxes, including stamp duties on mortgages, leases,

and credit and rental arrangements with the last of these taxes to be abolished in 2012-13.

### Financial assistance grants

Prior to the introduction of the GST, the Commonwealth provided the States with substantial financial assistance grants. The GST replaced financial assistance grants as the major source of untied revenue to the States from 1 July 2000. The grants forgone by the States are included in the guaranteed minimum amount.

Financial assistance grants were distributed among the States according to the principle of horizontal fiscal equalisation, as embodied in the relativities recommended by the Commonwealth Grants Commission. The Commission has calculated the relativities for the notional allocation of these grants between the States. The relativities for 2000-01 to 2008-09 are shown in Table B.1.

**Table B.1: Financial assistance grants relativities, 2000-01 to 2008-09**

million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2000-01	0.89642	0.85780	1.01079	0.92399	1.23481	1.62565	1.14522	4.85767
2001-02	0.88284	0.84543	1.01882	0.92429	1.27328	1.68695	1.18924	4.93364
2002-03	0.86037	0.83401	1.04008	0.92858	1.29035	1.75186	1.20906	5.22670
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
2005-06	0.80494	0.84699	1.08397	0.99807	1.30342	1.75127	1.17714	5.30427
2006-07	0.80893	0.87406	1.05636	0.96845	1.28415	1.75660	1.17823	5.47833
2007-08	0.82028	0.87572	1.04406	0.88815	1.32813	1.79171	1.18808	5.66456
2008-09	0.83705	0.90734	0.99200	0.79574	1.33942	1.80087	1.21069	6.03774

### Revenue replacement payments

Revenue replacement payments were provided to the States from 1997 to 2001 as a result of a 1997 High Court decision that brought the constitutional validity of all state business franchise fees into question. The Commonwealth put in place 'safety net' arrangements to collect these revenues on behalf of the States, by increasing the rate of excise on tobacco and petrol and the rate of wholesale sales tax on alcohol, and passed the revenue from this increase on to the States.

From 1 July 2000, revenue replacement payments were abolished as part of the reform of federal financial relations.

### Financial institutions duty

Financial institutions duty was abolished from 1 July 2001 in all States in accordance with the Intergovernmental Agreement. Each State provides its own estimates of the revenue forgone from the abolition of financial institutions duty.

### **Debits tax**

Debits tax was abolished in all States by 1 July 2005 in accordance with the Intergovernmental Agreement. Each State provides its own estimates of the revenue forgone from debits tax.

### **Marketable securities duty**

Stamp duties on **quoted** marketable securities were abolished in all States from 1 July 2001 and the revenue forgone included in the guaranteed minimum amount.

Stamp duties on **non-quoted** marketable securities have been abolished in most States but will not be included in the guaranteed minimum amount until all States have abolished the tax.

As revenue from marketable securities duty was not separately identified as being derived from quoted versus non-quoted marketable securities, the estimate of the revenue forgone from stamp duty on quoted marketable securities takes account of the Commonwealth Grants Commission's assessment of marketable securities duty.

### **Marketable securities duty needs**

The Intergovernmental Agreement provided for marketable securities duty forgone to be included in the guaranteed minimum amount from 1 July 2001. The agreement also provides that the States could retain the stamp duty on unquoted marketable securities after 1 July 2000 subject to a review by the Ministerial Council in 2005. To account for any discrepancy between the methodologies for calculating the GST relativities and the guaranteed minimum amounts, the Commonwealth Grants Commission's assessment of marketable securities duty needs is incorporated in each State's guaranteed minimum amount.

Each State's marketable security duty need is added to the estimate of revenue forgone from marketable securities duty. A positive need implies that a State has less than average capacity to raise revenue from this tax base while a negative need implies that a State has a greater than average capacity to raise revenue from this tax base. Since 2007-08, this amount has been zero – reflecting that all States have now abolished marketable securities duty.

### **Accommodation taxes**

Accommodation taxes – the tourism marketing duty in the Northern Territory and accommodation levy in New South Wales – were abolished under the Intergovernmental Agreement by 1 July 2000 and estimates of revenue forgone from these taxes are included in the guaranteed minimum amounts for these two States. No other State levied this type of tax at the time of abolition.

### **Cheque duty**

No State has applied taxes on cheques, bills of exchange or promissory notes since 1 July 2005. Estimates of the revenues forgone are included in the guaranteed minimum amounts for the three States – Western Australia, South Australia and the Northern Territory – that abolished these taxes under the Intergovernmental Agreement.

### **Reduced revenues**

The guaranteed minimum amount includes compensation for the impact of the GST on the revenue from other state taxes.

### **Gambling taxes**

The Intergovernmental Agreement required States to adjust their gambling tax arrangements to take account of the impact of the GST on gambling operators. In effect, tax rates needed to be reduced by one eleventh so that the introduction of the GST resulted in no overall price effect.

The GST applies to gambling operators' margins – the difference between total 'ticket sales' or 'bets taken' by an operator and the value of the prizes or winnings paid out – from gambling and lottery activities.

Estimates of the costs to state revenues from adjusting the gambling arrangements are included in the guaranteed minimum amount.

