



BUDGET
AUSTRALIA'S FEDERAL RELATIONS
BUDGET PAPER NO. 3

2008-09

CIRCULATED BY

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FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 2008-09

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FOREWORD

Budget Paper No. 3, *Australia's Federal Relations 2008-09*, 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 information on payments for specific purposes, GST payments and other general revenue assistance, as well as an overview of the reform agenda of the Council of Australian Governments 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 2008-09, while the 'forward years' refer to 2009-10, 2010-11 and 2011-12.

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

- Australians expect their system of government to work properly. The Government is working cooperatively with the States and Territories (the States), through a reinvigorated Council of Australian Governments (COAG), to modernise the Australian federation. All levels of government are working together to put the right financial framework in place, and to deliver better services and produce the right outcomes on matters that affect the daily lives of Australians.
- A new framework for federal financial relations has been agreed which will modernise the financial relationship between the Commonwealth and the States and provide a solid foundation for a new era of economic and social reforms.
- The new framework involves significantly rationalising the number of payments for specific purposes from over ninety into five or six new specific purpose payments (SPPs), without reducing the overall level of funding. The agreement for each SPP will contain objectives and outcomes, and roles and responsibilities that have been mutually agreed between the Commonwealth and the States.
- The new national SPPs will provide the States with the budget flexibility they need for the efficient delivery of better services.
- The new framework will also provide the States with greater funding certainty through ongoing agreements and greater flexibility in funding delivery, while enhancing government accountability through simpler, standardised and more transparent performance reporting.
- The Government will provide new National Partnership payments to the States, in addition to existing funding, to support specific projects, to facilitate reforms by the States, or to reward those States that deliver on reforms.
- Working with the States, through COAG, the Government is developing an ambitious reform agenda, focusing on reforms in the areas of health and ageing, education, skills and training, climate change and water, infrastructure, business regulation and competition, housing and Indigenous disadvantage.
- In 2008-09, the Commonwealth will provide the States with total payments of \$78.6 billion. This consists of general revenue assistance, including all GST revenue, of \$45.5 billion and payments for specific purposes of \$33.1 billion.
- Included in total payments to the States is a \$2.5 billion financial contribution for local government, in recognition of the important role of local government in delivering services to local communities.

PART 1: OVERVIEW OF AUSTRALIA'S FEDERAL RELATIONS

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 – 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 many areas of government activity have led to areas of activity where regulation or services remain fragmented, with duplication of activities, lack of coordination and blurred accountabilities.

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.

In Australia, the States rely on Commonwealth financial assistance to meet about 40 per cent of their average funding requirement, but this is as high as 80 per cent in the case of the Northern Territory.

Commonwealth financial assistance comprises all GST revenue, plus a small amount of other general revenue assistance, and more than 90 different 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 in Australia 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 among federations for States 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 also common. Australia has had various forms of fiscal equalisation since 1901.

Under Australia's current system of horizontal fiscal equalisation, the Commonwealth Grants Commission recommends state revenue sharing relativities (the GST relativities) to be used in calculating each State's share of GST payments 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 equalisation of government services – just the equalisation of the capacity of each State 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 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 the 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.

However, 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 government to account for the quality and efficiency of the services delivered and the 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, has been a source of increasingly blurred roles and responsibilities, duplication and overlap, higher administration costs and cost-shifting.

REFORM PRIORITIES

One of the main priorities for the Government is to implement a modern framework for federal financial relations that provides the States with the flexibility they need to deliver high quality services efficiently, while ensuring that they remain accountable to their electorates for the money they spend and the services they deliver.

Furthermore, many of the significant challenges facing the economy are issues that can only be addressed through effective cooperation between both levels of government. Consequently, the Government is working cooperatively with the States, through a reinvigorated COAG, to drive a new wave of economic and social reform.

A new framework for federal financial relations

COAG has agreed to implement a new framework for federal financial relations that focuses on reducing Commonwealth prescriptions on service delivery by the States in conjunction with a significant rationalisation of payments for specific purposes, a clearer specification of the roles and responsibilities of each level of government, and an improved focus on outcomes-based public accountability.

The reforms will result in:

- increased flexibility for resources to be allocated to areas where they will produce the best overall outcomes for the community;
- genuinely collaborative working arrangements, including clearly defined roles and responsibilities and fair and sustainable financial arrangements, to facilitate a long-term policy focus and reduce blame and cost shifting;
- stronger incentives for wide-ranging reforms;
- increased accountability of governments to the community; and
- reduced administration and compliance overheads.

In addition, 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 national reforms. The new financial arrangements provide a solid foundation for far-reaching economic and social reforms to be undertaken as part of COAG's economic and social reform agenda.

Implications for payments of the new federal financial framework

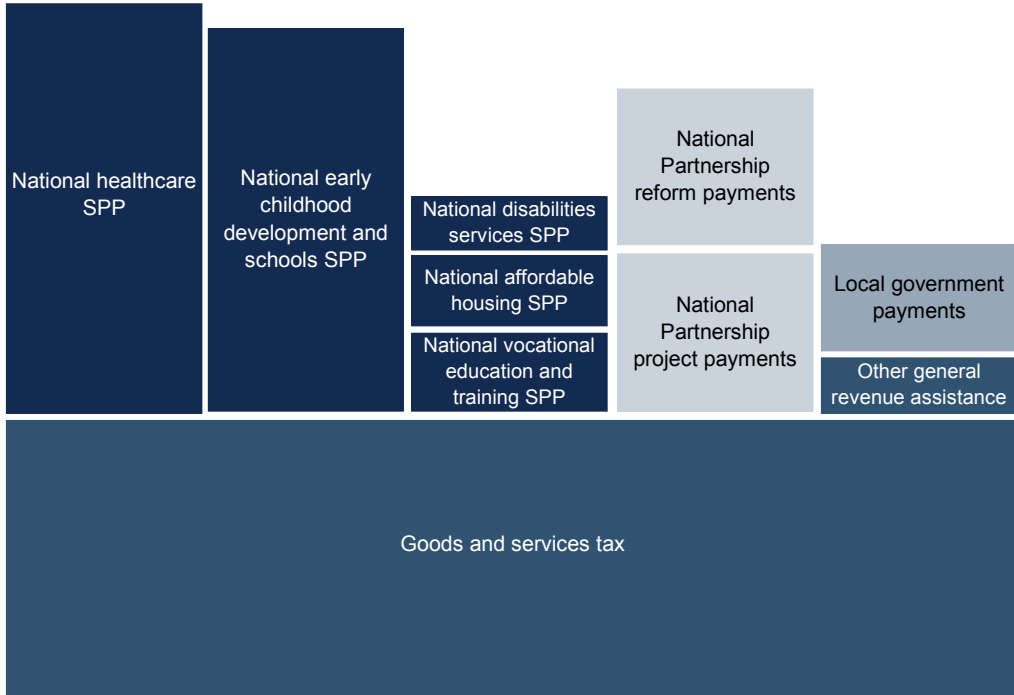
The Commonwealth will reduce significantly the number of payments for specific purposes, without reducing the overall quantum of payments. The States will continue

to receive all GST revenue, but payments for specific purposes (which currently number more than 90) will be rationalised into:

- five or six new specific purpose payments (SPPs) supported by new national agreements in the areas of:
 - healthcare;
 - early childhood development and schools;
 - vocational education and training;
 - disabilities services; and
 - affordable housing;
- some general revenue assistance in respect of payments where there are no compelling national objectives associated with the payment;
 - these include payments without conditions, such as payments to Western Australia and the Northern Territory for offshore petroleum royalties and mining royalties respectively;
- National Partnership payments to:
 - support the delivery of specified projects (such as land transport projects through AusLink);
 - facilitate reforms; or
 - reward the achievement of reform-based performance benchmarks; and
- continuing financial support for local governments.

The new framework for federal financial arrangements will commence from 1 January 2009 with the reform of payments for healthcare to be implemented by 1 July 2009. The new framework is shown schematically in Chart 1.1.

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



Developing a new wave of economic and social reform through COAG

COAG's reform of the framework for federal financial relations will provide the platform to drive a new reform agenda, including:

- pursuing ambitious reforms in the delivery of preventative health, Indigenous healthcare, primary care, hospitals and aged care;
- reforming our education and training systems to provide quality learning opportunities for all;
- addressing the challenges posed by climate change and water scarcity;
- ensuring the efficient provision of adequate infrastructure;
- accelerating business regulation and competition reform;
- improving affordability of, and access to, housing; and
- addressing social inclusion and closing the gap on Indigenous disadvantage.

These reforms will improve the productive capacity of the economy and deliver better services to the community.

ESTIMATES OF PAYMENTS TO THE STATES

The States receive significant financial support from the Commonwealth. In 2008-09, the Commonwealth will provide the States with general revenue assistance, including all GST revenue, of \$45.5 billion and payments for specific purposes of \$33.1 billion, totalling \$78.6 billion, as shown in Table 1.1. This represents a 5.0 per cent increase compared with 2007-08.

Table 1.1: Commonwealth payments to the States

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
Payments for specific purposes	10,370	7,219	6,315	3,942	2,487	819	468	506	32,127
General revenue assistance	12,034	9,328	8,596	4,097	3,947	1,677	856	2,219	42,753
Total payments to the States	22,404	16,546	14,911	8,040	6,434	2,496	1,324	2,724	74,880
2008-09									
Payments for specific purposes	10,636	7,316	6,571	3,829	2,716	864	493	713	33,137
General revenue assistance	13,020	10,196	8,686	4,335	4,144	1,731	926	2,420	45,458
Total payments to the States	23,656	17,512	15,257	8,164	6,859	2,595	1,419	3,133	78,595
2009-10									
Payments for specific purposes	11,066	8,058	6,709	3,463	2,721	812	534	619	33,982
General revenue assistance	14,452	11,086	9,025	4,704	4,433	1,821	1,016	2,596	49,134
Total payments to the States	25,519	19,144	15,734	8,167	7,155	2,633	1,550	3,215	83,116
2010-11									
Payments for specific purposes	11,380	8,365	7,002	3,583	2,791	828	558	659	35,166
General revenue assistance	15,577	11,862	9,335	4,575	4,648	1,890	1,073	2,782	51,741
Total payments to the States	26,956	20,227	16,338	8,158	7,439	2,717	1,631	3,441	86,907
2011-12									
Payments for specific purposes	11,999	8,936	7,360	3,709	2,903	868	593	495	36,864
General revenue assistance	16,554	12,675	9,815	4,540	4,890	1,978	1,120	2,903	54,475
Total payments to the States	28,553	21,611	17,176	8,250	7,793	2,846	1,713	3,398	91,339

Payments for specific purposes

In 2008-09, the States will receive \$33.1 billion in payments for specific purposes, an increase of 3.1 per cent compared with the \$32.1 billion the States will receive in 2007-08. This mostly reflects the Government's decision in March 2008 to provide an up-front payment of \$500 million in additional healthcare funding in 2007-08 to enable the States to invest in their hospitals immediately. Abstracting from this bring forward of funding for hospitals, the increase in payments for specific purposes is 4.8 per cent.

Part 3 of this Budget Paper provides further information on payments for specific purposes to the States.

General revenue assistance

In 2008-09, the States will receive \$45.5 billion in general revenue assistance, including GST payments. This is an increase of 6.3 per cent compared with the \$42.8 billion the States will receive in 2007-08.

Part 4 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 2006-07. 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 2008-09, total payments to the States as a proportion of GDP are estimated to be 6.4 per cent. General revenue assistance is estimated to be 3.7 per cent and payments for specific purposes 2.7 per cent of GDP.

Table 1.2: Total payments to the States

\$million	Existing payments for specific purposes	National SPPs	National Partnership payments	GST	Other general revenue assistance	Total	Growth	Per cent of GDP
1999-00	17,916	-	-	-	24,681	42,597	-	6.6
2000-01	19,207	-	-	24,355	3,715	47,277	11.0	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	65,124	6.7	6.7
2006-07	28,549	-	-	39,552	-	68,101	4.6	6.5
2007-08(e)	31,914	-	213	42,630	123	74,880	10.0	6.6
2008-09(e)	23,497	6,224	3,415	45,280	178	78,595	5.0	6.4
2009-10(p)	3,433	23,720	6,913	48,260	874	83,200	5.9	6.5
2010-11(p)	4,235	25,001	6,015	50,880	861	86,992	4.6	6.5
2011-12(p)	4,458	26,411	6,080	53,670	805	91,424	5.1	6.5

(e) Australian Treasury estimates.

(p) Australian Treasury projections.

PART 2: THE COAG REFORM AGENDA

This part highlights the importance of implementing modern federal arrangements and outlines the role that the Council of Australian Governments (COAG) will play in driving a new wave of economic and social reform through cooperative federalism.

MODERN FEDERALISM

Modernising Australia's federal relations is an important step in the Government's long-term plans to:

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

Blurred roles and responsibilities between levels of government, as well as duplication and overlap, have been costly aspects of Australia's federal system, particularly where they have undermined accountability through cost-shifting. Many of the significant challenges facing the Australian economy can only be addressed through more effective Commonwealth-State working arrangements.

Accordingly, one of the Government's first actions after coming to office was to convene a COAG meeting. COAG is the peak intergovernmental forum in Australia, comprising the Prime Minister, State Premiers, Territory Chief Ministers and the President of the Australian Local Government Association. For the first time in more than a decade, the Commonwealth and State Treasurers attended the December 2007 COAG meeting and will continue to attend COAG meetings, in recognition of the importance of the new framework for federal financial relations to underpin the COAG reform agenda.

Highlighting the urgency to progress national reforms that build the economy's productive capacity, COAG will now meet more regularly, including four times

in 2008. A reinvigorated COAG process will drive a revitalised and far-sighted reform agenda to enhance the productive capacity of the economy, deliver a higher quality of service to the Australian community, enhance sustainability, address social inclusion and close the gap in Indigenous disadvantage.

COAG has committed to implement a new model of cooperation. Crucial to this commitment is COAG's decision to change the framework for federal financial relations, with a key reform priority being to modernise payments for specific purposes.

COAG also established seven new working groups to develop a work agenda of economic and social reforms during 2008. Each working group is chaired by a Commonwealth Minister and includes senior officials from all jurisdictions. The work agenda covers the areas of:

- health and ageing;
- the productivity agenda (education, skills, training and early childhood);
- climate change and water;
- infrastructure;
- business regulation and competition;
- housing; and
- Indigenous reform.

These are all issues of national importance where progress can only be achieved through coordinated effort on the part of all governments working cooperatively.

A reinvigorated and cooperative COAG process will substantially advance the modern federalism agenda and drive a new era of reforms to underpin growth, prosperity and social cohesion into the future.

A NEW FRAMEWORK FOR FEDERAL FINANCIAL RELATIONS

The reform context

Since the first days of federation, the Commonwealth has provided financial support to the States. Today, the States receive all GST revenue and more than 90 different payments for specific purposes. Each of these payments generally has its own negotiating, administrative and monitoring processes. The proliferation of these

payments since the 1970s has been a source of increasingly blurred roles and responsibilities, duplication and overlap, higher administration costs and cost-shifting.

These payments are also subject to conditions which the Commonwealth imposed on the States to dictate the way that funding was to be used. For example, the Commonwealth used conditions known as input controls that limited the States' flexibility in how they allocated funding or pursued policy objectives.

This overly prescriptive approach constrains the States' innovation in service delivery and leads to each level of government blaming the other for instances of poor service delivery and inadequate funding.

The resulting inefficiencies in public sector service delivery have been a drag on our national economy and impede the provision of better services to the community.

The new direction

On 26 March 2008, COAG agreed to implement a new framework for federal financial relations. The focus of the new framework is on significantly reducing Commonwealth prescriptions on service delivery by the States, in conjunction with clearer roles and responsibilities and outcomes-based public accountability. This will result in:

- increased flexibility for resources to be allocated to areas where they will produce the best overall outcomes for the community;
- genuinely collaborative working arrangements, including clearly defined roles and responsibilities and fair and sustainable financial arrangements, to facilitate a long-term policy focus and reduce blame and cost shifting;
- stronger incentives for wide-ranging reforms;
- increased accountability of governments to the community; and
- reduced administration and compliance overheads.

The new framework will provide the States with the flexibility they need for the efficient delivery of high quality services, while ensuring that the appropriate level of government is accountable to the public for the money it spends and the services it delivers. In addition, the Commonwealth will provide a new form of payment – National Partnership payments – to facilitate or reward priority national reforms or to fund specific projects.

Box 2.1: The benefits of reforming the federal financial framework

The reforms to the federal financial framework will result in significant ongoing economic and social benefits.

Substantial benefits will flow from the cooperative aspects of federalism because working together more cooperatively to resolve issues will reduce administration and compliance costs, which frees up resources which can then be available for other, more productive, uses. It should also reduce counter-productive behaviours such as cost-shifting.

- For example, the negotiation of mutually-agreed policy objectives, more clearly defining the roles and responsibilities of each level of government and rationalising the myriad of payment arrangements that currently exist, will clarify accountabilities. This will lead to a better alignment between Commonwealth and State programs and increased transparency for the community.

Another source of economic benefit, and one that is less obvious but nevertheless has the potential to generate significant productivity gains in public sector service delivery, will flow from the competitive aspects of federalism.

- The increased autonomy which the States will have over how they deliver their services, within the context of the mutually-agreed national objectives, is expected to lead to different modes of service delivery between the States – resulting in services that better suit the requirements of local communities.
- Because the accountability of the States will also be enhanced, the increased freedom in delivering services should lead to more innovative methods of service delivery, which may then be adopted by other jurisdictions.
- Over time, it could be expected that increased competition between the States will lead to service delivery which is more cost-effective and better meets community needs. The result will be increased productivity and improved services.

The new framework for federal financial relations will commence on 1 January 2009 (the reform of healthcare funding will commence on 1 July 2009), with all aspects actively monitored by COAG. A new Intergovernmental Agreement will be developed to underpin the new framework and entrench the concept and practice of cooperative working relationships between governments.

The new framework for federal financial relations is based on five key elements.

Rationalisation

The Commonwealth will significantly reduce the number of payments for specific purposes, without reducing the overall quantum of payments. The States will continue to receive all GST revenue, but payments for specific purposes (which currently number more than 90) will be rationalised into:

- five or six new specific purpose payments (SPPs) supported by new national agreements in the areas of:
 - healthcare;
 - early childhood development and schools;
 - vocational education and training;
 - disabilities services; and
 - affordable housing.
- some general revenue assistance in respect of payments where there are no compelling national objectives associated with the payment;
 - these include payments without conditions, such as payments to Western Australia and the Northern Territory for offshore petroleum royalties and mining royalties respectively;
- National Partnership payments to support the delivery of specified projects and facilitate or reward reforms.

Greater flexibility

The States will have greater flexibility to direct their resources to areas where they will produce the best results. The Commonwealth will move away from the overly prescriptive approach of the past, by significantly reducing the conditions which inhibit State service delivery and priority setting. Rather than dictating how things should be done, there will be a rigorous focus on the achievement of outcomes – that is, reaching mutual agreement on what services the States deliver that improve the well-being of Australians, without stipulating precisely how the States achieve the outcomes or deliver services.