### **Interest costs**

The reform of federal financial relations in 2000 resulted in changes to cash flows for the States. Weekly payments of financial assistance grants and revenue replacement payments, in addition to the daily flow of state tax revenues forgone, were replaced with monthly GST revenue payments. The reforms also provided for changes in the expenditure responsibilities of the States.

Between the 2000-01 reforms and 2002-03 inclusive, the guaranteed minimum amount included an adjustment to take account of interest costs incurred should a State need to borrow to meet its cash flow requirements. The Commonwealth and the States agreed that compensation was not required in the guaranteed minimum amount from 2003-04.

### **Additional expenditures**

The First Home Owners Scheme and GST administration costs were new expenditure responsibilities for the States from 2000-01, provided for in the Intergovernmental Agreement.

### **First Home Owners Scheme**

The Intergovernmental Agreement provided for the States to fund the First Home Owners Scheme to offset the impact of the GST on the price of new homes.

Estimates of the annual cost to the States of this scheme are included in the guaranteed minimum amount, based on a lump-sum payment of \$7,000 per eligible applicant multiplied by estimates of the number of first home buyers in each State.

### **GST administration costs**

The Intergovernmental Agreement provided for the Australian Taxation Office to administer the GST on behalf of the States. Consequently, the States compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office in administering the GST. This compensation is paid by each State on a per capita basis and is accounted for in its guaranteed minimum amount.

More information on GST administration costs is contained in Part 3 of this Budget Paper.

### **Other items**

#### **Wholesale sales tax payments**

Prior to 1 July 2001, the States levied wholesale sales tax equivalent levies on state government business enterprises, as part of the Competitive Neutrality Framework and National Competition Policy. The guaranteed minimum amount included an adjustment over three years from 2000-01 in relation to revenue forgone from these levies.

#### **Reduced expenditures**

The numerous tax changes which occurred with the introduction of The New Tax System from 1 July 2000 had consequential effects on the expenditures of State governments. In particular, state government expenditures for off-road diesel subsidies, low-alcohol beer subsidies and the embedded wholesale sales tax and excises on purchases by a State government were reduced or abolished from 2000-01.

#### **Off-road diesel subsidies**

From 1 July 2000, the States terminated their off-road diesel rebate schemes and the Commonwealth assumed responsibility for the payment of rebates to off-road diesel users. The savings to the States are deducted from the guaranteed minimum amount.

#### **Savings from tax reform**

The benefits accruing to the States from the reduction in embedded taxes (wholesale sales tax and excises) on government purchases are deducted from the guaranteed minimum amount.

### **Low-alcohol beer subsidies**

Until 30 June 2002, the States provided subsidies for the sale of low-alcohol beer. On 1 July 2002, the Commonwealth introduced a national excise scheme for low-alcohol beer to replace different levels of state subsidies with a uniform rate. The amount of each State's subsidy, indexed for inflation, is deducted from its guaranteed minimum amount.

### **Growth dividend**

The growth dividend is included in the calculation of the guaranteed minimum amount, in recognition of the higher tax revenues flowing to State governments because of the positive impact of tax reform on economic activity.

Estimates of the growth dividend attributable to remaining state taxes are distributed among States on the basis of each State's share of remaining state tax revenues.

### **Compensation for GST deferral**

The Commonwealth legislated from 2004-05 that some entities could pay and report GST on an annual rather than monthly or quarterly basis. This payment compensates the States for the deferral of GST collections that may occur when organisations move to annual lodgement. This ensures that the full financial impact of this decision is borne by the Commonwealth, rather than the States.

The amounts of these compensation payments are deducted from the guaranteed minimum amount to remove any distortions in the guaranteed minimum amount from the change in policy. A more detailed description of GST compensation payments is contained in Part 3 of this Budget Paper.

### **Adjustments**

An adjustment is included for any discrepancy between the previous year's determined guaranteed minimum amount and the final outcome for the guaranteed minimum amount.



Appendix B: Guaranteed Minimum Amount and Budget Balancing Assistance

**Table B.2: Guaranteed minimum amount in 2008-09**

\$ million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>State revenues foregone</b>									
Financial assistance grants	6,394.4	5,590.4	5,151.8	1,880.2	2,734.2	1,268.0	565.8	2,083.0	25,667.8
Revenue replacement payments	3,042.9	2,035.5	1,841.5	1,260.3	789.4	267.4	135.5	170.8	9,543.4
Financial institutions duty	887.3	462.1	na	177.7	119.3	27.3	22.6	25.6	1,721.8
Debits tax	365.3	289.5	439.9	130.9	65.0	25.3	20.8	8.9	1,345.6
Marketable securities duty	614.7	316.8	32.4	38.9	20.9	0.8	27.9	1.3	1,053.6
Marketable securities duty needs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Accommodation taxes	124.6	na	na	na	na	na	na	11.7	136.4
Cheque duty	0.0	0.0	0.0	6.0	3.4	0.0	0.0	3.7	13.1
<b>plus reduced revenues</b>									
Gambling taxes	610.9	458.8	304.3	96.8	106.2	30.0	22.9	44.7	1,674.6
<b>plus interest costs</b>									
Interest costs	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus additional expenditures</b>									
First Home Owners Scheme	394.9	307.3	225.6	134.9	83.4	27.3	19.5	9.9	1,202.8
GST administration costs	205.4	156.4	126.9	64.2	47.0	14.6	10.2	6.5	631.2
<b>plus other items</b>									
Wholesale sales tax payments	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>minus reduced expenditures</b>									
Off-road diesel subsidies	155.7	67.1	163.8	209.4	41.7	2.5	0.0	4.7	645.0
Savings from tax reform	248.0	175.5	140.0	82.1	60.6	20.7	12.4	18.1	757.3
Low alcohol beer subsidies	29.4	20.4	5.7	9.3	5.5	2.0	1.2	1.4	74.9
<b>minus growth dividend</b>									
Remaining state taxes	215.3	138.9	72.8	43.4	34.9	8.9	6.8	4.8	525.7
<b>minus compensation payments</b>									
Compensation for GST deferral	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
<b>plus adjustments</b>									
2007-08 GMA Adjustment	-38.5	-2.9	-21.8	0.8	-4.8	0.3	-1.4	0.7	-67.5
<b>Total</b>	11,953.4	9,211.9	7,718.5	3,446.7	3,821.5	1,626.9	803.4	2,337.7	40,919.9



## APPENDIX C: SUPPLEMENTARY TABLES

**Table C.1: General government cash balance by level of government as a per cent of GDP**

	Commonwealth(a)			State/local			Consolidated		
	Receipts	Payments	Cash balance(b)	Receipts	Payments	Cash balance	Receipts	Payments	Cash balance(b)
1988-89	25.1	23.6	1.5	13.9	13.9	0.0	31.0	29.4	1.6
1989-90	24.8	23.3	1.5	13.8	14.3	-0.5	30.6	29.5	1.1
1990-91	24.5	24.6	-0.1	14.3	14.9	-0.6	30.7	31.3	-0.5
1991-92	23.0	26.0	-3.0	14.7	15.7	-0.9	29.5	33.3	-3.8
1992-93	22.3	26.4	-4.1	14.8	15.5	-0.7	29.0	33.5	-4.6
1993-94	22.6	26.5	-4.0	14.4	14.6	-0.1	29.7	33.5	-3.8
1994-95	23.3	26.2	-2.9	14.2	14.1	0.1	30.4	33.1	-2.7
1995-96	24.0	26.2	-2.1	14.4	13.9	0.5	31.6	33.0	-1.4
1996-97	24.5	25.6	-1.1	14.5	13.9	0.6	32.5	32.9	-0.4
1997-98	24.4	24.3	0.0	14.2	13.9	0.3	32.2	31.7	0.5
1998-99(c)	25.0	24.4	0.6	17.4	17.8	-0.4	37.4	37.2	0.2
1999-00(d)	25.8	23.7	2.0	16.9	16.5	0.4	37.7	35.4	2.3
2000-01	26.5	25.7	0.9	16.9	16.5	0.5	37.1	35.9	1.2
2001-02	25.5	25.6	-0.1	16.9	16.2	0.6	35.7	35.3	0.4
2002-03	26.2	25.2	0.9	17.0	16.4	0.6	36.8	35.4	1.4
2003-04	25.9	24.9	0.9	17.1	16.3	0.8	36.8	35.1	1.8
2004-05	26.3	24.8	1.5	17.2	16.4	0.9	37.4	35.0	2.4
2005-06	26.5	24.8	1.6	17.5	16.6	0.9	37.7	35.2	2.5
2006-07	26.1	24.2	1.6	17.1	17.5	-0.4	37.3	35.9	1.2
2007-08	26.1	24.0	0.0	16.7	17.1	-0.4	36.7	35.1	1.3
2008-09(e)	24.2	26.6	-2.7	16.7	17.4	-0.6	34.4	37.4	-3.3
<b>2009-10(e)</b>	<b>23.9</b>	<b>28.6</b>	<b>-4.9</b>	<b>17.5</b>	<b>18.4</b>	<b>-0.8</b>	<b>34.1</b>	<b>39.6</b>	<b>-5.7</b>
2010-11(p)	23.6	28.0	-4.7	17.4	18.0	-0.6	34.2	39.2	-5.2
2011-12(p)	23.9	27.1	-3.4	17.0	17.4	-0.4	34.6	38.1	-3.8

(a) Commonwealth data has been revised in the 2009-10 Budget to improve accuracy and comparability through time. See Budget Paper No. 1, Statement 10.

(b) Future Fund earnings have been excluded from the Commonwealth underlying cash balance.

(c) The increase in general government receipts and payments in 1998-99 is affected by the change from a cash system to an accrual framework by the state/local sector.

(d) The Commonwealth moved from a cash system to an accrual framework in 1999-00.

(e) Estimates.

(p) Projections.