Central to each of the new national SPPs will be a mutually-agreed Statement of Objectives and Outcomes. The statement will set out:

- what the Commonwealth and the States expect to achieve from their joint involvement – the objectives and expected outcomes, including a new focus on enhancing social inclusion and addressing Indigenous disadvantage;

- the role of each jurisdiction, the responsibilities they undertake to be accountable for, and the outputs they will deliver;
- performance indicators and benchmarks which will inform the community about how governments are progressing towards achieving the stated objectives; and
- policy and reform directions.

Funding

The Commonwealth will provide greater funding certainty to the States. The new national agreements will be ongoing, with periodic reviews to ensure the maintenance of funding adequacy and the relevance of objectives.

Importantly, the overall funding arrangements for the new national SPPs and the reform-based National Partnership payments will be negotiated as one financial package by Treasurers, through the Ministerial Council for Commonwealth-State Financial Relations, for endorsement by COAG. This will allow portfolio ministers to focus on the policy aspects of delivering more effective and efficient services. While the level of funding will have regard to the policy objectives, the new framework places policy – not funding – front and foremost.

All payments will be centrally processed by the Australian Treasury and paid direct to each State treasury. State treasuries will be responsible for distributing the funding within their jurisdiction. Payments are currently provided by Commonwealth portfolio departments to the relevant state agencies, and each payment has its own payment and administrative arrangements. Central administration will further simplify payments to the States, aid transparency and improve the States' budget processes.

The initial overall funding package, including base funding and appropriate growth factors for the new national SPPs, and funding for the new incentive-based National Partnership reform payments, will be negotiated later in the year. Nevertheless, the Commonwealth has provided a clear commitment that no State will be worse off overall than they would be under the current arrangements and that National Partnership reform payments will be in addition to existing payments.

Accountability

Central to the new framework for federal financial relations is improved accountability. The new framework will, over time, improve service delivery by ensuring that the appropriate government is held accountable – not just for the dollars it spends, but more importantly for the quality and efficiency of the services it delivers and the outcomes it achieves.

Accountability will be enhanced through simpler, standardised and more timely and transparent public performance reporting, underpinned by clearer roles and

responsibilities. The new reporting framework will focus on the achievement of results, value for money and timely provision of publicly available performance information. This will assist the community in holding their political leaders accountable for their performance. The States will be accountable for improved service delivery and the Commonwealth is committed to providing national leadership, an adequate financial contribution and additional incentive payments to facilitate and reward reform.

The new reporting framework will reinforce the accountability of the State governments to their own communities for their service delivery performances.

National Partnership payments

A central element of the new framework is the provision of new incentive payments to drive reforms. 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 national reforms.

Some existing payments for specific purposes will become National Partnership **project** payments where they support national objectives and provide a financial contribution to the States to deliver specific projects – for example, the Commonwealth will provide its financial contribution to the States’ land transport projects through AusLink National Partnership payments.

The Government also recognises the need to support the States to undertake priority reforms. Consequently, when an area emerges as a national priority, National Partnership **facilitation** payments may be used to assist a State to lift standards of service delivery.

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

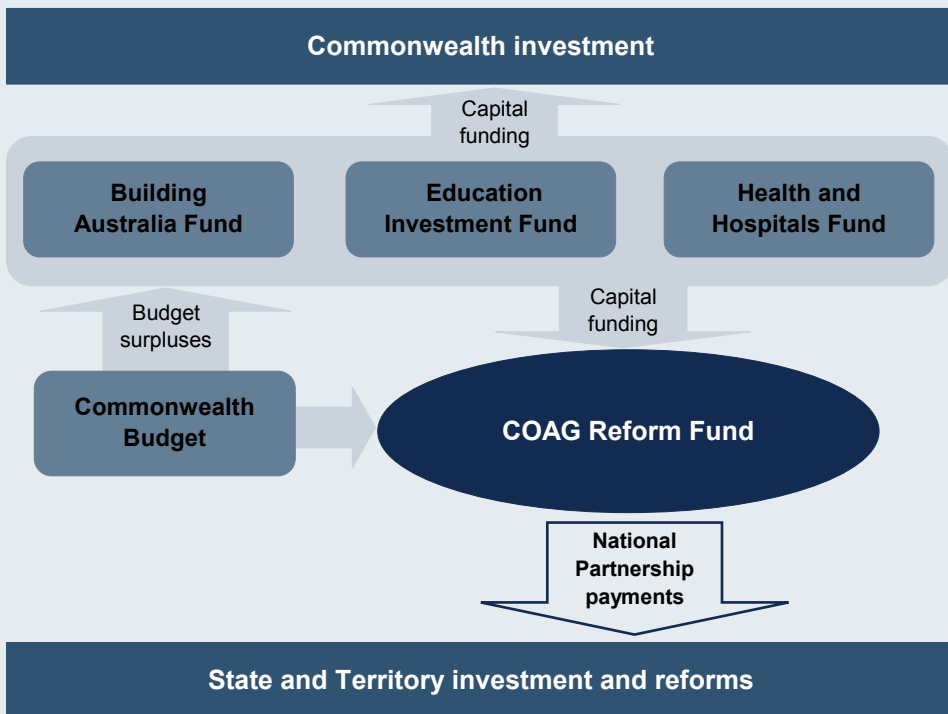
The Government’s commitment to using the new financial framework to drive national reforms is shown by the establishment of the COAG Reform Fund. The Fund will be used to channel National Partnership reform payments to the States.

Box 2.2: COAG Reform Fund to finance National Partnership payments

Many of the significant challenges facing the Australian economy can only be addressed through more effective federal working arrangements. Through COAG, the Government is working closely with the States to deliver better services and produce the right outcomes on matters that affect the daily lives of Australians – including in the areas of infrastructure, education and skills, and health and ageing.

A new COAG Reform Fund will receive contributions directly from the Commonwealth Budget as well as from three other funds being set up by the Government for capital investment – the Building Australia Fund; Education Investment Fund; and Health and Hospitals Fund. The purpose of these funds, which are to be financed largely from future budget surpluses, is to underpin future progress on investment and reforms in these key sectors. Where the investments are to be undertaken by the States, and the Commonwealth has agreed to fund these, the funding will be provided through the COAG Reform Fund in the form of National Partnership payments.

To ensure that total capital spending from the funds is consistent with the Government’s macroeconomic goals, the Australian Loan Council will provide advice on whether the combined spending envelope of both the Commonwealth and the States can be delivered in prevailing economic conditions without putting at risk the Government’s inflation target. The Australian Loan Council will not approve or advise on individual infrastructure projects.



A NEW ERA OF ECONOMIC AND SOCIAL REFORM

The new framework for federal financial relations, while significant, is not an end in itself. The new framework provides the foundation for far-reaching economic and social reforms to be undertaken as part of COAG's work program.

In March 2008, COAG committed to a comprehensive new economic reform agenda for Australia, with a particular focus on healthcare, water resources, regulatory and competition reform and the broader productivity agenda. The COAG reform agenda will expand the productive capacity of the economy, deliver a higher quality of service to the Australian community, enhance sustainability, address social inclusion and close the gap on Indigenous disadvantage.

The COAG reform agenda is underpinned by a shared commitment to clear goals, genuinely cooperative working arrangements and the improved governance and funding framework needed to deliver real reform. A fresh spirit of goodwill has delivered agreements in areas unresolved by COAG for too long. COAG will move on from the 'blame game' to make federalism work, to deliver real outcomes in the national interest.

The Government's election commitments are an integral part of the reform agenda. But those commitments are broader than can be achieved by the Commonwealth acting alone. The major challenges facing the economy are all issues that need to be addressed through a reinvigorated and cooperative COAG – the Commonwealth working in partnership with the States.

That is why the Government's election commitments are not confined to areas that the Commonwealth has sole responsibility for, and would therefore be able to improve on its own. The States will be important partners in developing and delivering the reform agenda.

Health and Ageing

COAG is pursuing an ambitious reform agenda, including developing a new national healthcare agreement which encompasses preventative health, Indigenous health, primary care, aged care and hospitals. The new agreement will clarify the roles and responsibilities of all levels of government and establish a shared vision for the health system. Under this agreement, all jurisdictions will have their performance measured and reported to the community. The new agreement will also allow jurisdictions to move to a nationally-consistent approach for activity-based funding for services provided in public hospitals.

Health

The Government is committed to relieving the pressure on public hospitals, providing faster access to medical treatments for all Australians, increasing the focus of health

policy on prevention, and building an adequate and efficient health workforce. The Government will implement many of its election commitments and reform measures through COAG.

COAG will be assisted by the National Health and Hospitals Reform Commission. The Commission will advise on performance benchmarks, reforms to the Australian health system and a long-term health reform plan. The Commission's recommendations for sustainable improvements in the performance of the health system are due by June 2009.

Reflecting its commitment to improving health outcomes, the Commonwealth:

- has committed to an immediate allocation of \$1 billion to the States to relieve pressure on public hospitals – an upfront payment of \$500 million of this will be provided to the States before 30 June 2008;
- will provide up to \$600 million to reduce elective surgery waiting lists, including \$150 million to conduct an additional 25,000 procedures in 2008; and
- will provide \$275.5 million over five years for infrastructure to establish general practice super clinics for general practitioners and other health professionals to work together in the one place, which will relieve the pressure on hospitals, particularly emergency departments.

The Government will establish a Health and Hospitals Fund for investment in health facilities, including renewal and refurbishment of hospitals, medical technology equipment and major medical research facilities and projects. Subject to final budget outcomes, the Government will make an initial contribution of around \$10 billion from the 2007-08 and 2008-09 Budget surpluses, once realised. Both the capital and the earnings of the fund will be fully drawn down over time, once specific projects are identified. Drawdowns from the Health and Hospitals Fund will not occur before 2009-10. Funding for specific projects will be subject to rigorous appraisal criteria. This arrangement ensures that this substantial funding is available for capital investment in health and hospitals over the next few years. The Government will not proceed with the Health and Medical Investment Fund announced by the former Government.

The Government is committed to improving access to dental treatment and will work with the States to address Australia's dental crisis:

- the Commonwealth will replace the Medicare dental scheme with a \$290 million Dental Health Program that will bring relief for up to 650,000 people on public dental waiting lists around the country; and
- the Commonwealth will provide \$490.7 million over five years for a new Teen Dental Plan to assist up to 1.1 million eligible teenagers aged 12 to 17 with a \$150 annual dental rebate for dental check-up costs.

The Government has implemented several measures to boost health workforce participation in the short term and long term. It will:

- provide a \$6,000 incentive for every eligible nurse to return to work; and
- fund up to an additional 50,000 vocational training places to address areas of shortage.

In addition, the Commonwealth has signed an agreement with the States that will, for the first time, create a single national registration and accreditation system for nine health professions: medical practitioners; nurses and midwives; pharmacists; physiotherapists; psychologists; osteopaths; chiropractors; optometrists; and dentists (including dental hygienists, dental prosthetists and dental therapists). The new arrangement will help health professionals move around the country more easily, reduce red tape, provide greater safeguards for the public and promote a more flexible, responsive and sustainable health workforce. For example, the new scheme will maintain a public national register for each health profession which will ensure that a professional who has been banned from practising in one jurisdiction is unable to practise elsewhere in Australia.

Ageing

Greater cooperation between all three levels of government will also improve the financing of services for the aged and people with disabilities. Currently, the Commonwealth makes several payments to state and local governments for these services, as well as delivering its own programs, while providing a separate payment for hospital services. These arrangements exacerbate cost-shifting because of a lack of coordination and can result in barriers to continuity of care for the aged. They waste money which could be better spent on improved services and makes it difficult for people to navigate the system of public services when they leave hospital and need extra care. As a result, they sometimes have to stay in hospital longer than necessary.

Through implementing the new framework for federal financial relations, the health and aged care systems will benefit from better integration. The new national healthcare agreement will enshrine the principle of better integration by explicitly taking aged care into account, along with hospital funding.

The Government is also implementing some of its election commitments in partnership with the States to help create a more seamless delivery of these services. The Commonwealth will fully fund, and the States will operate, 2,000 new transitional care places to help provide care for older people leaving hospital, at a cost of \$293 million over four years. This measure is designed to help frail older Australians leave hospital more quickly and free up hospital beds.

The productivity agenda

Substantial reform of Australia's education and training systems is required to provide quality learning opportunities for all Australians, reduce entrenched disadvantage in Indigenous and other communities, and help boost productivity and participation in the economy.

To achieve the aims for reform outlined above, COAG is developing a substantial reform agenda in the areas of early childhood development, schooling, and skills and workforce development.

At the centre of the education reform plan will be new national agreements in respect of early childhood development and schools, and vocational education and training, with additional National Partnership payments to support systemic reforms in the delivery of education services.

COAG has also developed implementation plans for the Government's election commitments, including:

- universal access to early childhood education for children in the year before formal schooling;
- the \$2.5 billion *Trade Training Centres in Schools Program*;
- the \$1.2 billion *Digital Education Revolution*; and
- up to an additional 630,000 training places over five years under the \$1.9 billion *Skilling Australia for the Future* policy.

COAG has agreed to a set of aspirations, outcomes, progress measures and future policy directions in the key areas of early childhood, schooling and skills and workforce development. These agreed objectives will form the basis of a substantive further reform agenda to be developed over the course of 2008.

COAG also agreed at its March 2008 meeting to develop, as a high priority, a National Partnership payment focusing on the particular educational needs of low socio-economic status school communities.

In order to guarantee funding for this long-term productivity agenda, the Government will establish an Education Investment Fund, which absorbs and extends the Higher Education Endowment Fund. The Education Investment Fund will provide financing for investment in higher education and vocational education and training facilities. Subject to final budget outcomes for 2007-08 and 2008-09, the Government will make an initial contribution to the fund of around \$5 billion, bringing the total size of the fund to around \$11 billion. The capital and the earnings of the fund will be drawn down over time to invest in the nation's future education and training needs, with funding for specific projects subject to rigorous appraisal criteria. Under these

arrangements, the amount of funds available for capital investment in higher education and vocational education and training in coming years will be substantially greater than under the previous arrangements for the Higher Education Endowment Fund. Drawdowns from the Education Investment Fund will not occur before 2009-10.

Climate change and water

Climate change

Climate change is one of the greatest challenges that Australia faces. The Commonwealth is working cooperatively with the States to create a comprehensive national policy response that will seek to achieve a streamlined set of climate change measures, a coordinated approach to developing a national renewable energy target, a climate change adaptation strategy and effective energy efficiency measures.

COAG's development of a national renewable energy target provides the opportunity to deliver a national approach to encouraging renewable energy generation – helping remove distortions to business investment decisions and reducing red tape for businesses operating across borders.

COAG is developing a long-term national adaptation strategy to enable governments, business and the community to better understand and prepare for the impacts of climate change. COAG is also advancing options to accelerate the uptake of energy efficiency measures.

These measures, together with the introduction of the emissions trading scheme in 2010, are the Commonwealth's primary mechanism for reducing Australia's greenhouse gas emissions at least cost, and will result in Australia being well placed to face the challenge of climate change.

Water

The ongoing drought and climate change have highlighted the significant challenge that water scarcity poses, for both the Australian economy and the environment, and the urgent need to address this challenge.

The management of water resources is an issue of national importance. Cooperative partnerships between the Commonwealth and the States are key to addressing the water challenges across the country. In recognition of this, COAG will progress national water reforms, including a specific commitment to reform arrangements in the Murray-Darling Basin, which accounts for more than 70 per cent of irrigation water use in Australia.

The Commonwealth and the Murray-Darling Basin States have agreed on the need to implement cooperative and accountable governance arrangements. These arrangements will enable the effective management of whole-of-basin water resources,

which is needed to address over-allocation, restore the river system health and ensure the sustainable use of water into the future.

More broadly, COAG has also committed to a forward work program aimed at accelerating and updating the reform process, which was initially agreed under the National Water Initiative in 2004. These reforms are necessary to ensure that water use is sustainable and to enable available water to flow to its highest value use, through the development of a well functioning water market. In addition, COAG is progressing work to identify and address key challenges facing urban water supply. The renewed reform process represents a committed and cooperative approach by the Commonwealth and States to achieve the desired national outcomes.

Infrastructure

Australia's long-term productivity growth will be underpinned by the efficient provision and utilisation of infrastructure. Australia is currently operating at close to full capacity, and this is placing stress on the existing stock of infrastructure. This creates challenges for governments to ensure that new investments come on line in a timely and efficient manner.

The establishment of Infrastructure Australia will put in place an ongoing, cooperative process for the Commonwealth, States and industry to identify and prioritise infrastructure projects. Infrastructure Australia will develop improved processes for identifying and coordinating key national infrastructure. These processes will assist in ensuring that infrastructure investment is undertaken in those sectors of the economy and locations where it produces the greatest benefit.

Infrastructure Australia's immediate task is to audit the nation's infrastructure and produce, within 12 months, an infrastructure priorities list to guide future public and private investment. Infrastructure Australia will report regularly to COAG on progress with its infrastructure audit program as well as on policy and regulatory reforms that facilitate efficient infrastructure investment, including measures for achieving consistency across jurisdictions.

The Government will establish a fund to raise Australia's productive capacity – the Building Australia Fund. The fund will help finance the current shortfall in national transport and communications infrastructure. Subject to final budget outcomes, the Government will make a financial contribution to the fund from the 2007-08 and 2008-09 Budget surpluses, once realised. Both the capital and earnings of the fund will be drawn down over time, once specific infrastructure projects have been identified. Funding for specific projects will be subject to rigorous appraisal criteria. This arrangement ensures that substantial funding is available for capital investment in infrastructure projects over the next few years. The Communications Fund will be closed and its capital of \$2.4 billion absorbed into the Building Australia Fund to help finance the Government's commitment to invest in a National Broadband Network.

With the exception of funding for the National Broadband Network, drawdowns from the BAF will not occur from 2009-10.

Business regulation and competition

COAG has committed to a far-reaching and accelerated business regulation reform agenda to enhance productivity, innovation and workforce mobility, by cutting the costs of regulation, including:

- national harmonisation of occupational health and safety law;
- early action in twelve areas of regulation: environmental assessment and approvals; payroll tax administration; trade licences; healthcare workforce registration; national trade measurement; rail safety regulation; consumer policy; product safety; trustee companies; mortgage credit and advice; margin lending; and non-deposit taking institutions;
- accelerating the timetable for the reform of five other hot-spots: development assessment; building regulation; chemicals and plastics regulation; business names registration; and personal property securities; and
- nine new areas identified for reform: standard business reporting; food regulation; national mine safety; electronic conveyancing; upstream petroleum (oil and gas) regulation; maritime safety; wine labelling; directors' liabilities; and financial service delivery.

Regulatory reform will lift productivity growth by: reducing the cost to business of complying with government regulations; enhancing competitiveness; reducing the costs to taxpayers of government agencies monitoring and enforcing regulations; and increasing the rewards from effort, risk-taking, entrepreneurship and innovation.