**Table C.2: Public non-financial corporations sector cash balance by level of government as a per cent of GDP**

	Commonwealth(a)			State/local			Consolidated		
	Receipts	Payments	Cash balance	Receipts	Payments	Cash balance	Receipts	Payments	Cash balance
	1988-89	1.2	1.7	0.1	2.6	3.6	-0.2	3.7	5.3
1989-90	1.0	2.9	-1.3	2.6	3.7	-0.2	3.6	6.5	-1.6
1990-91	1.2	2.3	-0.5	2.5	3.5	-0.1	3.7	5.8	-0.6
1991-92	0.9	1.9	0.0	2.6	3.5	0.0	3.5	5.3	0.0
1992-93	1.0	1.8	0.0	2.5	3.1	0.4	3.5	4.8	0.3
1993-94	1.1	1.4	0.3	2.5	2.8	0.5	3.7	4.2	0.9
1994-95	1.1	1.5	0.4	2.3	2.9	0.3	3.3	4.4	0.7
1995-96	1.0	1.6	-0.1	2.0	2.8	0.2	2.9	4.4	0.1
1996-97	0.9	1.4	0.1	2.1	2.7	0.2	3.0	4.0	0.3
1997-98	1.1	1.4	0.2	1.8	2.2	0.4	2.9	3.6	0.6
1998-99(b)	na	na	-0.1	6.3	6.8	-0.5	na	na	-0.6
1999-00(c)	na	na	-0.4	6.4	5.9	0.5	na	na	0.1
2000-01	na	na	0.1	5.8	5.8	-0.1	na	na	0.0
2001-02	na	na	0.2	5.2	5.3	-0.1	na	na	0.0
2002-03	3.5	3.3	0.2	5.0	5.2	-0.3	8.5	8.6	-0.1
2003-04	3.3	3.1	1.1	4.9	5.1	-0.2	8.2	8.2	0.0
2004-05	3.3	3.1	0.2	4.8	5.2	-0.4	8.1	8.3	-0.2
2005-06	3.2	3.3	-0.1	5.0	5.6	-0.6	8.2	9.0	-0.7
2006-07	1.6	1.8	-0.2	5.0	5.8	-0.7	6.7	7.6	-0.9
2007-08	0.7	0.7	0.0	5.0	6.0	-1.0	5.7	6.8	-1.1
2008-09(e)	0.7	0.8	-0.1	4.9	6.7	-1.8	5.7	7.6	-1.9
<b>2009-10(e)</b>	<b>0.7</b>	<b>0.9</b>	<b>-0.2</b>	<b>5.3</b>	<b>6.9</b>	<b>-1.6</b>	<b>6.1</b>	<b>7.9</b>	<b>-1.8</b>

(a) Commonwealth data has been revised in the 2009-10 Budget to improve accuracy and comparability through time. See Budget Paper No. 1, Statement 10.  
(b) The increase in public non-financial corporations receipts and payments in 1998-99 is affected by the change from a cash system to an accrual framework by the state/local sector.

(c) The Commonwealth moved from a cash system to an accrual framework in 1999-00.

(e) Estimates.

na Comparable data are not available.

**Table C.3: Non-financial public sector cash balance by level of government as a per cent of GDP**

	Commonwealth(a)			State/local			Consolidated		
	Receipts	Payments	Cash balance(b)	Receipts	Payments	Cash balance	Receipts	Payments	Cash balance(b)
1988-89	25.9	24.9	1.6	15.8	4.6	-0.2	33.8	33.7	1.5
1989-90	25.6	25.9	0.2	15.6	4.2	-0.7	33.1	34.9	-0.4
1990-91	25.4	26.6	-0.6	16.0	4.5	-0.7	33.3	35.8	-1.2
1991-92	23.5	27.4	-3.0	16.4	4.8	-0.9	31.7	37.2	-3.7
1992-93	23.0	27.9	-4.2	16.3	5.0	-0.3	31.2	37.1	-4.2
1993-94	23.2	27.5	-3.6	15.9	5.0	0.4	31.8	36.3	-3.0
1994-95	24.0	27.3	-2.5	15.4	5.3	0.4	32.3	0.0	0.0
1995-96	24.4	27.2	-2.2	15.2	5.4	0.7	32.9	35.8	-1.3
1996-97	24.8	26.4	-1.0	15.3	5.7	0.8	33.4	34.9	-0.1
1997-98	25.0	25.3	0.2	14.9	6.1	0.7	33.5	33.7	1.1
1998-99(c)	na	na	na	21.2	22.1	-0.9	na	na	-0.4
1999-00(d)	na	na	na	21.4	20.6	0.9	na	na	2.4
2000-01	na	na	na	20.9	20.5	0.4	na	na	1.1
2001-02	na	na	na	20.4	19.9	0.5	na	na	0.4
2002-03	na	na	na	20.3	20.0	0.3	na	na	1.3
2003-04	28.3	27.0	1.1	20.4	19.7	0.7	42.6	40.5	1.9
2004-05	28.7	26.9	1.7	20.3	19.8	0.5	42.9	40.6	2.1
2005-06	28.8	27.2	1.5	20.8	20.4	0.3	43.3	41.5	1.8
2006-07	27.3	25.6	1.5	20.3	21.5	-1.2	41.7	41.2	0.3
2007-08	26.6	24.6	1.7	20.0	20.0	-1.4	40.5	40.0	0.2
2008-09(e)	24.7	27.2	-2.8	20.0	22.4	-2.4	38.5	43.4	-5.1
<b>2009-10(e)</b>	<b>24.5</b>	<b>29.3</b>	<b>-5.1</b>	<b>21.0</b>	<b>23.5</b>	<b>-2.5</b>	<b>38.8</b>	<b>46.0</b>	<b>-7.5</b>

(a) Commonwealth data has been revised in the 2009-10 Budget to improve accuracy and comparability through time. See Budget Paper No. 1, Statement 10.

(b) Future Fund earnings have been excluded from the Commonwealth cash balance.

(c) The increase in non-financial public sector receipts and payments in 1998-99 is affected by the change from a cash system to an accrual framework by the state/local sector.

(d) The Commonwealth moved from a cash system to an accrual framework in 1999-00.

(e) Estimates.

na Comparable data are not available.

**Table C.4: General government fiscal balance by level of government as a per cent of GDP**

	Commonwealth(a)(b)			State/local(b)			Consolidated(b)		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	26.0	26.7	-0.8	na	na	na	na	na	na
1997-98	25.4	25.7	-0.3	na	na	na	na	na	na
1998-99(c)	25.0	24.2	0.6	17.1	16.4	0.2	37.1	35.5	0.9
1999-00(d)	25.9	24.1	1.8	16.9	16.1	0.3	37.9	35.2	2.1
2000-01	27.0	26.1	0.9	16.6	16.3	-0.2	37.3	36.1	0.6
2001-02	25.9	26.2	-0.4	16.5	16.0	-0.1	35.8	35.6	-0.5
2002-03	26.5	25.8	0.7	16.5	15.8	0.3	36.7	35.3	0.9
2003-04	26.4	25.6	0.7	16.7	15.8	0.5	36.9	35.2	1.1
2004-05	27.0	25.5	1.4	16.7	15.7	0.4	37.4	35.1	1.6
2005-06	27.0	25.0	1.7	16.7	15.7	0.3	37.6	34.6	2.0
2006-07	26.6	24.8	1.6	16.7	15.7	0.0	37.4	34.6	1.6
2007-08	26.8	24.8	1.9	16.3	15.6	-0.4	36.9	34.3	1.3
2008-09(e)	24.7	27.1	-2.7	16.2	15.9	-0.9	34.3	36.3	-3.9
<b>2009-10(e)</b>	<b>24.7</b>	<b>28.7</b>	<b>-4.5</b>	<b>17.1</b>	<b>16.7</b>	<b>-1.1</b>	<b>34.3</b>	<b>37.9</b>	<b>-5.7</b>
2010-11(p)	24.1	28.2	-4.6	17.0	16.6	-0.8	34.2	37.8	-5.6
2011-12(p)	24.7	27.4	-3.2	16.6	16.3	-0.6	34.9	37.2	-4.0

(a) Commonwealth data has been revised in the 2009-10 Budget to improve accuracy and comparability through time. See Budget Paper No. 1, Statement 10.

(b) The fiscal balance is equal to revenue less expenses less net capital investment. Net capital investment is not shown in this table.

(c) The increase in non-financial public sector receipts and payments in 1998-99 is affected by the change from a cash system to an accrual framework by the state/local sector.

(d) The Commonwealth moved from a cash system to an accrual framework in 1999-00.

(e) Estimates.

(p) Projections.

na Comparable data are not available.

**Table C.5: Public non-financial corporations sector fiscal balance by level of government as a per cent of GDP**

	Commonwealth(a)(b)			State/local(b)			Consolidated(b)		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	5.0	4.8	-0.1	na	na	na	na	na	na
1997-98	5.1	4.7	0.4	na	na	na	na	na	na
1998-99(c)	4.6	4.3	-0.1	6.1	6.1	-0.4	10.6	10.4	-0.6
1999-00(d)	4.0	3.6	0.2	5.7	5.4	0.3	9.6	9.1	0.5
2000-01	3.8	3.6	-0.1	5.5	5.2	0.2	9.2	8.8	0.0
2001-02	3.6	3.4	0.1	4.7	4.5	-0.2	8.3	8.0	-0.1
2002-03	3.1	2.9	0.3	4.5	4.4	-0.3	7.7	7.4	-0.1
2003-04	3.0	2.8	0.3	4.5	4.3	-0.3	7.5	7.1	0.0
2004-05	3.0	2.8	0.2	4.3	4.2	-0.4	7.4	7.0	-0.3
2005-06	2.9	3.1	-0.3	4.5	4.4	-0.8	7.4	7.5	-1.0
2006-07	1.5	1.6	-0.2	4.7	4.3	-0.7	6.2	5.9	-0.8
2007-08	0.6	0.6	-0.1	4.4	4.2	-1.1	5.0	4.8	-1.1
2008-09(e)	0.6	0.6	-0.1	4.5	4.3	-1.5	5.2	5.0	-1.6
<b>2009-10(e)</b>	<b>0.6</b>	<b>0.6</b>	<b>-0.2</b>	<b>4.8</b>	<b>4.6</b>	<b>-1.4</b>	<b>5.5</b>	<b>5.2</b>	<b>-1.6</b>

(a) Commonwealth data has been revised in the 2009-10 Budget to improve accuracy and comparability through time. See Budget Paper No. 1, Statement 10.