Regulatory reform can also lift workforce participation, because rigidities in business regulations among the States can impede the mobility of labour. A highly mobile workforce allows workers to move from one location to another.

COAG has created the Business Regulation and Competition Working Group to develop options for further reforms. The working group will consider whether further improvements can be made to regulation-making and review, including processes to ensure no net increase in the regulatory burden, and common start dates for legislation. The working group will also turn its attention to progressing competition reforms, including the appropriate models for the future regulation of national markets and unfinished National Competition Policy business.

Housing

COAG has identified the decline in housing affordability as a pressing issue for Australians and recognised that improving affordability and access to housing, including in Indigenous communities, is critical to addressing financial stress and disadvantage. To ensure that all levels of government work together to improve housing affordability, COAG will develop a national affordable housing agreement, which builds on previous agreements and will include specific housing objectives for Indigenous Australians.

The key aspect of COAG's response to declining housing affordability is to deliver reforms that boost the supply of housing, which has not kept up with strong growth in demand. COAG's response is initially being addressed through five separate initiatives.

- The Commonwealth and the States are undertaking land audits, with the objective of identifying surplus land that could be developed to provide additional housing. In line with the audit, the Commonwealth's property disposal policy is being improved to ensure housing supply, community facilities and job creation opportunities are enhanced when land is placed on the market.
- The National Rental Affordability Scheme is being established to encourage the construction of affordable rental housing for households of limited means. The scheme will provide institutional investors with an annual \$6,000 tax credit (or grant, depending on eligibility) for 10 years, plus a \$2,000 annual contribution from the States for each new dwelling that they rent out to low income households at rates that are 20 per cent below the market level.
- The Housing Affordability Fund will reduce the cost of new homes, by lowering the burden of regulatory costs and infrastructure which are built into the purchase price. It will provide assistance to local governments to help reduce the costs of providing new housing-related infrastructure and improve planning and approval processes in order to generate savings for new home buyers – up to \$30 million of the fund is committed to rolling out electronic development assessments across the country to help speed up planning approval processes, with a priority focus on high growth areas.
- A National Housing Supply Council is being established to improve the evidence base for housing policy and program development, and to produce a State of Supply Report which coordinates research at local, state and national levels, to assess the supply of land and housing relative to expected demand.
- COAG has committed to halve the number of homeless people who are turned away from shelters within five years and improve social and community housing. *A Place to Call Home* is an initiative to support the neediest in society, through joint Commonwealth-State investment in 600 new houses and units for homeless people

across the nation. This is a cooperative initiative, with the Commonwealth contributing funding and the States contributing funding, land or management services.

Indigenous Reform

The Government's election commitments aim to address Indigenous disadvantage across a wide range of fronts. Successful implementation will depend on close cooperation between the Commonwealth and States. These cooperative arrangements aim to bring about substantial benefits in eliminating duplication and overlap. COAG has agreed to goals, including to:

- close the 17 year 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 students within a decade;
- halve the gap in employment outcomes and opportunities between Indigenous and non-Indigenous Australians within a decade;
- provide all children in the year before formal schooling 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.

In addition, the objectives and outcomes for each of the new national agreements, covering health, early childhood development and schools, vocational education and training, disability services, and affordable housing, will include a new focus on addressing Indigenous disadvantage.

PART 3: PAYMENTS FOR SPECIFIC PURPOSES

This part provides information on Commonwealth payments to support specific state services. These payments are the subject of substantial reforms through COAG's new framework for federal financial relations, which commences from 1 January 2009. The Commonwealth has provided a commitment that no State will be worse off as a result of these reforms.

Some elements of the reforms are still being developed in consultation with the States. Accordingly, some reforms to particular payments described in this part may be subject to further change.

The estimates of payments for specific purposes in this Budget Paper reflect the current funding arrangements. As COAG is developing its reform agenda throughout 2008, National Partnership reform proposals and the funding arrangements to support the reform agenda will be considered at the end of 2008.

A NEW FRAMEWORK FOR FEDERAL FINANCIAL RELATIONS

National SPPs

There are currently more than 90 different payments for specific purposes, with many containing prescriptive conditions on how the funding should be spent. Under the new framework for federal financial relations, many of these payments will be bundled into the five or six new national specific purpose payments (SPPs) in the areas of:

- healthcare;
- early childhood development and schools;
- vocational education and training;
- disabilities services; and
- affordable housing.

These new national SPPs will be the primary way that the Commonwealth will support the States' efforts in delivering services in the major sectors.

Instead of receiving several smaller payments which can usually only be spent in a specified program area, the States will have increased flexibility to use Commonwealth funds allocated through one of the new national SPPs.

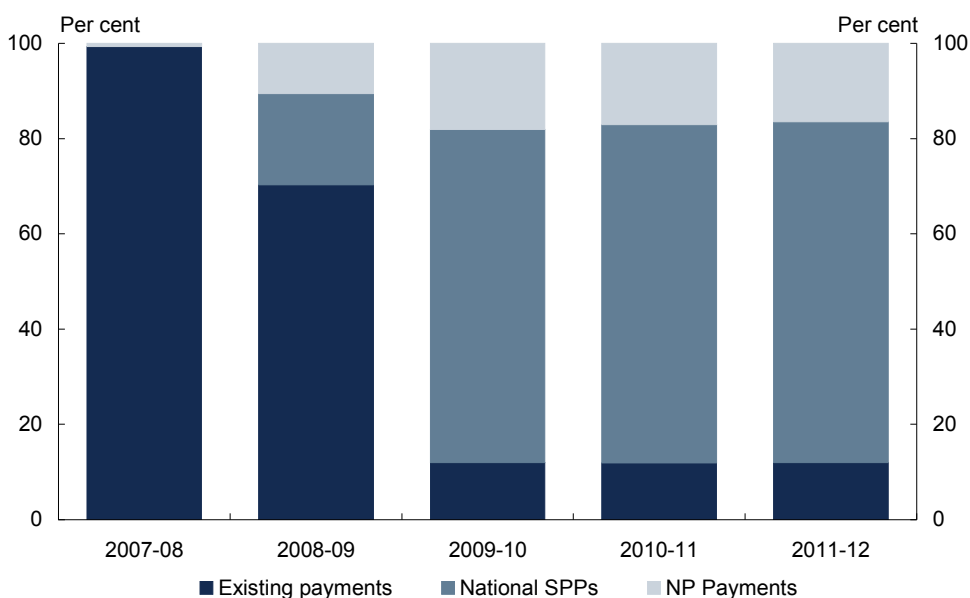
- The States will be required to spend Commonwealth SPP funding in the area of that SPP (for example, within the health sector) but they will have the freedom to

allocate funds within a sector (for example, funding could be spent in areas such as preventative health, Indigenous health or hospitals).

- The States will not be able to redistribute Commonwealth funding from one sector to another (for example, from the healthcare sector to the housing sector), but there will be no conditions on how States allocate their own-source funding across or within sectors.
- The new national SPPs will provide the States with additional budget flexibility for the efficient delivery of better services because they will not be required to match Commonwealth funding contributions.

The new national SPPs are estimated to account for 70.0 per cent of all payments to the States for specific purposes by 2009-10 as shown in Chart 3.1 – there is a part year effect of the rationalisation in 2008-09, because the healthcare arrangements commence from 1 July 2009 and all the other arrangements commence from 1 January 2009.

Chart 3.1: Rationalisation of payments for specific purposes



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 national reforms.

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

the Commonwealth will continue to provide a financial contribution to the States' road and rail projects through AusLink National Partnership payments.

The Government also 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 used to assist States to lift standards of service delivery and National Partnership **reward** payments will be provided to States which deliver reform progress.

General revenue assistance

The review of payments during the development of the new financial framework identified several payments, which are currently classified as payments for specific purposes, where there are no compelling national objectives associated with the payment. These include payments without conditions, such as payments to Western Australia and the Northern Territory for offshore petroleum royalties and mining royalties respectively.

Consequently, the following payments will be reclassified as general revenue assistance with effect from 1 January 2009: royalty payments (\$351 million in 2008-09); Snowy Hydro Ltd tax compensation (\$23 million in 2008-09); and two payments for ACT municipal services (\$17 million in 2008-09). As the reclassification will take effect from half way through 2008-09, half of the Budget year estimates for these payments are classified in Part 4 as general revenue assistance and the other half remain classified as payments for specific purposes. The full-year effect of the reclassifications applies from 2009-10.

TOTAL PAYMENTS FOR SPECIFIC PURPOSES

Payments to the States for specific purposes constitute a significant proportion of Commonwealth expenditure. In 2008-09, they are estimated to total \$33.1 billion. For the Budget year, total payments to the States for specific purposes will represent 11.3 per cent of total Commonwealth expenditure.

As noted above, several payments which were previously classified as specific purpose payments will now be paid as general revenue assistance from 1 January 2009. This has the effect of reducing the growth rate in payments for 2008-09.

Total payments for specific purposes by functional sector, including new national SPPs and National Partnership payments, are shown in Table 3.1. Note that payments for specific purposes are reduced from 2008-09 as a result of the classification of some payments to general revenue assistance with effect from 1 January 2009.

Table 3.1: Total payments for specific purposes^(a)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
Health	3,769	2,735	2,237	1,107	935	276	154	165	11,378
Education	3,321	2,492	2,001	992	777	232	181	127	10,123
Community services	582	414	366	162	165	51	22	30	1,792
Housing	367	256	225	120	91	33	25	40	1,158
Infrastructure	1,110	537	813	422	195	71	6	52	3,206
Environment	99	66	56	91	38	12	3	16	379
Local government(b)	562	418	347	207	137	58	37	25	1,791
Other	560	300	271	841	149	86	40	51	2,299
Total payments for specific purposes	10,370	7,219	6,315	3,942	2,487	819	468	506	32,127
<i>less payments 'through' the States</i>	2,475	1,900	1,473	774	595	190	153	79	7,639
<i>less payments direct 'to' local government</i>	171	115	111	82	33	24	-	12	548
Total payments 'to' States for own-purpose expenses	7,724	5,204	4,731	3,086	1,860	605	315	415	23,940
2008-09									
Health	3,722	2,709	2,160	1,105	919	282	155	158	11,209
Education	3,769	2,771	2,193	1,107	873	257	202	135	11,306
Community services	600	456	409	180	180	56	25	27	1,933
Housing	391	268	315	226	123	35	27	183	1,567
Infrastructure	1,143	417	916	488	305	109	19	95	3,492
Environment	91	48	38	54	23	9	2	15	280
Local government(b)	587	437	364	217	142	60	39	27	1,874
Other	334	209	175	454	150	56	25	74	1,476
Total payments for specific purposes	10,636	7,316	6,571	3,829	2,716	864	493	713	33,137
<i>less payments 'through' the States</i>	2,757	2,063	1,630	847	650	193	167	83	8,389
<i>less payments direct 'to' local government</i>	206	136	161	87	48	22	-	14	674
Total payments 'to' States for own-purpose expenses	7,673	5,117	4,780	2,895	2,017	649	326	617	24,073

(a) Note that payments to Western Australia and the Northern Territory for specific purposes are reduced from 2008-09 as a result of the classification of some royalty payments as general revenue assistance with effect from 1 January 2009.

(b) General revenue assistance components of payments to local government only. Other payments to local government are categorised under the relevant sector.

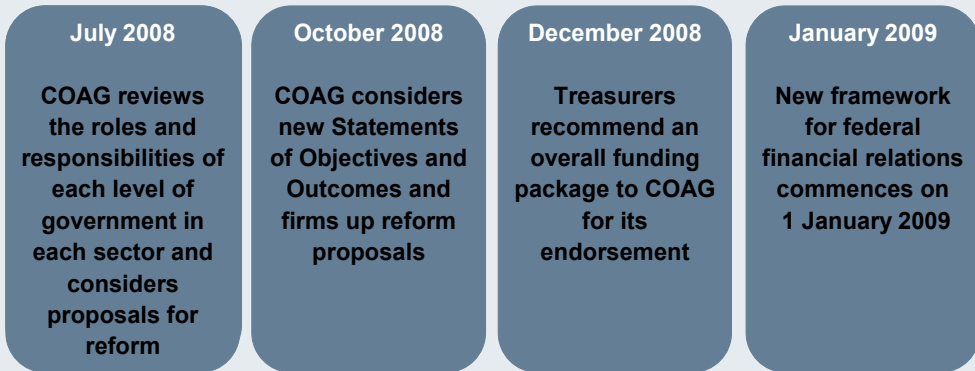
Of the \$33.1 billion provided for specific purposes in 2008-09:

- \$24.1 billion is provided 'to' the States to help fund State government functions;
- \$8.4 billion is paid 'through' the States, where the State governments distribute the payments to other organisations – this includes payments for non-government schools and general revenue assistance for local governments; and
- \$0.7 billion is paid direct to local governments.

Box 3.1: Developing and funding COAG's reform agenda

COAG has agreed on a new framework for federal financial relations, which will provide the foundation for its ambitious reform agenda. The reform agenda will be agreed by the end of 2008 and implemented with the commencement of the new financial framework from 1 January 2009.

The Commonwealth has provided a clear commitment that no State will be worse off overall than they would be under the current arrangements, and that National Partnership reform payments will be in addition to existing payments.



Funding for the new national SPPs and National Partnerships payments for identified reforms will be considered as part of the overall package to be negotiated by Treasurers towards the end 2008.

COAG has also agreed that, where Commonwealth election commitments have legitimate and additional financial implications for the States, consideration of these costs will be included in the work of Treasurers in negotiating the final funding package.

Table 3.2 presents the forward estimates of payments for specific purposes based on the current financial arrangements.

Table 3.2: Total payments for specific purposes, 2007-08 to 2011-12

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
Health(a)	11,378	11,209	11,723	12,356	12,672
Education	10,123	11,306	11,946	12,491	13,377
Community services	1,792	1,933	2,091	2,299	2,519
Housing	1,158	1,567	1,613	1,645	1,252
Infrastructure	3,206	3,492	3,888	3,647	4,275
Environment	379	280	281	198	163
Local government(b)	1,791	1,874	1,949	2,030	2,098
Other	2,299	1,476	491	499	508
Total payments for specific purposes	32,127	33,137	33,982	35,166	36,864
<i>less</i> payments 'through' the States	7,639	8,389	8,943	9,391	7,784
<i>less</i> payments direct 'to' local government	548	674	164	45	46
Total payments 'to' States for own purpose expenses	23,940	24,073	24,875	25,730	29,034

(a) Payments for health in 2007-08 include \$500 million additional funding to enable the States to invest in their hospitals immediately, as announced at the COAG meeting of 26 March 2008.

(b) General revenue assistance components of payments to local government only. Other payments to local government are categorised under the relevant sector.

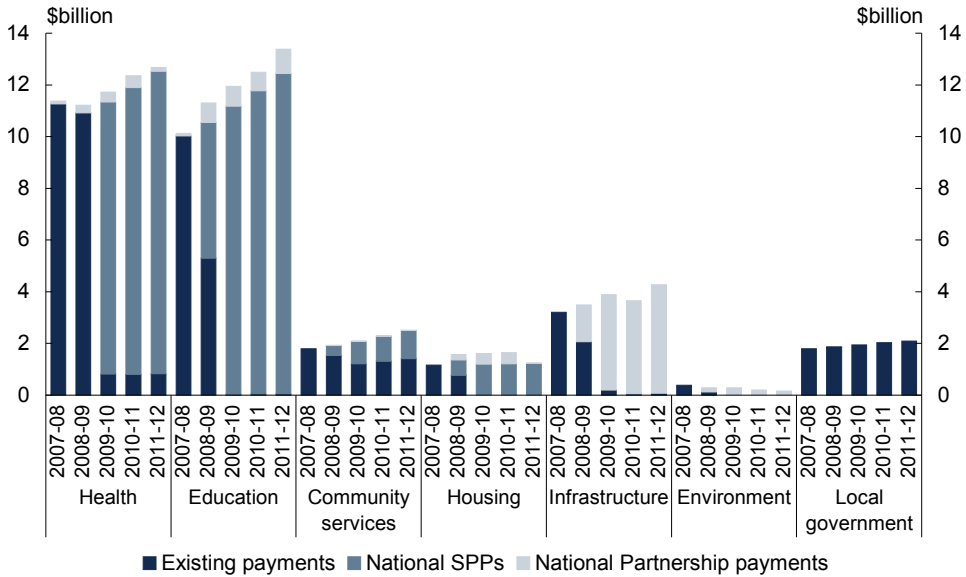
Detailed tables of payments for specific purposes for the period 2007-08 to 2011-12, including state shares of each payment and the transitional arrangements for 2008-09, are provided in Appendix B.

CATEGORIES OF PAYMENTS FOR SPECIFIC PURPOSES

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

This section outlines payments to the States based on the new financial framework and the current funding arrangements. The amount of funding for the new financial framework will be reviewed by Treasurers later in 2008, prior to the commencement of the new arrangements from 1 January 2009.

Chart 3.2: Composition of payments for specific purposes



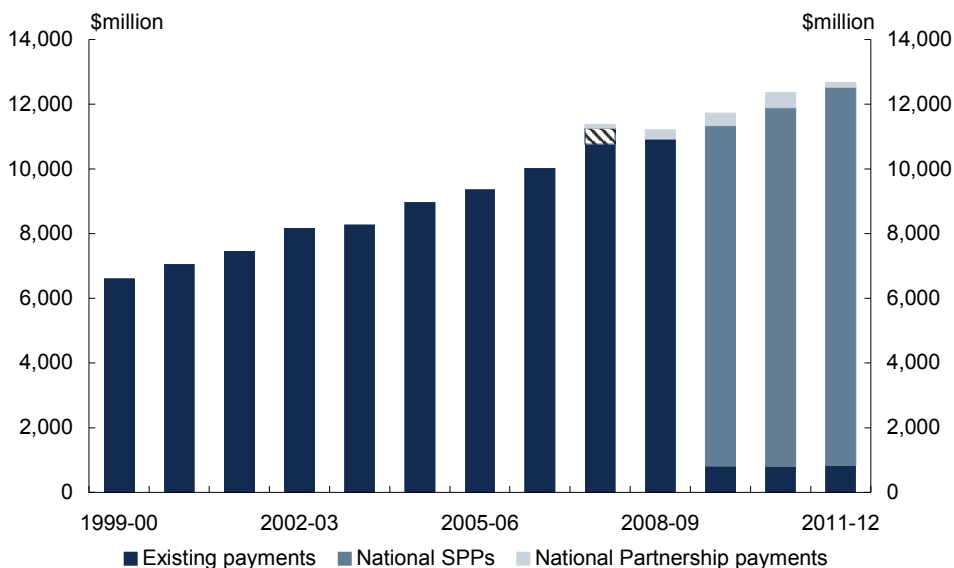
Payments for specific purposes are expected to increase in 2008-09, on average by 5.3 per cent compared with 2007-08 (Chart 3.2).

As noted above, several payments which were previously classified as specific purpose payments will now be paid as general revenue assistance from 1 January 2009. This has the effect of reducing the growth rate in payments for 2008-09.