(b) The fiscal balance is equal to revenue less expense less capital net capital investment. Net capital investment is not shown in this table.

(c) The increase in non-financial public sector receipts and payments in 1998-99 is affected by the change from a cash system to an accrual framework by the state/local sector.

(d) The Commonwealth moved from a cash system to an accrual framework in 1999-00.

(e) Estimates.

na Comparable data are not available.



**Table C.6: Non-financial public sector fiscal balance by level of government as a per cent of GDP**

	Commonwealth(a)(b)			State/local(b)			Consolidated(b)		
	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance	Revenue	Expenses	Fiscal balance
1996-97	na	na	-0.8	na	na	na	na	na	na
1997-98	na	na	0.1	na	na	na	na	na	na
1998-99(c)	28.9	27.8	0.5	20.8	20.1	-0.2	44.7	42.8	0.3
1999-00(d)	29.3	27.0	2.0	20.7	19.6	0.6	44.9	41.6	2.6
2000-01	30.1	29.0	0.8	20.3	19.7	0.0	43.9	42.3	0.6
2001-02	28.9	29.0	-0.3	19.5	18.8	-0.3	41.6	41.1	-0.6
2002-03	28.9	28.0	0.9	19.4	18.6	-0.1	42.0	40.3	0.8
2003-04	28.7	27.7	1.0	19.4	18.3	0.3	42.0	39.8	1.2
2004-05	29.4	27.7	1.5	19.4	18.3	-0.1	42.5	39.8	1.3
2005-06	29.2	27.4	1.5	19.4	18.3	-0.4	42.5	39.5	1.0
2006-07	27.7	26.0	1.4	19.6	18.2	-0.6	41.4	38.3	0.8
2007-08	27.3	25.2	1.8	18.9	18.2	-1.5	40.1	37.3	0.1
2008-09(e)	25.2	27.6	-2.9	19.0	18.7	-2.7	38.1	40.3	-5.7
<b>2009-10(e)</b>	<b>25.2</b>	<b>29.2</b>	<b>-4.7</b>	<b>20.0</b>	<b>19.6</b>	<b>-2.7</b>	<b>39.2</b>	<b>42.9</b>	<b>-7.5</b>

(a) Commonwealth data has been revised in the 2009-10 Budget to improve accuracy and comparability through time. See Budget Paper No. 1, Statement 10.

(b) The fiscal balance is equal to revenue less expense less net capital investment. Net capital investment is not shown in this table.

(c) The increase in non-financial public sector receipts and payments in 1998-99 is affected by the change from a cash system to an accrual framework by the state/local sector.

(d) The Commonwealth moved from a cash system to an accrual framework in 1999-00.

(e) Estimates.

na Comparable data are not available.

**Table C.7: General government gross fixed capital formation**

	Commonwealth		State(a)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1998-99	814	0.1	7,112	1.2
1999-00	1,882	0.3	7,874	1.2
2000-01	752	0.1	7,839	1.1
2001-02	1,274	0.2	8,679	1.2
2002-03	2,528	0.3	7,954	1.0
2003-04	2,104	0.3	8,144	1.0
2004-05	1,931	0.2	9,089	1.0
2005-06	3,244	0.3	10,656	1.1
2006-07	4,399	0.4	13,154	1.3
2007-08	3,737	0.3	14,982	1.3

(a) This table excludes local government gross fixed capital formation.

**Table C.8: Public non-financial corporations sector gross fixed capital formation**

	Commonwealth		State(a)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1998-99	4,618	0.8	6,700	1.1
1999-00	4,978	0.8	3,727	0.6
2000-01	3,413	0.5	5,167	0.7
2001-02	3,015	0.4	6,656	0.9
2002-03	2,530	0.3	7,924	1.0
2003-04	2,941	0.3	8,713	1.0
2004-05	3,658	0.4	9,998	1.1
2005-06	4,411	0.5	12,894	1.3
2006-07	2,774	0.3	16,077	1.5
2007-08	1,011	0.1	19,697	1.7

(a) This table excludes local government gross fixed capital formation.

**Table C.9: Non-financial public sector gross fixed capital formation**

	Commonwealth		State(a)	
	\$m	Per cent of GDP	\$m	Per cent of GDP
1998-99	5,431	0.9	13,803	2.3
1999-00	6,860	1.1	11,590	1.8
2000-01	4,165	0.6	13,004	1.9
2001-02	4,289	0.6	15,268	2.1
2002-03	5,058	0.6	15,888	2.0
2003-04	5,046	0.6	16,447	2.0
2004-05	5,589	0.6	19,040	2.1
2005-06	7,655	0.8	23,323	2.4
2006-07	7,173	0.7	29,178	2.8
2007-08	4,748	0.4	34,439	3.0

(a) This table excludes local government gross fixed capital formation.

Table C.10: Non-financial public sector net debt

	General Government				PNFCs				NFPS			
	Commonwealth(a)		State/local		Consolidated		Consolidated		Consolidated		Consolidated	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent of GDP
1987-88	27,344	8.6	24,201	7.6	46,410	14.6	55,293	17.3	101,703	31.9		
1988-89	21,981	6.1	21,683	6.0	39,232	10.8	56,363	15.6	95,595	26.4		
1989-90	16,123	4.1	27,672	7.0	37,989	9.6	57,794	14.6	95,783	24.1		
1990-91	16,915	4.1	31,322	7.7	41,380	10.1	60,745	14.9	102,125	25.0		
1991-92	31,041	7.4	39,167	9.4	63,525	15.2	59,011	14.2	122,536	29.4		
1992-93	55,218	12.6	44,020	10.1	94,048	21.5	52,878	12.1	146,926	33.6		
1993-94	70,223	15.3	40,693	8.9	106,439	23.2	48,021	10.4	154,460	33.6		
1994-95	83,492	17.2	37,039	7.6	117,973	24.2	46,482	9.6	164,455	33.8		
1995-96	95,831	18.5	24,981	4.8	118,053	22.8	40,135	7.7	158,188	30.5		
1996-97	96,281	17.6	19,757	3.6	113,236	20.8	37,748	6.9	150,984	27.7		
1997-98	82,935	14.4	15,937	2.8	95,122	16.5	35,371	6.1	130,493	22.6		
1998-99	72,065	11.9	14,162	2.3	82,200	13.5	34,107	5.6	116,306	19.1		
1999-00	54,639	8.5	7,967	1.2	58,278	9.0	38,991	6.0	97,268	15.1		
2000-01	43,533	6.3	991	0.1	37,805	5.5	43,709	6.3	81,514	11.8		
2001-02	38,798	5.3	-5,798	-0.8	27,200	3.7	43,017	5.8	70,216	9.5		
2002-03	29,757	3.8	-11,119	-1.4	12,248	1.6	43,923	5.6	56,171	7.2		
2003-04	23,166	2.8	-18,130	-2.2	-3,304	-0.4	44,157	5.2	40,853	4.9		
2004-05	11,660	1.3	-25,647	-2.9	-21,973	-2.4	47,278	5.3	25,305	2.8		
2005-06	-3,743	-0.4	-36,236	-3.7	-54,239	-5.6	49,952	5.2	-4,287	-0.4		
2006-07	-29,150	-2.8	-32,765	-3.1	-71,757	-6.9	45,743	4.4	-26,014	-2.5		
2007-08	-44,820	-4.0	-29,663	-2.6	-81,946	-7.2	52,098	4.6	-29,848	-2.6		
2008-09(e)	-4,697	-0.4	-17,249	-1.4	-27,816	-2.3	75,366	6.3	47,179	3.9		
<b>2009-10(e)</b>	<b>53,700</b>	<b>4.6</b>	<b>-4,567</b>	<b>-0.4</b>	<b>42,873</b>	<b>3.6</b>	<b>92,086</b>	<b>7.8</b>	<b>134,548</b>	<b>11.4</b>		
2010-11(p)	112,245	9.2	4,128	0.3	109,708	9.0	na	na	na	na		
2011-12(p)	161,699	12.4	11,185	0.9	165,791	12.8	na	na	na	na		
2012-13(p)	188,175	13.6	na	na	na	na	na	na	na	na		

(a) Commonwealth data has been revised in the 2008-09 Budget to improve accuracy and comparability through time. See Budget Paper No. 1, Statement 10.

(e) Estimates.

(p) Projections.

na Data are not available.

**Table C.11: General government sector net financial worth by level of government (as at end of financial year)**

	Commonwealth(a)		State/local		Consolidated	
	\$b	Per cent of GDP	\$b	Per cent of GDP	\$b	Per cent of GDP
1999-00	-68.0	-10.5	56.3	8.7	-9.2	-1.4
2000-01	-72.8	-10.6	61.8	9.0	-8.6	-1.2
2001-02	-78.6	-10.7	61.7	8.4	-16.0	-2.2
2002-03	-84.3	-10.8	78.8	10.1	-4.5	-0.6
2003-04	-73.8	-8.8	97.3	11.6	25.0	3.0
2004-05	-59.9	-6.7	111.0	12.4	52.8	5.9
2005-06	-63.1	-6.5	108.2	11.2	46.6	4.8
2006-07	-39.7	-3.8	130.0	12.4	92.8	8.9
2007-08	-17.8	-1.6	135.7	12.0	120.9	10.7
2008-09(e)	-82.3	-6.9	87.3	7.3	8.1	0.7
<b>2009-10(e)</b>	<b>-136.0</b>	<b>-11.5</b>	<b>83.7</b>	<b>7.1</b>	<b>-49.2</b>	<b>-4.2</b>
2010-11(p)	-193.1	-15.8	82.8	6.8	-107.2	-8.8
2011-12(p)	-236.5	-18.2	80.8	6.2	-152.3	-11.7
2012-13(p)	-268.7	-19.4	na	na	na	na

(a) Commonwealth data has been revised in the 2009-10 Budget to improve accuracy and comparability through time. See Budget Paper No. 1, Statement 10.