Health

At its meeting on 26 March 2008, COAG agreed to extend the *Australian Health Care Agreements* by one year, with the Government committing an additional \$1 billion to relieve pressure on public hospitals. Of this, \$500 million is additional funding to be paid in 2007-08 to enable the States to invest in their hospitals immediately (as illustrated in Chart 3.3). The remaining funding represents continuation of the existing indexation arrangements.

Chart 3.3: Payments to support state health services



Note: The hatched area indicates that payments to support state health services in 2007-08 includes \$500 million additional funding to enable the States to invest in their hospitals immediately, as announced at the COAG meeting of 26 March 2008. Health funding in 2007-08 is affected by additional funding associated with the human papillomavirus (HPV) and rotavirus vaccination initiatives for that year.

Source: Final Budget Outcomes and Budget estimates.

From 1 July 2009, the Commonwealth will provide a financial contribution to support state health services under the new national healthcare agreement. This new national SPP will incorporate the following existing payments:

- \$9.7 billion in 2008-09 under the *Australian Health Care Agreements*, which assists with the provision of public hospital services free of charge to eligible persons;
- \$239.9 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, AIDS control, drug strategies and cancer screening;
- \$3.9 million in 2008-09 under the organ and tissue donation program to fund initiatives that will assist with improving the rates of organ and tissue donation in Australia; and
- \$2.6 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.

The following existing payments to the States will continue to be paid from 1 July 2009 as National Partnership payments:

- \$13.7 million to be provided to the Northern Territory in 2008-09 to ensure that the Royal Darwin Hospital can operate as a national critical care and trauma response centre; and
- \$376.4 million over five years to enable aged care assessment teams to conduct holistic assessments of frail aged people and refer them to appropriate residential or community care services.

Election commitments and other policy decisions included in this Budget that will be implemented through National Partnership payments include:

- \$600.0 million over four years from 2007-08 to reduce waiting lists for elective surgery in public hospitals in each State;
- \$290.0 million over three years to establish a Commonwealth Dental Health Program – funding will be provided to the States to supplement existing public services and/or purchase private dental services; and
- \$39.4 million over five years, including \$26.0 million to the States in forward estimates, to encourage qualified nurses to return to the nursing workforce in hospitals and residential aged care.

Further information on these policy decisions is included in Budget Paper No. 2, *Budget Measures 2008-09*.

Table 3.3: Payments to support state health services

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
National healthcare agreement			10,528.6	11,095.9	11,696.2
Health care grants(a)	9,747.2	9,724.8			
National public health	228.0	239.9			
Organ and tissue donation	3.9	3.9			
Youth health services	2.6	2.6			
National Partnership payments(b)					
Aged care assessment	68.4	71.9	75.2	78.7	82.2
Royal Darwin Hospital - equipped, prepared and ready	13.4	13.7	14.0	14.2	14.5
Helping public patients in hospitals waiting for nursing home places	37.5	37.5	37.5	37.5	37.5
<i>including</i> Election commitments					
Commonwealth Dental Health Program	-	92.0	96.6	101.4	-
Elective surgery waiting list reduction reduction plan	75.0	155.0	150.0	220.0	-
Health infrastructure grants	141.1	40.3	4.4	2.7	1.6
Supporting nurses back into the workforce - incentive payments	-	2.4	5.1	6.0	7.2
Supporting nurses back into the workforce - training payments	0.4	0.8	1.1	1.4	1.6
Existing payments(c)					
Essential vaccines	541.0	263.7	214.8	165.2	165.2
Health program grants	1.2	1.2	1.2	1.3	1.3
Highly specialised drugs(d)	513.4	554.2	589.0	626.3	659.1
Organ transplantation services	1.8	1.9	1.9	1.9	1.9
Organ transplantation services (capital)	0.2	0.2	0.2	0.2	0.2
Repatriation general hospitals	2.0	1.9	1.8	1.7	1.6
Supporting Western Sydney - positron emission tomography scanner at Westmead Hospital	1.2	1.3	1.3	1.3	1.3
Total	11,378.4	11,209.2	11,722.8	12,355.7	12,671.5

(a) Payments for health in 2007-08 include \$500 million additional funding to enable the States to invest in their hospitals immediately, as announced at the COAG meeting of 26 March 2008. Health funding in 2007-08 is affected by additional funding associated with the human papillomavirus (HPV) and rotavirus vaccination initiatives for that year.

(b) Payments will continue to be paid as payments for specific purposes until the commencement of the new framework for financial relations on 1 July 2009.

(c) The treatment of these payments under the new framework for federal financial relations is yet to be decided.

(d) These estimates exclude funding under this program relating to private hospital funding.

Funding for the following health services programs will continue beyond 2008-09, although the treatment under the new framework for federal financial relations is yet to be decided:

- \$1.9 million in 2008-09 for the current costs of certain organ and tissue transplantation-related services that are conducted by the Australian Red Cross Blood Service;

- \$1.9 million in 2008-09 provided under the repatriation general hospitals program for payments of a non-treatment nature (for example, accrued leave credits and income maintenance related to staff transfers) in accordance with agreements reached on integration of repatriation general hospitals into the state public hospital system;
- \$1.2 million in 2008-09 provided as health program grants as an alternative to funding Medicare benefits, with the aim of improving access to approved health services or where the fee for service is inappropriate;
- \$1.3 million contribution in 2008-09 to the purchase and installation of a new positron emission tomography scanner at Westmead Hospital (New South Wales) and towards its running costs;
- \$554.2 million in 2008-09 provided under the highly specialised drugs program to provide access to certain drugs under the Pharmaceutical Benefits Scheme which, because of special need in clinical administration or monitoring, cannot safely be provided through a community pharmacy and must be supplied through state public hospitals to outpatients; and
- \$263.7 million in 2008-09 provided for essential vaccines for immunisation under the bilateral Australian Immunisation Agreements with the States – the decrease in funding for this program in 2008-09 is due to increased expenditure in 2007-08 associated with the human papillomavirus and rotavirus vaccination initiatives.

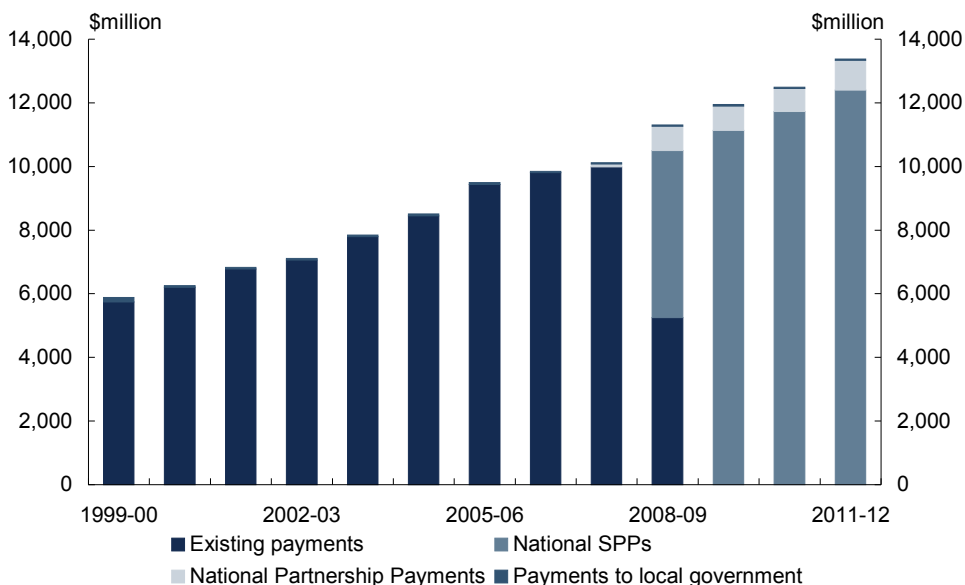
Education

From 1 January 2009, the Commonwealth will provide a financial contribution to support state and non-government early childhood and school services under a new national early childhood development and schools agreement. Consideration is being given to whether early childhood development should be the subject of a separate agreement.

This new national SPP will incorporate the following existing payments:

- \$3.5 billion in 2008-09 to support state education services; and
- \$6.5 billion in 2008-09 to support non-government schools and systems education services.

Chart 3.4: Payments to support state education services



Source: Final Budget Outcomes and Budget estimates.

From 1 January 2009, the Commonwealth will provide a financial contribution to support state vocational education and training services under the new national vocational education and training agreement. This new national SPP will incorporate funding currently provided under the Skilling Australia’s Workforce agreements (\$1.3 billion in 2008-09).

The following existing payments will continue to be paid from 1 July 2009 as National Partnership payments:

- \$51 million in 2008-09 to ensure access to affordable quality child care in programs administered by the States and local government on behalf of the Commonwealth.

Election commitments and other policy decisions included in this Budget that will be implemented through National Partnership payments include:

- \$2.5 billion over ten 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;
- \$1.2 billion over five years to implement the Digital Education Revolution – a National Secondary School Computer Fund will be established to provide grants of up to \$1.0 million to eligible secondary schools to assist them in providing new or upgraded information and communications technology to students in Years 9 to 12;

- \$577.4 million over four years to improve literacy and numeracy outcomes for students in Australian schools in support of the *National Partnership for Literacy and Numeracy*; and
- \$520 million over the four years from 2008-09 to deliver universal access to early learning for all Australian four-year olds – the funding will provide for 15 hours per week, 40 weeks per year of play-based learning and development programs to be delivered by a university qualified early childhood teacher.

Further information on these policy decisions is included in Budget Paper No. 2.

Table 3.4: Payments to support state education services

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
National early childhood development and schools agreement		4,607.1	9,832.1	10,398.2	11,043.7
Government schools	1,844.8	985.1			
Government schools (capital)	528.5	165.3			
Indigenous education strategic initiatives - government	104.9	55.4			
*Non-government schools	5,306.1	2,913.1			
*Non-government schools (capital)	237.2	93.2			
Targeted programs - government schools and joint	450.2	270.9			
*Targeted programs - non-government schools	228.6	124.2			
National vocational education and training agreement		641.6	1,305.2	1,327.1	1,353.6
Skilling Australia's Workforce	1,246.4	641.6			
National Partnership payments					
Children's services	8.6	8.7	8.9	9.0	9.2
<i>including Election commitments</i>					
Early childhood education and care	-	40.0	80.0	100.0	300.0
National action plan for literacy and numeracy(a)	-	94.2	156.6	159.8	162.5
National secondary schools computer fund(a)	100.0	390.2	277.1	200.0	200.0
Trade training centres in schools	-	233.1	242.9	253.1	263.7
Payments to local government					
Children's services	40.6	42.1	42.8	43.4	44.1
Existing payments					
Australian Technical Colleges(b)	-	-	-	-	-
Relocation of Amberley State School, Queensland	26.8	-	-	-	-
Total	10,122.7	11,305.9	11,945.7	12,490.6	13,376.8
<i>Memorandum item</i>					
Support for government schools	2,998.4	3,455.7	3,596.3	3,718.4	3,885.6
Support for non-government schools	5,801.9	6,476.1	6,912.6	7,292.7	7,784.3

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

(a) Includes funding for government and non-government schools.

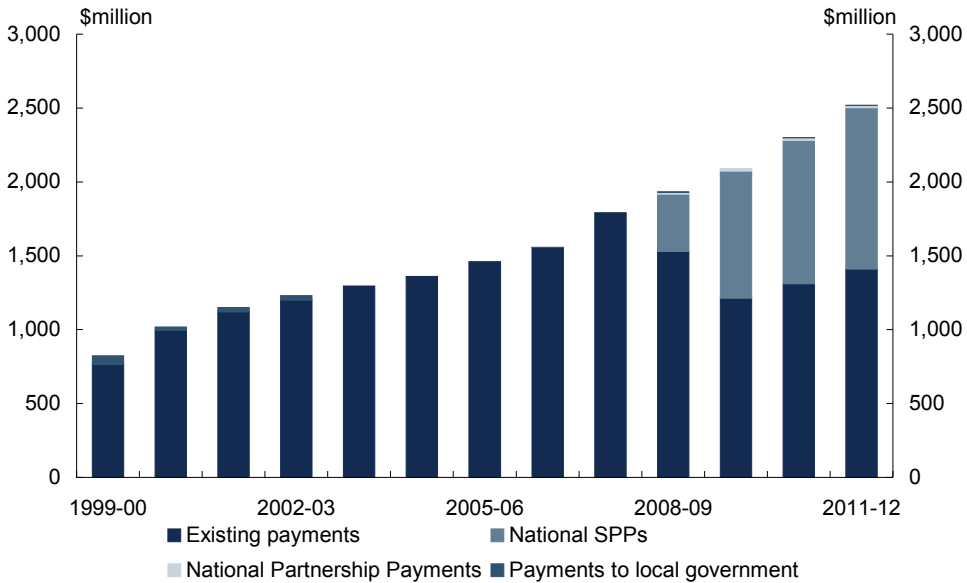
(b) Total expenditure on Australian Technical Colleges is estimated at \$459.2 million over the five years to 2011-12. Most of this funding is classified as Australian Government own-purpose expenses. Payments to the States for this program are included under non government schools programs to 2008-09 and National early childhood development and schools agreement from 2008-09.

Community services

The Government will redirect funding of \$901.2 million over four years from the Disability Assistance Package to the Commonwealth State Territory Disability Agreement. The funds to be transferred in each year are: \$124.5 million in 2008-09; \$154.4 million in 2009-10; \$252.6 million in 2010-11; and \$369.7 million in 2011-12.

From 1 July 2008, the States will be responsible for delivering accommodation support services that were to be delivered by the Commonwealth under the Disability Assistance Package. This is consistent with the States' general responsibilities under the Commonwealth State Territory Disability Agreement for disability accommodation services. These services will assist parent carers, aged 65 or more, to obtain supported accommodation in the community for their adult children with a disability.

Chart 3.5: Payments to support state community services



Source: Final Budget Outcomes and Budget estimates.

From 1 January 2009, the Commonwealth will provide a financial contribution to support state disabilities services under the new national disabilities services agreement. This new national SPP will incorporate the following existing payments:

- \$612.4 million to have been paid to the States in 2008-09, under the terms of the Commonwealth State Territory Disability Agreements, through the disabilities services program to assist in the provision of accommodation support and other services for people with disabilities;
- \$901.2 million over four years redirected from the Disability Assistance Package; and
- \$14.2 million to have been paid to the States in 2008-09, under the young people with disabilities program, for the purpose of reducing the number of younger people with a disability in residential aged care, with priority given to people aged less than 50 years.

The following existing payments will continue to be paid from 1 January 2009 as National Partnership payments:

- \$3.2 million in 2008-09 to support state services to assist humanitarian minors without parents in Australia and the families providing their care through early intervention, counselling and assistance by state welfare agencies.

Election commitments and other policy decisions included in this Budget that will be implemented through National Partnership payments include the following:

- \$100 million in 2007-08, under the Commonwealth State Territory Disability Agreement, to assist the States to provide supported accommodation services for people with a disability; and
- \$50.0 million over the four years from 2008-09 to establish a national reciprocal transport entitlement for state and territory government seniors' card holders.

Further information on these policy decision is included in Budget Paper No. 2.

Table 3.5: Payments to support state community services

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
National disabilities services agreement		387.8	860.3	970.6	1,091.9
Disabilities services	736.9	373.6			
Young people with disabilities	13.9	14.2			
National Partnership payments					
Unaccompanied humanitarian minors	2.2	3.2	3.3	3.4	3.5
<i>including Election commitments</i>					
National reciprocal transport concessions	-	12.5	12.5	12.5	12.5
Payments to local government(a)					
Disabilities services	1.5	1.6	1.6	1.6	1.7
Existing payments					
Family violence partnership(a)	22.8	17.4	5.5	5.6	5.7
Home and community care(a)	1,014.0	1,103.9	1,189.9	1,287.2	1,385.2
Home and community care services for veterans(b)	-	17.4	17.9	18.5	18.5
National action plan to build on social cohesion, harmony and security	0.5	1.0	-	-	-
Total	1,791.8	1,932.5	2,091.1	2,299.4	2,519.0

(a) The treatment of this payment under the new framework for federal financial relations is yet to be decided.

(b) Prior to 2008-09, payments for home and community care services for veterans under the Veterans' Home Care program were classified as Australian Government own-purpose expenses.

The Commonwealth provides funds to the States under the home and community care program for the provision of appropriate community care services to help frail aged

people, people with a disability and veterans live independently in their homes for as long as possible. Funding for this program will continue beyond 2008-09, although its treatment under the new framework for federal financial relations is yet to be decided.

The Commonwealth provides funds to the States under the family violence partnerships program to assist the States to jointly fund projects designed to reduce and prevent the incidence of family violence in Indigenous communities. Funding for this program will continue beyond 2008-09, although its treatment under the new framework for federal financial relations is yet to be decided.

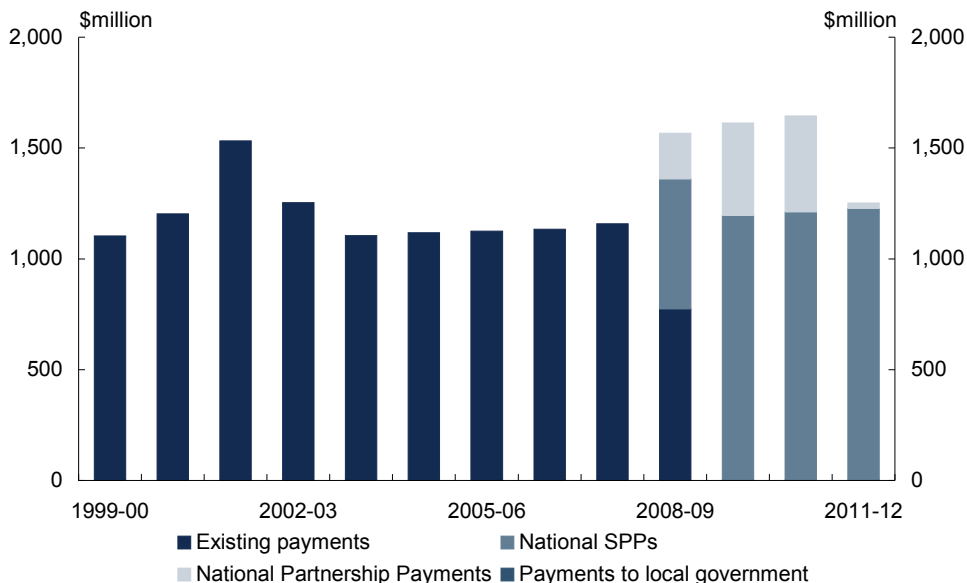
The Commonwealth makes a financial contribution, under the national action plan to build on social cohesion, harmony and security, to projects with the States aimed at further integrating the Muslim community into the broader Australian society. This program was due to lapse from 1 July 2010. As part of the new framework for federal financial relations, the \$482,000 scheduled to be paid in 2009-10 will be brought forward and paid in 2008-09.

Housing

From 1 January 2009, the Commonwealth will provide a financial contribution to support state housing services under the new national affordable housing agreement. This new national SPP will incorporate the following existing payments:

- \$776.5 million in 2008-09 for the provision of public rental housing for low to moderate income households;
- \$189.5 million in 2008-09 to assist people who are homeless and in crisis;
- \$68.5 million in 2008-09 to develop community housing which provides appropriate and affordable rental accommodation for low to moderate income earners;
- \$42.5 million in 2008-09 for the acquisition of accommodation for use under the supported accommodation assistance program; and
- \$97.4 million in 2008-09 to assist Indigenous people on low to moderate incomes to access rental housing.

Chart 3.6: Payments to support state housing services



Source: Final Budget Outcomes and Budget estimates.

The following existing payments will continue to be paid from 1 January 2009 as National Partnership payments:

- \$363.4 million in 2008-09 for housing and infrastructure for Indigenous people in remote areas.

Election commitments and other policy decisions included in this Budget that will be implemented through National Partnership payments include the following:

- \$150.0 million over five years (including \$50.0 million in 2012-13) to deliver up to 600 homes across Australia for families and individuals who are homeless – States will be provided with funding for the construction or purchase of homes or the renovation of existing public housing stock.

Further information on this policy decision is included in Budget Paper No. 2.

Table 3.6: Payments to support state housing services

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
National affordable housing agreement		587.2	1,193.9	1,209.5	1,225.2
Commonwealth-State Housing Agreement block assistance/ base funding	765.2	388.3			
Community housing	67.5	34.3			
Crisis accommodation assistance	41.8	21.2			
Housing assistance for indigenous people	96.0	48.7			
Supported accommodation assistance	185.8	94.7			
National Partnership payments					
Indigenous housing and infrastructure	-	363.4	392.6	408.5	-
<i>including Election commitments</i>					
Homes for the homeless	-	25.0	25.0	25.0	25.0
Existing payments					
*Additional first home owners scheme	-	2.4	-	-	-
Social housing subsidy program	2.0	2.0	2.0	2.0	2.0
Total	1,158.4	1,567.2	1,613.5	1,645.0	1,252.2

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

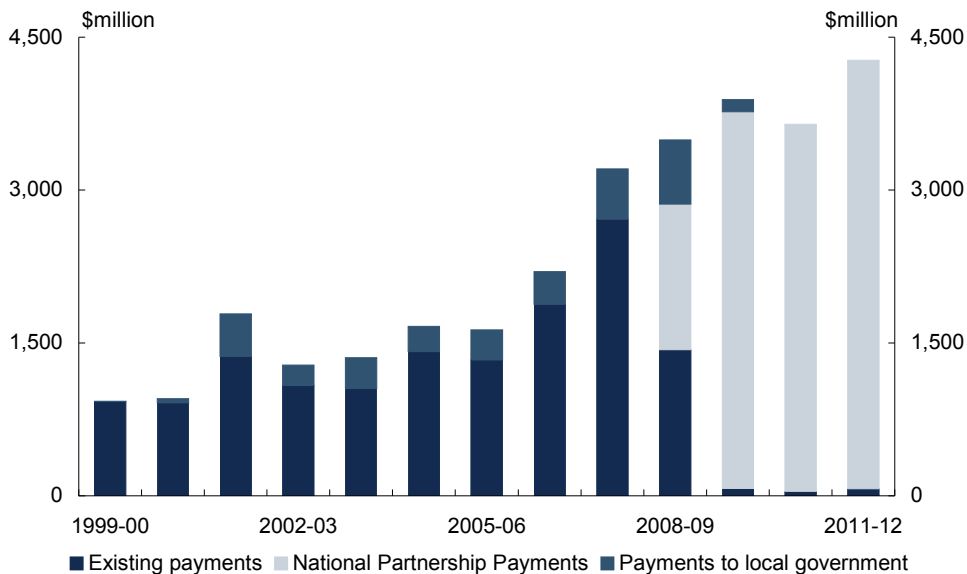
In 2008-09, the Commonwealth will provide \$2 million to New South Wales as part of the social housing subsidy scheme. The program aims to expand housing options for low to moderate income earners by subsidising the recurrent costs of additional rental accommodation. The Australian Capital Territory and Queensland received payments up to 2004-05 and 2000-01 respectively. Funding for this program will continue beyond 2008-09, although its treatment under the new framework for federal financial relations is yet to be decided.

Infrastructure

The following existing payments to support state infrastructure provision will continue to be paid from 1 January 2009 as National Partnership payments.

- \$2.7 billion in 2008-09 under AusLink for the development, construction and maintenance of land transport projects on the national land transport network, some continuing projects off the network, 'black spots' projects and roads in unincorporated areas; and
- \$60.7 million in 2008-09, under the *Interstate Road Transport Act 1985*, 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.

Chart 3.7: Payments to support for state infrastructure



Source: Final Budget Outcomes and Budget estimates.

Election commitments and other policy decisions included in this Budget that will be implemented through National Partnership payments include the following:

- \$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.

Further information on this policy decision is included in Budget Paper No. 2.

Table 3.7: Payments to support state infrastructure services

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
National Partnership payments					
AusLink	2,650.7	2,748.4	3,631.2	3,534.9	4,133.7
Interstate road transport	57.5	60.7	64.0	67.5	71.2
<i>including Election commitments</i>					
Kings Highway - upgrade	-	23.3	-	-	-
Payments to local government(b)					
AusLink	491.5	628.6	119.5	-	-
Funding for road projects other than under AusLink	0.7	0.4	-	-	-
Existing payments					
Federation fund projects - NSW/VIC	-	1.0	14.0	-	-
Funding for road projects other than under AusLink(a)	5.4	29.7	59.0	45.0	70.0
Total	3,205.7	3,492.0	3,887.7	3,647.3	4,274.9

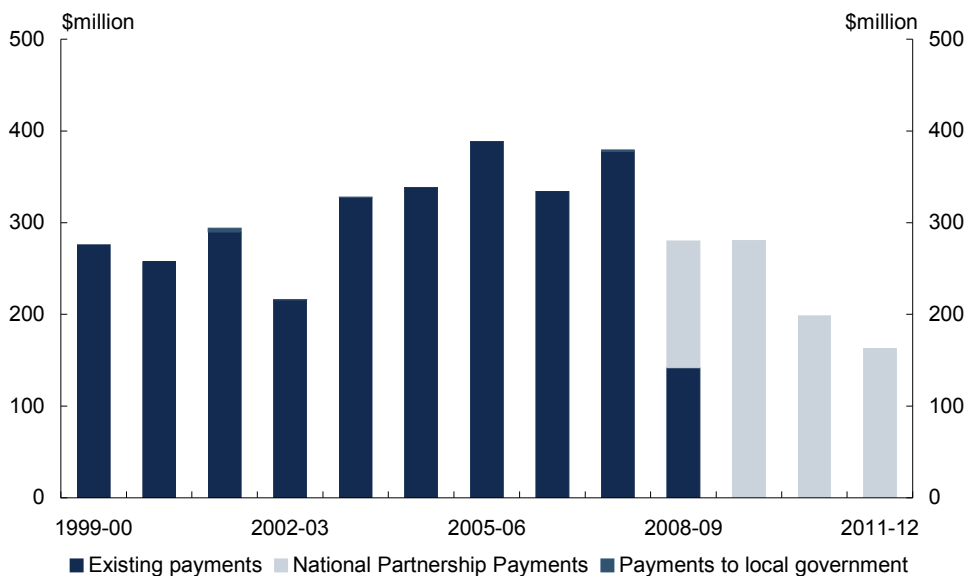
(a) The treatment of these payments under the new framework for federal financial relations is yet to be decided.

Environment

The following existing payments will continue to be paid from 1 January 2009 as National Partnership payments:

- \$387,000 in 2008-09 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;
- \$77.0 million in 2008-09 to support water initiatives under Water for our Future, including:
 - \$20 million for the Improving Water Information program, to improve the detail and scope of nationally available water information, which will allow the Bureau of Meteorology to forecast, analyse and publicly report on water resources;
 - \$8.3 million for the Great Artesian Basin sustainability initiative, to assist with the implementation of the Great Artesian Basin management plan; and
 - \$48.5 million for National Water Initiative, to address declining river health of the Murray River system and other over-allocation issues in the Murray-Darling Basin.

Chart 3.8: Payments to support state environmental services



Source: Final Budget Outcomes and Budget estimates.

Policy decisions included in this Budget, to be paid from 1 January 2009 as National Partnership payments, include the new \$2.2 billion Caring for our Country program, which replaces the Natural Heritage Trust and National Landcare, Environmental Stewardship and Working on Country programs. Caring for our Country represents a new, coordinated approach to environment management in Australia. The new program will be built on transparent and consistent national targets to achieve outcomes in areas of national priority.

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. Remaining funding will be provided to relevant organisations, including existing regional bodies, on a competitive basis through a simple ‘one-stop’ shop, with successful proposals being able to demonstrate that their activities will efficiently and effectively contribute to achieving national priority outcomes.

Further information on this policy decision is included in Budget Paper No. 2.

Table 3.8: Payments to support state environmental services

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
National Partnership payments					
Exotic disease preparedness program	0.4	0.4	0.4	0.4	0.4
Water initiatives					
Great Artesian Basin sustainability initiative	8.1	8.3	14.9	14.9	14.9
Improving water information	10.0	20.0	20.0	20.0	10.0
National water initiative -					
Living Murray	60.8	48.7	67.1	-	-
Renewable remote power generation	27.0	40.0	40.5	25.0	-
<i>including Election commitments</i>					
Caring for our Country(a)	-	159.0	138.0	138.0	138.0
Payments to local government					
Blackburn Lake Sanctuary	1.8	-	-	-	-
Existing payments					
Eradication of red imported fire ant	7.0	3.3	-	-	-
National landcare program	26.8	-	-	-	-
Natural Heritage Trust of Australia -					
Bushcare	44.7	-	-	-	-
Coastcare	16.9	-	-	-	-
Landcare	34.3	-	-	-	-
Rivercare	35.4	-	-	-	-
National action plan for salinity and water quality	91.7	-	-	-	-
*Photovoltaic rebate program	12.8	-	-	-	-
Plant disease and eradication	0.7	0.4	-	-	-
Tasmanian water infrastructure	1.1	-	-	-	-
Total	379.5	280.1	280.8	198.3	163.3

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

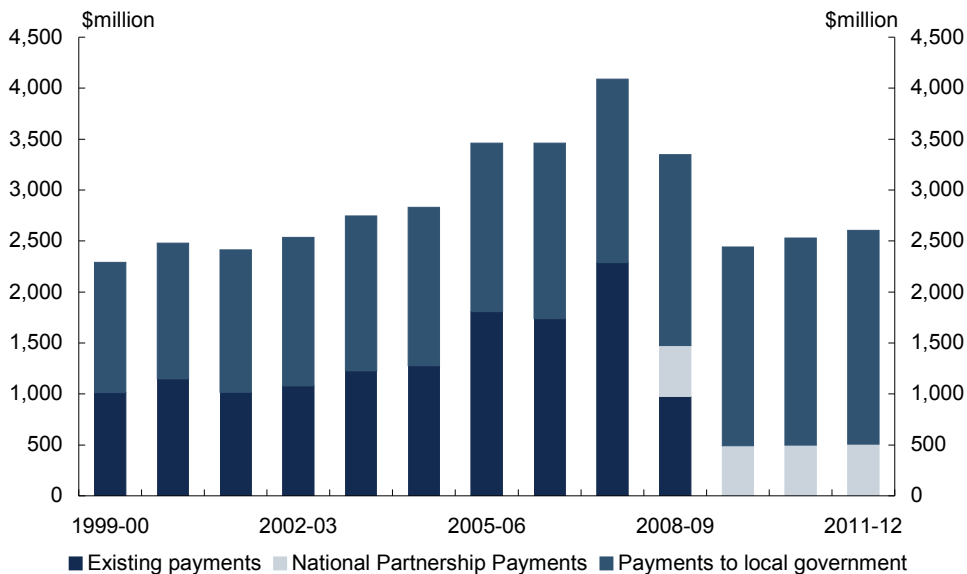
(a) The payment profile reflects continuation of 60 per cent of average historical funding under the Natural Heritage Trust and the National Action Plan for Salinity and Water Quality.

Other services

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.

Chart 3.9: Payments to support other state services



Source: Final Budget Outcomes and Budget estimates.

The following existing payments will continue to be paid from 1 January 2009 as National Partnership payments:

- \$206.0 million in 2008-09 to compensate the States for the extra costs resulting from the liberalisation of access to the Commonwealth’s Pensioner Concession Card in 1993, in which the States agreed to provide a core set of concessions to all cardholders;
- \$159.4 million in 2008-09, to the States’ legal aid commissions for the provision of legal assistance in Commonwealth matters; and
- \$5 million in 2008-09 to assist bushfire mitigation in the construction, maintenance and signage of fire trail networks to assist local communities better prepare for bushfires.

The Government will no longer provide payments to the States and the Northern Territory arising from the transfer of companies regulation to the Commonwealth in 1991. These payments are no longer relevant, given the broader reform to the financial framework of the Commonwealth-State relations. This measure will provide savings of \$746.6 million over four years and delivers on the Government’s commitment to responsible economic management.

Table 3.9: Payments to support other state services

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
National Partnership payments					
*Bushfire mitigation program	5.0	5.0	5.0	5.0	5.0
Extension of fringe benefits	206.0	219.7	226.9	234.5	239.7
Legal aid(a)	41.0	159.4	163.7	168.1	171.3
<i>including Election commitments</i>					
Albert Hall, Canberra - restoration assistance grant	-	-	0.5	-	-
Payments to local government					
Bert Hinkler Hall of Aviation	1.5	-	-	-	-
*Financial assistance grants					
General purpose assistance	1,230.7	1,288.0	1,340.0	1,395.6	1,453.3
Untied local roads grants	547.1	571.5	594.6	619.3	644.9
Supplementary funding to SA councils for local roads	13.6	14.2	14.8	15.4	-
Local community sporting infrastructure	5.0	-	-	-	-
Regulation Reduction Incentive Fund	0.4	-	-	-	-
Strengthening Tasmania	4.8	1.5	-	-	-
Existing payments					
ACT national capital influences(b)	24.0	12.2	-	-	-
Agriculture - Advancing Australia - FarmBis	8.1	-	-	-	-
Assistance for water and sewerage(b)	9.6	4.9	-	-	-
CrimTrac Police Reference System	2.5	4.7	-	-	-
Compensation - companies regulation	173.9	-	-	-	-
Compensation - Snowy Hydro Ltd(b)	36.3	23.3	-	-	-
*Natural Disaster Mitigation Program	27.7	34.6	-	-	-
Equine influenza emergency response	97.2	-	-	-	-
Film and literature classifications(c)	0.8	0.9	0.9	0.9	0.9
Improving policing in very remote areas	11.2	26.3	0.4	-	-
Regional assistance	0.3	-	-	-	-
Royalties(b)	732.0	351.4	-	-	-
Standard Business Reporting Program	3.2	7.1	3.0	-	-
Sydney Cricket Ground - new grandstand	15.0	10.0	-	-	-
Tasmanian forests package	19.0	-	-	-	-
Total	3,215.9	2,734.8	2,349.8	2,438.8	2,515.0

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

(a) Prior to 2008-09, payments to New South Wales, Victoria and Queensland were classified as Commonwealth own-purpose expenses.

(b) Reclassified to general revenue assistance from 1 January 2009.

(c) The treatment of this payment under the new framework for federal financial relations is yet to be decided.

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.

The following existing payments will continue to be paid from 1 January 2009, if a contingency arises, as National Partnership payments:

- \$523.8 million in 2008-09 for exceptional circumstances interest rate subsidies by the States aimed at facilitating the delivery of exceptional circumstances support to farmers in a region or an industry that is experiencing a severe downturn due to a rare and severe climatic or other event; and
- \$89.5 million in 2008-09, 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 3.10: Contingent payments to the States

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
National Partnership payments					
Exceptional circumstances assistance	783.4	523.8	-	-	-
Hepatitis C settlement fund	1.6	1.4	1.4	1.4	1.4
Native title	-	-	-	-	-
Natural disaster relief	89.5	89.5	89.5	89.5	89.5
Total	874.5	614.8	90.9	90.9	90.9

For more than a decade, the Commonwealth has offered to enter into bilateral agreements with the States to contribute to the costs of paying compensation that may arise for the extinguishment of native title. To date, no agreement has been concluded and no payments have been made. However, financial assistance to the States remains a possibility.

The Commonwealth hepatitis C litigation scheme provides a contribution to the settlement costs of those who have been infected with hepatitis C via blood transfusions which occurred between 1985 and the early 1990s. Due to the nature of the program, payments are made on an ad hoc basis, with the States providing regular updates and estimates of current settlement matters and negotiations for settlement. In 2008-09, the Commonwealth is expected to provide \$1.4 million to the States under current payment arrangements.

Local government

The Commonwealth provides a financial contribution to local governments to enhance their capacity to provide services to the community. Funding is paid through the States to be passed on to local government, as well as directly to local government. In 2008-09, total payments to local government will total \$2.5 billion, as shown in Table 3.11.

Table 3.11: Payments to support local government (accrual basis)

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
*Financial assistance grants					
General purpose assistance	1,230.7	1,288.0	1,340.0	1,395.6	1,453.3
Untied local roads grants	547.1	571.5	594.6	619.3	644.9
Supplementary funding to SA councils for local roads	13.6	14.2	14.8	15.4	-
Payments for specific purposes					
AusLink	491.5	628.6	119.5	-	-
Blackburn Lake Sanctuary	1.8	-	-	-	-
Bert Hinkler Hall of Aviation	1.5	-	-	-	-
Children's services	40.6	42.1	42.8	43.4	44.1
Disability services	1.5	1.6	1.6	1.6	1.7
Funding for road projects other than under AusLink	0.7	0.4	-	-	-
Local community sporting infrastructure	5.0	-	-	-	-
Regulation Reduction Incentive Fund	0.4	-	-	-	-
Strengthening Tasmania	4.8	1.5	-	-	-
Total	2,339.1	2,547.8	2,113.3	2,075.4	2,144.0

* Financial assistance grants are classified as payments through the States.

The Commonwealth has provided general purpose assistance to local governments since 1974-75. 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 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 splits, based on the interstate road shares which were calculated before the funding became untied.

State grants commissions determine the intra-state distribution of the financial assistance grants between local governments.

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. In 2008-09, the grants will total \$1.9 billion, with an estimated escalation factor of 4.5 per cent.

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 \$14.2 million for this purpose in 2008-09.

The Commonwealth also makes payments direct to local governments to help fund local roads and infrastructure, disability services, child care and other services administered by local governments. In 2008-09, these payments will total \$674.1 million.

The treatment of local government payments under the new framework for federal financial relations is yet to be decided.