(e) Estimates.

(p) Projections.

na Data are not available.

**Table C.12: General government sector net worth by level of government  
(as at end of financial year)**

	Commonwealth(a)		State/local		Consolidated	
	\$b	Per cent	\$b	Per cent	\$b	Per cent
		of GDP		of GDP		of GDP
1999-00	-6.8	-1.1	390.8	60.6	403.2	62.5
2000-01	-6.3	-0.9	405.6	58.8	419.3	60.8
2001-02	-11.3	-1.5	428.7	58.3	438.6	59.6
2002-03	-15.0	-1.9	470.9	60.2	477.9	61.1
2003-04	-0.8	-0.1	515.9	61.3	538.3	64.0
2004-05	14.9	1.7	573.1	63.8	612.9	68.3
2005-06	18.3	1.9	607.5	62.8	652.5	67.4
2006-07	46.7	4.5	677.8	64.8	753.9	72.1
2007-08	71.2	6.3	787.3	69.6	890.6	78.7
2008-09(e)	10.8	0.9	779.1	65.1	823.8	68.9
<b>2009-10(e)</b>	<b>-38.7</b>	<b>-3.3</b>	<b>794.3</b>	<b>67.4</b>	<b>789.1</b>	<b>67.0</b>
2010-11(p)	-90.0	-7.4	823.5	67.4	768.2	62.8
2011-12(p)	-127.6	-9.8	858.6	66.1	767.9	59.1
2012-13(p)	-155.0	-11.2	na	na	na	na

(a) Commonwealth data has been revised in the 2009-10 Budget to improve accuracy and comparability through time. See Budget Paper No. 1, Statement 10.

(e) Estimates.

(p) Projections.

na Data are not available.

**Table C.13: General government sector net interest payments by level of government**

	Commonwealth(a)		State/local		Consolidated	
	\$m	Per cent	\$m	Per cent	\$m	Per cent
		of GDP		of GDP		of GDP
1973-74	-286	-0.5	451	0.8	163	0.3
1974-75	-242	-0.3	474	0.7	228	0.3
1975-76	-330	-0.4	526	0.6	191	0.2
1976-77	-62	-0.1	555	0.6	487	0.5
1977-78	4	0.0	582	0.6	579	0.6
1978-79	254	0.2	609	0.5	854	0.7
1979-80	440	0.3	634	0.5	1,064	0.8
1980-81	620	0.4	801	0.5	1,409	0.9
1981-82	680	0.4	785	0.5	1,448	0.8
1982-83	896	0.5	1,034	0.6	1,910	1.0
1983-84	1,621	0.8	1,347	0.6	2,947	1.4
1984-85	2,813	1.2	1,405	0.6	4,172	1.8
1985-86	3,952	1.5	1,159	0.5	5,033	2.0
1986-87	4,762	1.7	1,493	0.5	6,142	2.2
1987-88	4,503	1.4	2,127	0.7	6,520	2.0
1988-89	4,475	1.2	2,158	0.6	6,507	1.8
1989-90	4,549	1.1	3,153	0.8	7,486	1.9
1990-91	3,636	0.9	3,364	0.8	6,743	1.7
1991-92	3,810	0.9	4,397	1.1	7,940	1.9
1992-93	3,986	0.9	4,901	1.1	8,669	2.0
1993-94	5,628	1.2	4,771	1.0	10,165	2.2
1994-95	7,292	1.5	4,182	0.9	11,263	2.3
1995-96	8,861	1.7	3,636	0.7	12,229	2.4
1996-97	9,489	1.7	2,515	0.5	11,749	2.2
1997-98	8,279	1.4	1,617	0.3	9,639	1.7
1998-99	8,649	1.4	1,347	0.2	9,765	1.6
1999-00	7,514	1.2	95	0.0	7,411	1.1
2000-01	6,195	0.9	63	0.0	6,020	0.9
2001-02	5,352	0.7	1,368	0.2	6,507	0.9
2002-03	3,758	0.5	583	0.1	4,185	0.5
2003-04	3,040	0.4	-2,350	-0.3	537	0.1
2004-05	2,502	0.3	-3,065	-0.3	-768	-0.1
2005-06	2,303	0.2	-3,794	-0.4	-1,704	-0.2
2006-07	228	0.0	-4,178	-0.4	-4,189	-0.4
2007-08	-1,015	-0.1	1,059	0.1	-252	0.0
2008-09(e)	-936	-0.1	na	na	na	na
<b>2009-10(e)</b>	<b>1,464</b>	<b>0.1</b>	<b>na</b>	<b>na</b>	<b>na</b>	<b>na</b>
2010-11(p)	4,717	0.4	na	na	na	na
2011-12(p)	5,966	0.5	na	na	na	na
2012-13(p)	7,634	0.6	na	na	na	na

(a) Commonwealth data has been revised in the 2009-10 Budget to improve accuracy and comparability through time. See Budget Paper No 1, Statement 10.

(e) Estimates.

(p) Projections.

na Data are not available.