Distribution of financial assistance grants

State shares of financial assistance grants for 2007-08 and 2008-09 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 3.12: Financial assistance grants to local government (cash basis)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
General purpose assistance	399	304	244	122	93	29	20	13	1,223
Untied local road funding	157	112	102	83	30	29	17	13	543
Total(a)	557	415	346	205	123	58	37	25	1,766
2008-09									
General purpose assistance	425	322	259	131	98	30	21	13	1,299
Untied local road funding	167	119	108	88	32	31	18	14	577
Total(b)	592	441	367	219	129	61	39	27	1,876

(a) The 2007-08 estimate takes into account an underpayment of \$2.4 million in 2006-07. The Treasurer will determine the final 2007-08 escalation factor in June 2008. The 2007-08 escalation factor is currently estimated to be 1.0533.

(b) The 2008-09 escalation factor is currently estimated to be 1.0447. Financial assistance grants in 2008-09 will be paid on the basis of the escalation factor that the Treasurer will estimate in June 2008. The Treasurer will determine the final escalation factor for 2008-09 in June 2009. The 2008-09 estimate includes the estimated adjustment for the difference between the 2007-08 escalation factor estimated in June 2007 (used to calculate payments in 2007-08) and the final factor for 2007-08 (to be determined in June 2008). Using current estimates, this adjustment will be an increase of \$16.5 million.

PART 4: GENERAL REVENUE ASSISTANCE

This part provides information on general revenue assistance paid to the States. General revenue assistance is a broad category of payments, including GST payments, which are provided to the States without conditions, to spend according to their own budget priorities.

A NEW FRAMEWORK FOR FEDERAL FINANCIAL RELATIONS

The reforms to federal financial relations will have only a small impact on general revenue assistance provided to the States. Under the treatment of payments for specific purposes in the new framework for federal financial relations, the following payments for specific purposes will be reclassified as general revenue assistance with effect from 1 January 2009: royalty payments (\$351 million in 2008-09); Snowy Hydro Ltd tax compensation (\$23 million in 2008-09); and two payments for ACT municipal services (\$17 million in 2008-09).

As the reclassification will take effect from half way through 2008-09, half of the Budget year estimates for these payments are classified in this part as general revenue assistance and the other half remain classified in Part 3 as payments for specific purposes, as shown in Table 3.9. The full year effect of the reclassifications applies from 2009-10.

The new framework for federal financial relations will not involve any change to the GST revenue sharing arrangements provided for in the *Intergovernmental Agreement on the Reform of Commonwealth-State Financial Relations*.

TOTAL GENERAL REVENUE ASSISTANCE

In 2008-09, the States will receive \$45.5 billion in general revenue assistance from the Commonwealth, as shown in Table 4.1, comprising \$45.3 billion in GST payments and \$178 million of other general revenue assistance. This is a 6.3 per cent increase in general revenue assistance, compared with the \$42.8 billion the States will receive in 2007-08.

Table 4.1: General revenue assistance, by State

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08	12,034	9,328	8,596	4,097	3,947	1,677	856	2,219	42,753
2008-09	13,020	10,196	8,686	4,335	4,144	1,731	926	2,420	45,458
2009-10	14,452	11,086	9,025	4,704	4,433	1,821	1,016	2,596	49,134
2010-11	15,577	11,862	9,335	4,575	4,648	1,890	1,073	2,782	51,741
2011-12	16,554	12,675	9,815	4,540	4,890	1,978	1,120	2,903	54,475

Part of the increase in general revenue assistance in 2008-09 is a result of the reclassification of payments for specific purposes from 1 January 2009 (\$391 million) as part of the new framework for federal financial relations. However, this increase is partly offset by the repayment by the States of overpaid compensation for GST policy decisions (\$286 million). In addition, GST payments are expected to be \$2.6 billion higher in 2008-09, compared with 2007-08.

For the Budget year, total general revenue assistance to the States will represent 15.5 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 4.2.

Table 4.2: General revenue assistance

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
GST payments	42,630	45,280	48,260	50,880	53,670
Other payments					
Budget balancing assistance	0	0	0	0	0
National Competition Policy payments	43	0	0	0	0
Royalties	0	351	698	684	627
Compensation					
Crude oil excise condensate	80	72	84	85	85
GST policy decisions	0	-286	10	10	10
Snowy Hydro Ltd tax compensation	0	23	47	47	47
ACT municipal services	0	17	35	36	36
Total other	123	178	874	861	805
Total general revenue assistance	42,753	45,458	49,134	51,741	54,475

GST PAYMENTS

GST revenue variations since the 2007-08 Budget

Table 4.3 is a reconciliation of the GST revenue estimates since the 2007-08 Budget and MYEFO. The reconciliation accounts for policy decisions, parameter and other variations, and the reclassification in this Budget of the GST as a Commonwealth tax.

GST revenue for 2007-08 is expected to be \$840 million higher than forecast at MYEFO. This reflects the stronger than expected growth in consumption which is subject to GST. For 2008-09, the increase in estimated revenue of \$250 million incorporates GST refunds of around \$500 million which are expected to be paid following the Federal Court decision in *KAP Motors Pty Ltd v Commissioner of Taxation [2008] FCA IS9 (KAP Motors)*, as well as slower growth in consumption which is subject to GST and private dwelling investment, relative to the MYEFO estimates. These are partly offset by increased GST revenues resulting from policy decisions.

GST revenue has also increased in each year as a consequence of the reclassification of the GST as a Commonwealth tax. Budget Statement No. 5 in Budget Paper No. 1, *Budget Strategy and Outlook 2008-09*, provides a further explanation of the accounting implications of reclassifying the GST as a Commonwealth tax and the GST revenue estimates more generally.

Table 4.3: Reconciliation of GST revenue estimates

\$million	Estimates		Projections	
	2007-08	2008-09	2009-10	2010-11
GST revenue at 2007-08 Budget	43,090	45,500	47,810	50,300
<i>Changes from 2007-08 Budget to MYEFO</i>				
Effect of policy decisions	-2	-3	-3	-3
Effect of parameter and other variations	442	1,153	1,183	1,323
Total variations	440	1,150	1,180	1,320
GST revenue at 2007-08 MYEFO	43,530	46,650	48,990	51,620
<i>Changes from MYEFO to 2008-09 Budget</i>				
Effect of policy decisions	70	371	508	713
Effect of parameter and other variations	630	-271	312	187
Effect of GST as a Commonwealth tax(a)	140	150	150	160
Total variations	840	250	970	1,060
GST revenue at 2008-09 Budget	44,370	46,900	49,960	52,680

(a) Once-off impact of reclassifying the GST as a Commonwealth tax.

Table 4.4 shows policy decisions taken since MYEFO that affect GST revenue. These decisions increase the amount of GST payments to the States by over \$2.5 billion over five years, and include:

- increasing the excise and customs duty rates on 'other excisable beverages' to the same rate as for full strength spirits (\$282 million over five years);
- increased places for migrants in 2007-08, 2008-09 and over the forward estimates (five measures totalling \$1.1 billion over four years); and
- tightening of the fringe benefits tax exemptions applying to certain work-related items (including laptop computers, personal digital assistants and tools of trade) and meals under a salary sacrifice arrangement (two measures totalling \$240 million over five years).

The Government is also proposing to implement several changes to the GST, including an integrity measure relating to the sale of real property under the margin scheme, and an amendment to ensure that supplies of mobile telephone 'global roaming' services provided to visitors to Australia remain not subject to GST. These measures are subject to the unanimous agreement of the States, pursuant to the *Intergovernmental Agreement*.

Table 4.4: Policy decisions since MYEFO that affect GST revenue

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
Albatrosses and Petrels Conservation Secretariat — tax relief	-
Excise and customs duty — increased rates on 'other excisable beverages'	8.7	57.1	64.0	71.6	80.1
Fringe benefits tax — exemption for eligible work-related items	-	5.0	20.0	45.0	50.0
Fringe benefits tax — meal cards	-	15.0	30.0	35.0	40.0
GST — relief for charities	*	*	*	*	*
GST and international telecommunications — mobile telephone global roaming	-	-	-	-	-
GST and the sale of real property — integrity measure	-	90.0	150.0	175.0	205.0
GST and the sale of real property — not to proceed with previously announced deferred integrity measure	*	*	*	*	*
Humanitarian migration program — additional 500 places for Iraqis in 2008-09	-	0.8	0.8	0.8	0.9
Humanitarian migration program — additional 750 Special Humanitarian Program places from 2009-10	-	-	1.3	2.5	3.9
Indirect tax — refund restrictions and four year amendment period	-	*	*	*	*
Migration Program — 37,500 place increase for 2008-09	-	94.6	195.3	303.6	419.7
Migration Program — additional 6,000 skill stream places for 2007-08	-	17.6	18.1	18.8	19.5
PAYG annual instalments — deferring the 2007-08 Budget measure	-	35.0	-30.0	-	-
Political donations — removing tax deductibility	-	-	-	-	-
Tourist refund scheme — not to proceed with private provider proposal	61.0	55.0	57.0	60.0	62.0
Visa places for Iraqi locally engaged employees	-	0.9	1.0	1.0	1.1
Total GST revenue policy decisions	69.7	371.0	507.5	713.3	882.2

The Government will not proceed with the proposal to allow private providers to offer refunds in relation to the Tourist Refund Scheme or the proposed GST changes for charities and other not-for-profit organisations which were announced in the 2007-08 Budget.

Detailed information on each decision is included in Budget Paper No. 2, *Budget Measures 2008-09*.

Reconciling GST revenue and GST payments to the States

In accordance with the *Intergovernmental Agreement*, the Commonwealth administers the GST on behalf of the States and all GST revenue is paid to the States. This provides

the States with a robust, secure and growing source of revenue to spend according to their own budget priorities. In 2008-09, GST revenue will be \$46.9 billion – an increase of \$2.5 billion (5.7 per cent) from 2007-08.

The Commissioner of Taxation estimates the level of GST receipts in June, prior to the end of each financial year. That estimate forms the basis of GST payments to the States for that financial year. A balancing adjustment is usually made in the following financial year to ensure that the States receive their full entitlement of GST payments for a financial year.

GST revenue for a financial year also 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 in his June determination, 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.

The reconciliation of GST revenue and GST payments to the States is provided in Table 4.5.

Table 4.5: GST revenue and GST payments to the States

\$million	Actual	Estimates		Projections		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
GST revenue	41,208	44,370	46,900	49,960	52,680	55,560
<i>less</i> change in GST receivables	1,594	1,582	1,532	1,595	1,691	1,772
GST receipts	39,614	42,788	45,368	48,365	50,989	53,788
<i>less</i> non-GIC penalties collected(a)	87	90	100	100	110	120
<i>less</i> GST collected by Commonwealth agencies but not yet remitted to the ATO(b)	-34	48	-12	5	-1	-2
<i>plus</i> variation from the Commissioner's determination(c)	20					
<i>plus</i> prior year balancing adjustment	-28	-20				
GST payments to the States	39,552	42,630	45,280	48,260	50,880	53,670

(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 other GST-related penalties are also 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.

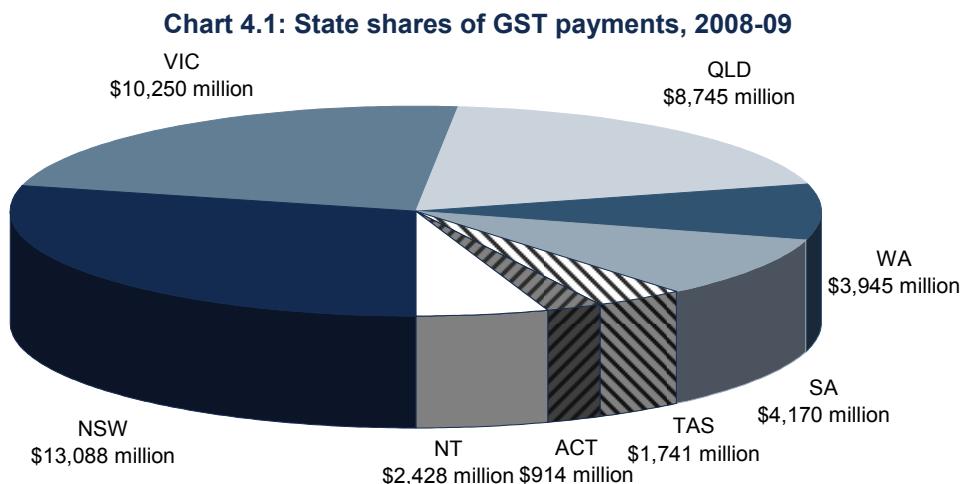
(b) This is the GST component of sales by Commonwealth agencies which has been collected by those agencies but which, as at 30 June in each year, will not have been remitted to the Australian Taxation Office, because it is not due to be paid until the next Business Activity Statement is lodged (typically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

(c) The Commissioner's determination for 2006-07 was \$20 million higher than the final outcome. As the GST payment for 2006-07 was made in accordance with the Commissioner's determination, this overpayment is recovered in 2007-08.

Distribution of GST payments among the States

As agreed by all States in the *Intergovernmental Agreement*, GST payments are distributed among the States 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 2008-09 (totalling \$45.3 billion) are shown in Chart 4.1.



State revenue sharing relativities

The Commission recommends state revenue sharing relativities (the GST relativities) to be used in calculating each State's share of GST payments 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 equalisation 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.

States are able to spend their share of GST revenue according to their own budget priorities.

The GST relativities for 2008-09 were endorsed by the Ministerial Council for Commonwealth-State Financial Relations in March 2008. The relativities for 2007-08 and 2008-09 are shown in Table 4.6. Historical relativities are provided in Appendix A.

Table 4.6: GST relativities

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT
2007-08	0.89079	0.90096	1.00607	0.94747	1.20791	1.54465	1.16293	4.36824
2008-09(a)	0.91060	0.92540	0.96508	0.88288	1.20856	1.52994	1.17205	4.51835

(a) The Commission issued a corrigendum to its *Report on State Revenue Sharing Relativities 2008 Update* containing revised relativities which it recommended be used to distribute the pool in 2008-09.

Applying the GST relativities to the GST pool

The *Intergovernmental Agreement* defines the GST pool for a financial year to consist of GST payments plus health care grants provided by the Commonwealth under the *Australian Health Care Agreements*. Some health care grants are quarantined from the GST pool.

The GST relativities are applied to estimated state populations in order to determine an adjusted population for each State. Each State's adjusted population is then applied to the combined pool of GST payments and unquarantined health care grants to estimate weighted shares of the GST pool. The final distribution of GST payments is determined by deducting the unquarantined health care grants, which are separately provided to the States, from each State's share of the GST pool. The calculations for the distribution of the GST pool are shown in Table 4.7.

Table 4.7: Distribution of the GST pool

	Estimated 31 December population	State revenue sharing relativities	Adjusted population (1) x (2)	Share of adjusted population %	Share of GST pool \$million	Unquarantined health care grants \$million	GST payments (5) - (6) \$million
	(1)	(2)	(3)	(4)	(5)	(6)	(7)
2007-08							
NSW	6,925,472	0.89079	6,169,141	29.1	15,107.0	3,099.4	12,007.7
VIC	5,244,266	0.90096	4,724,874	22.3	11,570.3	2,252.5	9,317.8
QLD	4,220,761	1.00607	4,246,381	20.0	10,398.6	1,802.3	8,596.3
WA	2,129,991	0.94747	2,018,103	9.5	4,941.9	928.7	4,013.3
SA	1,592,054	1.20791	1,923,058	9.1	4,709.2	765.6	3,943.6
TAS	495,875	1.54465	765,953	3.6	1,875.7	198.6	1,677.1
ACT	341,958	1.16293	397,673	1.9	973.8	118.2	855.6
NT	217,260	4.36824	949,044	4.5	2,324.0	105.4	2,218.6
Total	21,167,637	n/a	21,194,227	100.0	51,900.6	9,270.6	42,630.0
2008-09							
NSW	7,006,018	0.91060	6,379,680	29.7	16,171.3	3,083.6	13,087.7
VIC	5,328,012	0.92540	4,930,542	22.9	12,498.0	2,248.1	10,249.9
QLD	4,314,913	0.96508	4,164,236	19.4	10,555.6	1,811.0	8,744.6
WA	2,180,356	0.88288	1,924,993	8.9	4,879.5	934.6	3,944.9
SA	1,609,330	1.20856	1,944,972	9.0	4,930.2	760.5	4,169.7
TAS	499,914	1.52994	764,838	3.6	1,938.7	197.4	1,741.3
ACT	347,686	1.17205	407,505	1.9	1,033.0	118.6	914.4
NT	221,170	4.51835	999,323	4.6	2,533.1	105.6	2,427.5
Total	21,507,399	n/a	21,516,090	100.0	54,539.4	9,259.4	45,280.0

Box 4.1: The effect of horizontal fiscal equalisation

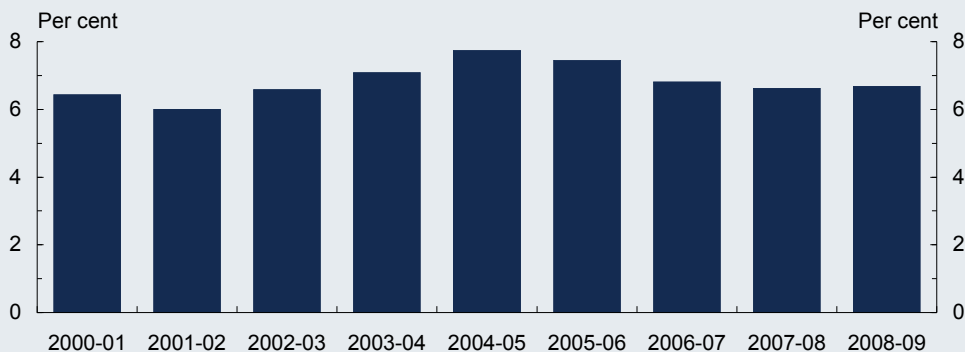
One way to view the effect of horizontal fiscal equalisation is to compare each State's share of the GST pool using the GST relativities with a notional distribution on an equal per capita basis. In 2008-09, around \$3.6 billion (or 6.7 per cent) of the GST pool will be redistributed among the States, compared with an equal per capita distribution (Table A).

Table A: Effect of horizontal fiscal equalisation, 2008-09

	GST pool distributed using adjusted population \$million	Equal per capita distribution of GST pool \$million	Redistribution(a) \$million	Projected population million	Per capita redistribution \$
NSW	16,171.3	17,766.2	-1,594.8	7.006	-227.6
VIC	12,498.0	13,511.0	-1,013.0	5.328	-190.1
QLD	10,555.6	10,941.9	-386.4	4.315	-89.5
WA	4,879.5	5,529.0	-649.5	2.180	-297.9
SA	4,930.2	4,081.0	849.1	1.609	527.6
TAS	1,938.7	1,267.7	671.0	0.500	1,342.3
ACT	1,033.0	881.7	151.3	0.348	435.1
NT	2,533.1	560.9	1,972.3	0.221	8,917.4
Total	54,539.4	54,539.4	3,643.7	21.507	n/a

(a) The total redistribution of \$3,643.7 million is the sum of positive items in that column.

The proportion of the GST pool being redistributed in 2008-09 is broadly consistent with the average redistribution since the commencement of the GST (Chart A). The average generally reflects the convergence in the fiscal capacities of the four most populous States, with the slight increase in 2008-09 chiefly driven by mining revenue increases and stamp duty increases in the booming resource States.

Chart A: GST pool redistribution as a proportion of the GST pool

GST administration

In March 2008, the Ministerial Council for Commonwealth-State Financial Relations endorsed the GST administration budget for the Australian Taxation Office of \$631.2 million for 2008-09, including the effects of the efficiency dividends which apply to all Commonwealth agencies, as shown in Table 4.8.

Table 4.8: Reconciliation of the GST administration budget

\$million	Actual	Estimates		Projections	
	2006-07	2007-08	2008-09	2009-10	2010-11
Administration budget at 2007-08 Budget	618.5	635.9	644.5	633.6	639.3
<i>Changes from 2007-08 Budget to MYEFO</i>					
Efficiency dividend adjustment(a)	0.0	0.0	-1.6	-1.6	-1.6
Parameter variations	0.0	0.0	0.0	0.0	0.0
Total variations	0.0	0.0	-1.6	-1.6	-1.6
Administration budget at 2007-08 MYEFO	618.5	635.9	642.8	632.0	637.7
<i>Changes from MYEFO to 2008-09 Budget</i>					
2006-07 outcome	-32.8				
Efficiency dividend adjustment(b)	0.0	-2.9	-12.9	-12.7	-12.8
Parameter variations	0.0	0.0	1.3	1.2	1.9
Total variations	-32.8	-2.9	-11.6	-11.4	-10.9
Administration budget at 2008-09 Budget	585.7	633.0	631.2	620.6	626.8

(a) The efficiency dividend was increased from 1 per cent to 1.25 per cent for a further three years to 2010-11. This measure was announced in the *Mid-Year Economic and Fiscal Outlook 2007-08*.

(b) A one off 2 per cent efficiency dividend applies from 1 March 2008.

Because the GST has a national tax base, the *Intergovernmental Agreement* provides for the Australian Taxation Office to administer the GST on behalf of the States. As all GST revenue is provided to the States, the States compensate the Commonwealth for the agreed costs incurred by the Australian Taxation Office in administering the GST, as shown in Table 4.9.

Table 4.9: GST administration budget

\$million	Actual	Estimates		Projections		
	2006-07	2007-08	2008-09	2009-10	2010-11	2011-12
(1) Australian Taxation Office budget	618.5	633.0	631.2	620.6	626.8	631.7
less prior year adjustment	-0.3	32.8				
State government payments						
Total administration payments	618.8	600.2	631.2	620.6	626.8	631.7
(2) Australian Taxation Office outcome	585.7					
(3) Overpayment (1)-(2)	32.8					
Commonwealth budget impact	32.8	-32.8	0.0	0.0	0.0	0.0

OTHER GENERAL REVENUE ASSISTANCE

Budget balancing assistance

In the *Intergovernmental Agreement*, the Commonwealth guaranteed that the budget position of each State would be no worse than it would have been had tax reform 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 their own inefficient 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, all States will receive GST payments that exceed their guaranteed minimum amount, as shown in Table 4.10. Consequently, no State will require budget balancing assistance.

Table 4.10: Guaranteed minimum amount, GST payments and budget balancing assistance^(a)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
Guaranteed minimum amount	11,303	8,486	7,669	3,563	3,634	1,549	756	2,077	39,038
GST payments	12,008	9,318	8,596	4,013	3,944	1,677	856	2,219	42,630
Budget balancing assistance	0	0	0	0	0	0	0	0	0
2008-09									
Guaranteed minimum amount	11,994	9,170	7,705	3,415	3,809	1,610	800	2,301	40,803
GST payments	13,088	10,250	8,745	3,945	4,170	1,741	914	2,428	45,280
Budget balancing assistance	0	0	0	0	0	0	0	0	0

(a) No budget balancing assistance is payable when GST revenue exceeds the guaranteed minimum amount. As part of the agreement with the States to abolish most of the state taxes listed for review under the *Intergovernmental Agreement*, the Commonwealth has extended the transitional period (in which budget balancing assistance may be paid) from 30 June 2006 to 30 June 2009.

National Competition Policy payments

Between 1997-98 and 2005-06, the Commonwealth provided National Competition Policy payments to the States for implementing National Competition Policy and related reforms.

In 2005-06 the Commonwealth suspended \$43.2 million in National Competition Policy payments, following recommendations provided by the National Water Commission. This included water reform suspensions for outstanding obligations relating to interstate trading in the southern Murray-Darling Basin, and for lack of progress and outstanding reforms with respect to water planning.

On 13 September 2007, the Commonwealth lifted the suspensions following a subsequent recommendation by the National Water Commission that satisfactory progress by the States in implementing their water reform commitments had been achieved.

Consequently, the suspended payments of \$43.2 million were paid in 2007-08. These payments are the final payments under the previous National Competition Policy arrangements.

Royalties

The Commonwealth makes payments to Western Australia for royalties collected in respect of the North West Shelf oil and gas project. The Commonwealth collects these royalties because it has jurisdiction over off-shore areas. These royalties are shared between the Commonwealth (one third) and Western Australia (two thirds) and paid in accordance with section 129 of the *Petroleum (Submerged Lands) Act 1967*.

The Commonwealth also pays grants to the Northern Territory in lieu of royalties on uranium mining due to the Commonwealth's ownership of uranium in the Northern Territory. The grant is payable at the royalty rate of 1.25 per cent of net proceeds of sales. These royalties are paid under a continuing agreement, as established under the 1978 Memorandum of Understanding between the Commonwealth and the Northern Territory.

Compensation

Compensation for impact on royalties of excise amendment

The Commonwealth is removing the current exemption of condensate from crude oil excise. This will result in a consequential reduction in revenue from the offshore petroleum royalty.

As the Commonwealth pays two thirds of the royalty revenues to Western Australia, the Government has decided to provide compensation for the loss of royalty revenue. An initial payment of \$80 million will be made to Western Australia in 2007-08, with payments in subsequent years adjusted to equal the impact of removing the condensate exemption.

Further information is contained in the revenue measure *Crude oil excise – condensate* in Budget Paper No. 2 in the Treasury portfolio.

GST compensation for small business concession

In 2004-05, the Commonwealth and the States agreed to allow small businesses and non-profit organisations which 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 over-estimate of the cost of the measure led to an over-payment of compensation to the States, which is estimated to be \$286 million at the end of 2008-09, as shown in Table 4.11.

Table 4.11: Overpayment of compensation for GST deferral for small business

\$million	Outcomes		Estimates		
	2004-05	2005-06	2006-07	2007-08	2008-09
Compensation payments(a)	219.4	127.0	0.0	0.0	0.0
GST revenue deferral(b)	10.0	20.0	10.4	10.0	10.0
Estimated adjustment	-209.4	-107.0	10.4	10.0	10.0
Cumulative balance	-209.4	-316.4	-306.0	-296.0	-286.0

(a) Payments from 2006-07 have been suspended.

(b) Latest estimates. Outcomes for 2004-05 and 2005-06 are based on tax return data.

The Government will recover the overpaid compensation in 2008-09, and payments to the States, estimated at approximately \$10 million per year, will recommence from 2009-10.

Further information is contained in the expense measure *Goods and Services Tax Compensation to the States for Small Business Concession – recovery of overpayments* in Budget Paper No. 2 in the Treasury portfolio.

Snowy Hydro Ltd — company tax compensation

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 to New South Wales and Victoria for Commonwealth taxes paid by Snowy Hydro Ltd in proportion to the States' shareholdings. These taxes would have previously been payable to the States through tax equivalence regime payments.

Australian Capital Territory — municipal services

Funding is provided to the Australian Capital Territory to assist in meeting the additional municipal costs which arise from Canberra's role as the national capital.

The Commonwealth also provides funding to 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 both of these payments 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.

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 Commonwealth revenue and negative revenue, with no net impact on the Commonwealth's Budget position.

Estimates of mirror taxes are provided in Table 4.12.

Table 4.12: Mirror taxes accrued on behalf of the States

\$million	Estimates		Projections		
	2007-08	2008-09	2009-10	2010-11	2011-12
Mirror taxes	376.8	398.8	420.3	443.9	469.8
Payments to state governments	-376.8	-398.8	-420.3	-443.9	-469.8
Commonwealth budget impact	0.0	0.0	0.0	0.0	0.0

PART 5: FISCAL DEVELOPMENTS IN THE PUBLIC SECTOR

This part discusses trends in the fiscal balance, operating balance, cash surplus, balance sheet data (net debt, net financial worth and net worth) and net interest payments for the non-financial public sector 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.

This part provides a framework in which to consider developments in the Australian Government's budget, through consideration of the fiscal positions of all Australian governments.

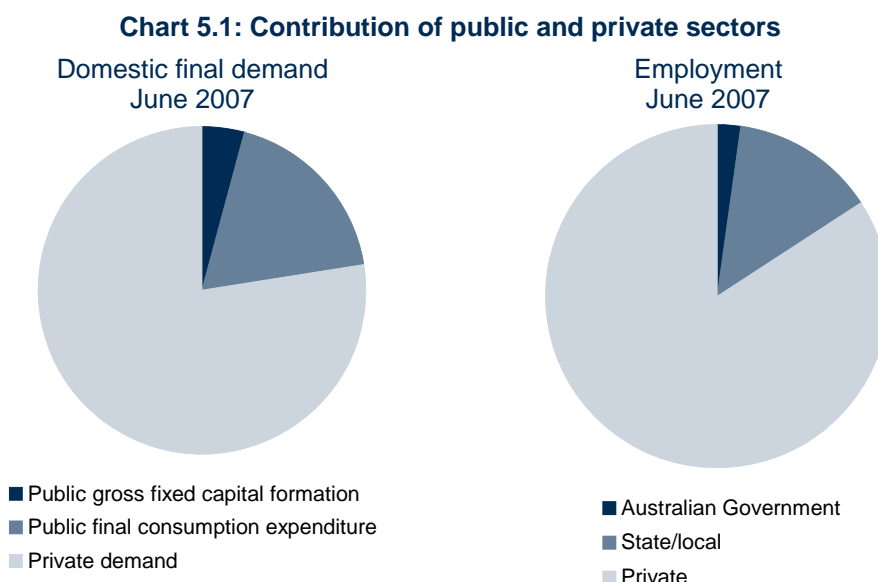
For further information on the data used in the charts and tables in this part, see Appendix A. Additional data tables can be found in Appendix C.

This Budget Paper uses the convention that references to the States include the Territories, and that the combined State and local government sector is denoted as the State/local sector and includes Territory governments unless otherwise stated. References in this paper to the Commonwealth general government sector (or non-financial public sector, or public non-financial corporations sector) relate to the public sectors of the Australian Government.

SIZE AND STRUCTURE OF THE PUBLIC SECTOR

The size and structure of Australia’s public sector provides a useful context for interpreting trends in the total public sector. The total public sector constitutes a significant portion of the Australian economy (around 22 per cent of domestic final demand).

Domestic final demand (as shown in Chart 5.1) consists of public final demand (which comprises public gross fixed capital formation and public final consumption expenditure) and private demand (consisting of private gross fixed capital formation and private final consumption expenditure). The Commonwealth accounts for 35 per cent of public final demand, while the State/local level of government accounts for 65 per cent.



Sources: Australian Bureau of Statistics cat. nos. 5206.0, 6248.0.55.001 and 6202.0.

There are significant differences in the roles and responsibilities of the two main levels of government. Major components of the Commonwealth’s expenses include transfer payments in relation to social security and welfare, and defence expenditure. Transfer payments, such as Commonwealth income support payments, are not included in the Commonwealth’s public final demand. Rather, these payments, along with payments that the Commonwealth makes to the States and the private sector to assist in funding important services like education and health, are reflected in either State/local public final demand or private demand.

In terms of employment, the total public sector employs approximately 16 per cent of wage and salary earners (Chart 5.1). The State/local sector accounts for around 13.7 per cent of all wage and salary earners and just over 86 per cent of total public

sector wage and salary earners. The Australian Government accounts for around 2.2 per cent of all wage and salary earners and for almost 14 per cent of total public sector wage and salary earners. The State/local sector's larger share reflects that sector's major responsibilities for service delivery in the areas of education, health, transport and public order and safety.

As outlined in Figure 1 of Statement 9, the total public sector includes the non-financial public sector (comprised of the general government sector and the public non-financial corporations sector) and the public financial corporations sector. The general government sector forms the majority of the non-financial public sector (NFPS) particularly in terms of revenue and expenses. The public non-financial corporations sector (PNFC) sector tends to be more important at the State/local level, where most PNFCs are concentrated.

CASH SURPLUS

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

General government sector

The Commonwealth general government sector cash balance has recorded strong surplus outcomes over recent years and this is expected to remain the case over the forward estimates.

In aggregate, the State/local general government sector is expected to maintain small cash deficits of around 0.2 per cent of GDP from 2007-08 to 2010-11 (Panel A, Chart 5.3). In 2006-07, the sector recorded a deficit of 0.3 per cent of GDP. The 2006-07 State/local cash deficit is affected by a one-off \$7.2 billion contribution from New South Wales' General Government Liability Management Fund towards defined benefit superannuation schemes. The State/local general government sector maintained a cash surplus each year from 1994-95 to 2005-06, with the exception of 1998-99. In recent years the performance of this sector has been underpinned by strong growth in key revenue bases, in particular the GST and revenues related to the property market.

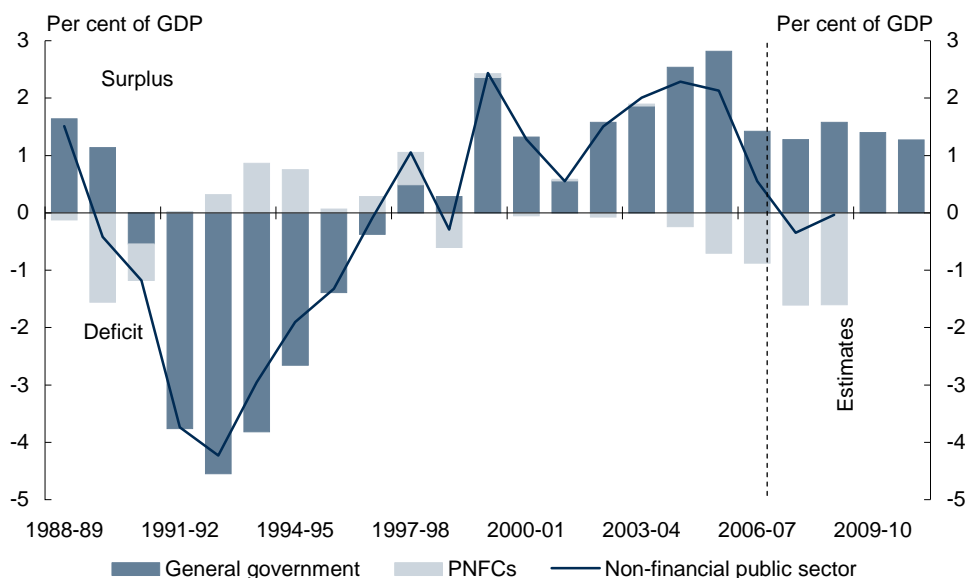
Public non-financial corporations sector

As shown in Chart 5.2, the consolidated PNFC sector maintained a cash surplus position through much of the 1990s, but has recorded deficits in recent years. A deficit of 1.6 per cent of GDP is estimated for the consolidated PNFC sector in 2007-08 and 2008-09, mainly reflecting the impact of large capital expenditure programs by State/local PNFCs.

Non-financial public sector

It is estimated that the consolidated NFPS will record a small cash deficit of 0.3 per cent of GDP in 2007-08 followed by a negligible cash deficit in 2008-09. The expected State/local NFPS deficit is predominantly a result of the large capital expenditure programs planned by State/local PNFCs. These capital expenditure programs are largely directed in the areas of electricity, gas, water, rail and port infrastructure, which will help the Australian economy to continue to grow into the future and provide essential service provision to the Australian public.

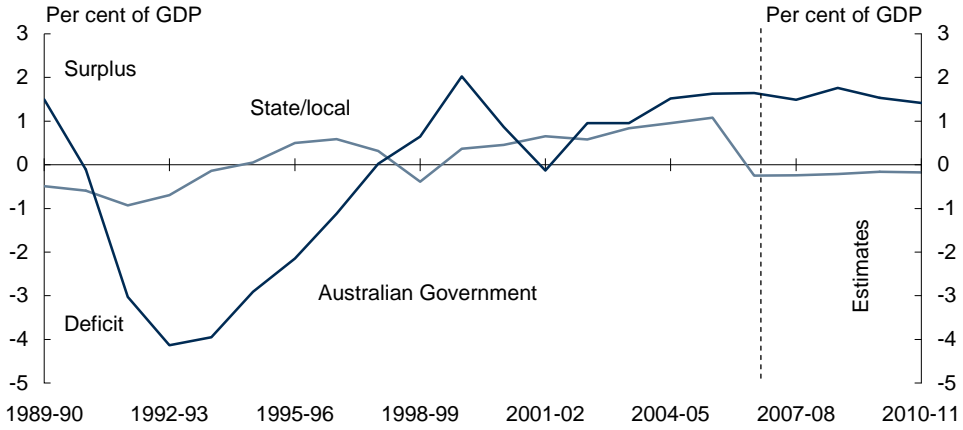
Chart 5.2: Consolidated non-financial public sector cash surplus by sector^(a)



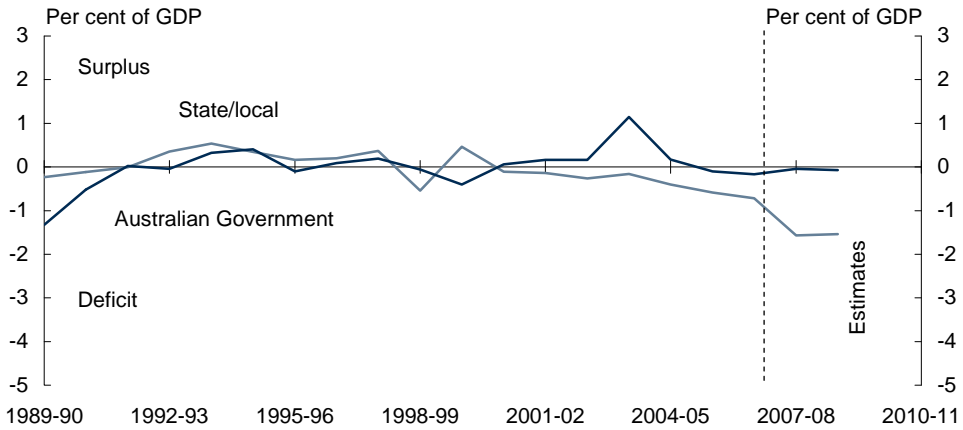
(a) Data for the consolidated PNFC and NFPS are only available to 2008-09.

Chart 5.3: Cash surplus by sector and level of government

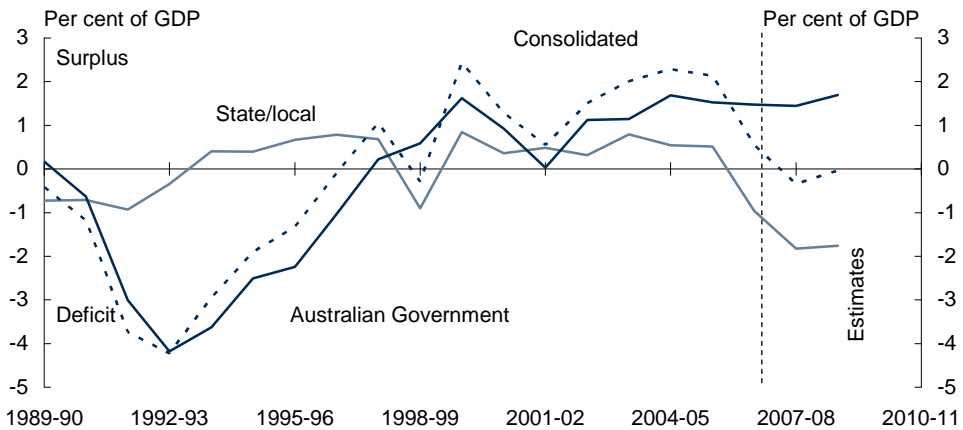
A: General government sector



B: Public non-financial corporations



C: Non-financial public sector



Receipts and payments

Chart 5.4 shows the trend in general government sector cash receipts and payments at the Commonwealth, State/local and consolidated levels, 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.

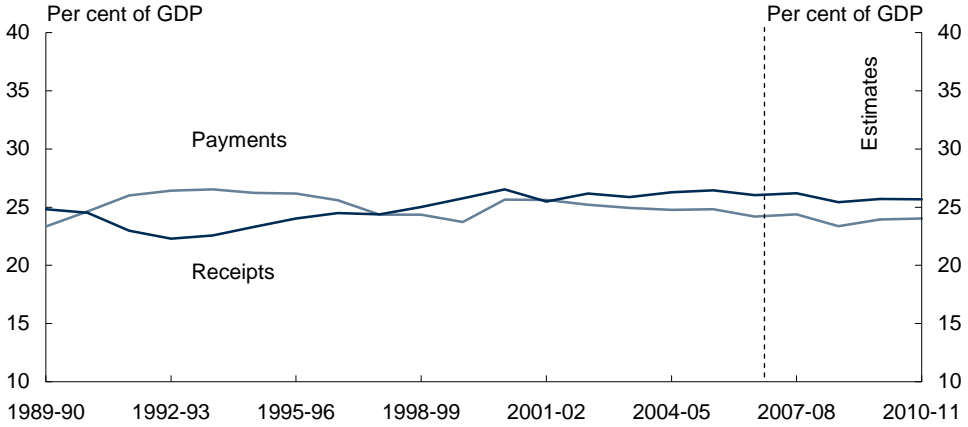
Estimates of Commonwealth receipts and payments in Panel A of Chart 5.4 are inclusive of GST receipts and the associated payments of GST revenue to the States.

The increases in receipts and payments in 1998-99 for the State/local sector and in 1999-2000 for the Commonwealth, shown in Panels B and A of Chart 5.4 respectively, were predominantly due to the move to an accrual accounting framework and the subsequent 'grossing' up of cash receipts and payments, whereas prior to this some cash receipts were netted off payments.

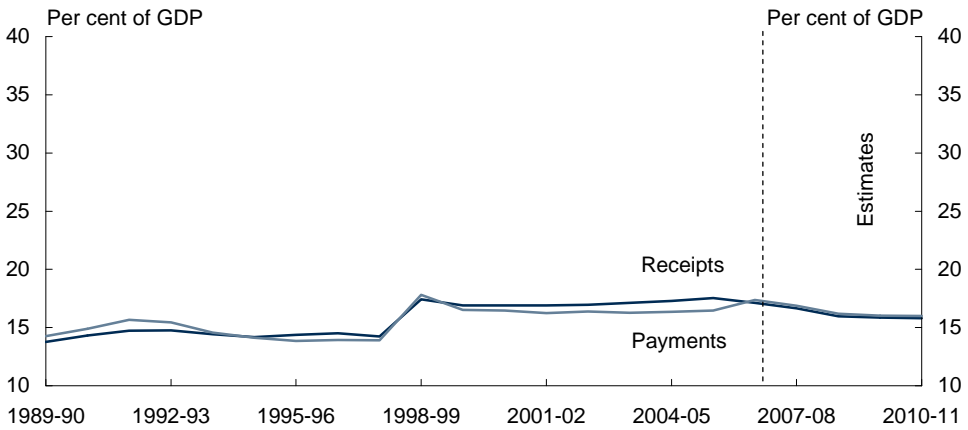
The PNFC sector is an important provider of economic infrastructure and contributes revenue to the general government sector, mainly in the form of dividends. State/local governments account for the majority of total PNFC sector receipts and payments, reflecting State responsibility for infrastructure and service provision in areas such as electricity, gas, water and transport.

Chart 5.4: General government sector receipts and payments by level of government

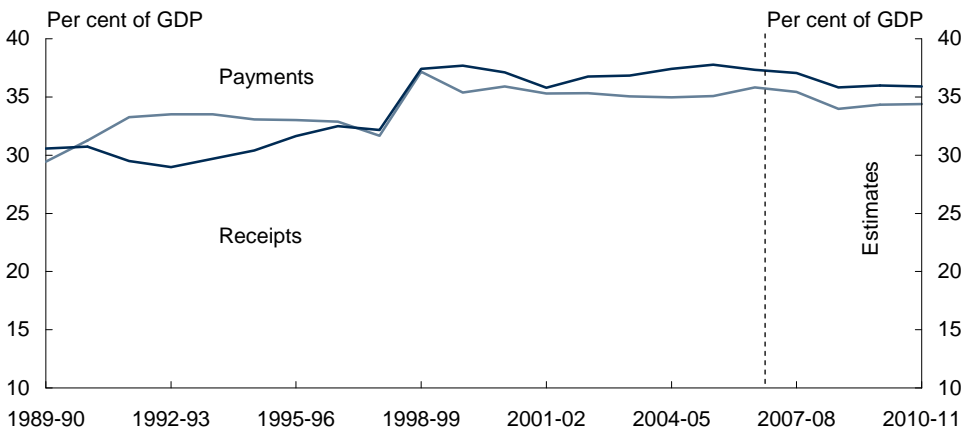
A: Commonwealth



B: State/local



C: Consolidated



FISCAL BALANCE

The fiscal balance measures, in accrual terms, a government's investment-saving 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 lending to other sectors. A fiscal deficit indicates that a government is borrowing.

The fiscal balance of the Commonwealth general government sector is expected to be in surplus by 1.8 per cent and 1.9 per cent of GDP in 2007-08 and 2008-09. The surplus is projected to remain around 1.7 per cent of GDP over the forward years.

After being in surplus in recent years, the State/local general government sector is expected to record a fiscal deficit of 0.4 per cent of GDP in 2007-08 and remain in deficit over the forward estimates. The forecast deficits reflect smaller operating surpluses and high levels of planned capital investment.

The consolidated PNFC sector fiscal balance is expected to be in deficit by 1.6 per cent of GDP in 2007-08 and 2008-09. The increase in the PNFC deficit in recent years mainly reflects increased capital expenditure by PNFCs at the State/local level.

Consolidated PNFC 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 Australian and State/local governments. For example, Telstra no longer forms part of the PNFC sector following the further sell down of the Commonwealth's interest in Telstra in 2006-07.

Fiscal deficits at the State/local level are expected to result in the consolidated NFPS being in deficit in 2007-08 and 2008-09.

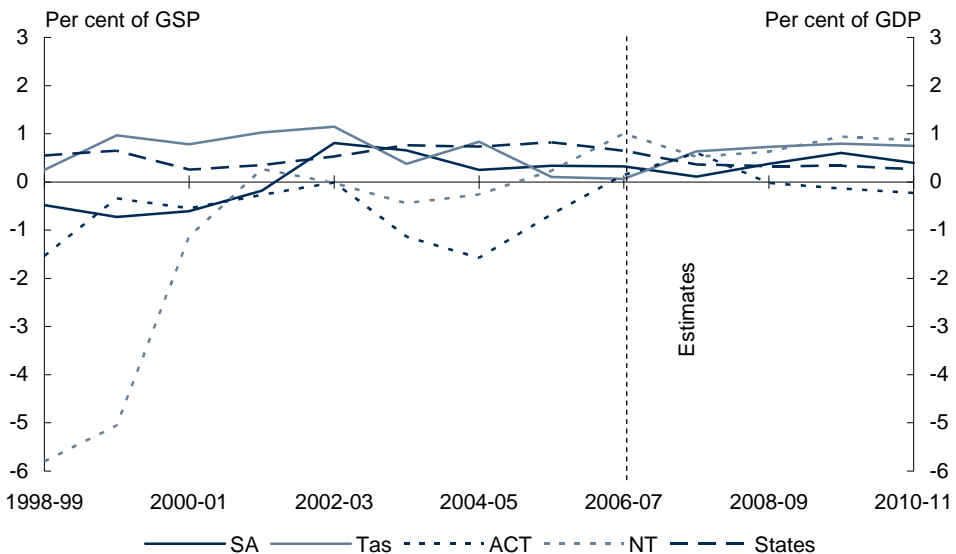
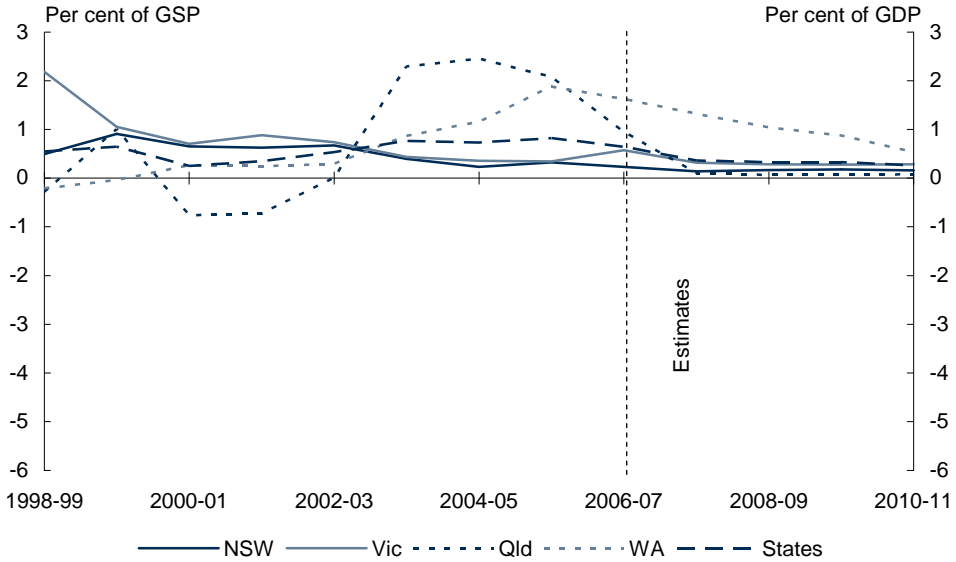
STATE GENERAL GOVERNMENT SECTOR NET OPERATING BALANCE

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

The aggregate state general government sector net operating position is expected to be a small surplus of \$4.1 billion in 2008-09, or 0.3 per cent of GDP. It is forecast to remain at 0.3 per cent of GDP through to 2010-11.

With one exception, all States expect to record operating surpluses between 2008-09 and 2010-11. The ACT expects to record small operating deficits over this period, at an average annual rate of 0.2 per cent of GSP.

Chart 5.5: Individual state general government sector net operating balance^(a)



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

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, and investments, loans and placements). Net debt does not include superannuation related liabilities.

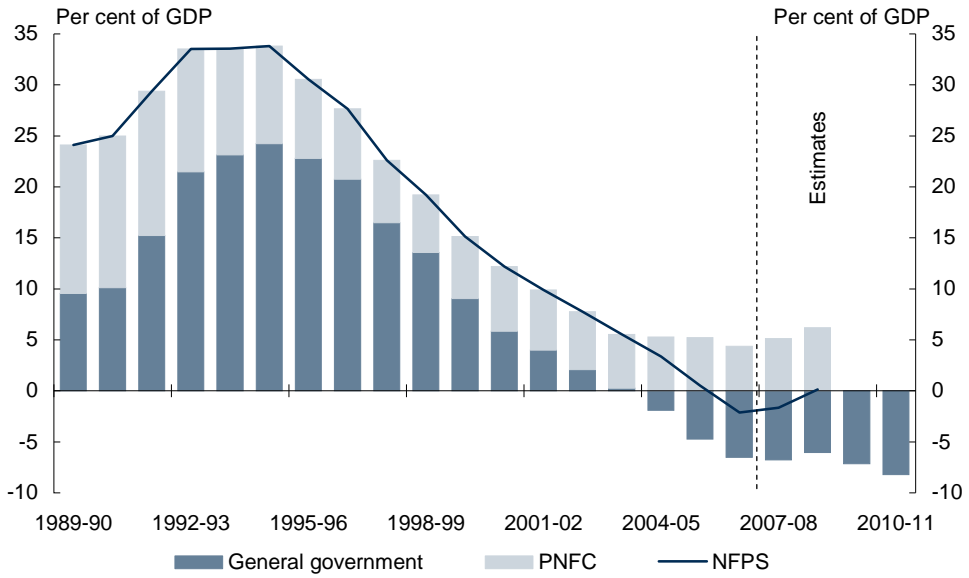
The improvement in consolidated NFPS net debt from the mid-1990s through to 2006-07 shown in Chart 5.6 primarily reflects both the Commonwealth and the State/local sector moving back into budget surpluses and the continued application of privatisation proceeds to debt retirement at both government levels. PNFC privatisations during the 1990s occurred among enterprises providing public services such as transport, communications, electricity, and some publicly owned providers of financial services.

Commonwealth general government sector net debt was eliminated in 2005-06 and Commonwealth PNFC sector net debt was eliminated in 2006-07. At the aggregate State/local level general government sector net debt was eliminated in 2001-02.

Since 2006-07, consolidated NFPS net debt is again trending upwards due to an increase in net debt at the State/local level. This primarily reflects the financing of State government infrastructure projects, particularly in the PNFC sector (as shown in Panel B of Chart 5.7). State owned corporations have the primary responsibility for the provision of infrastructure and their borrowing to fund projects can help spread the cost burden across generations.

The aggregate State/local PNFC sector now holds the entire public sector net debt.

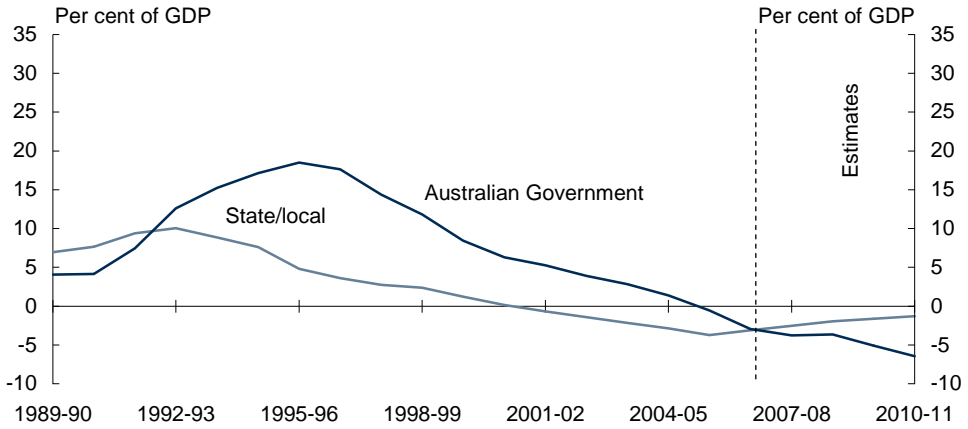
Chart 5.6: Consolidated non-financial public sector net debt by sector (as at end of financial year)^(a)



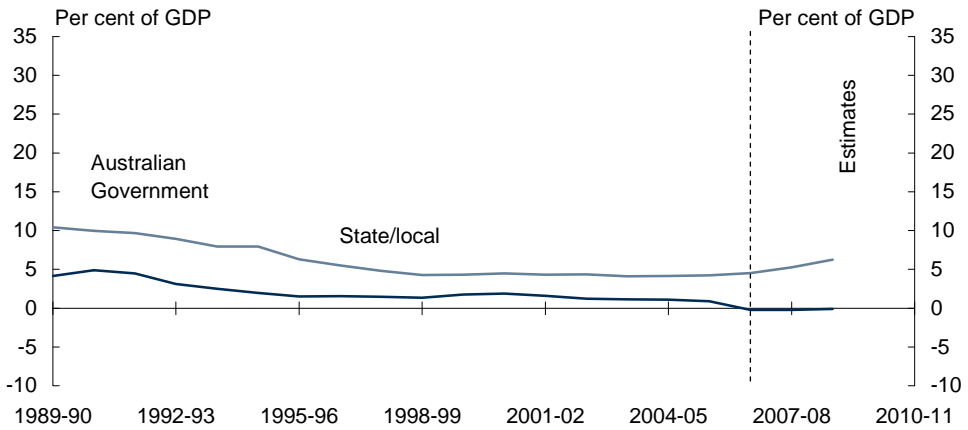
(a) Data for consolidated PNFC and NFPS are only available to 2008-09.

**Chart 5.7: Net debt by sector and level of government
(as at end of financial year)**

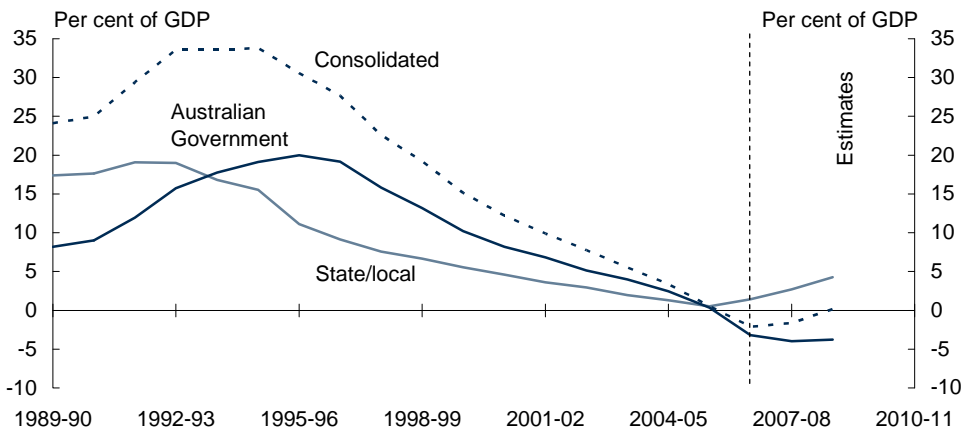
A: General government sector



B: Public non-financial corporations



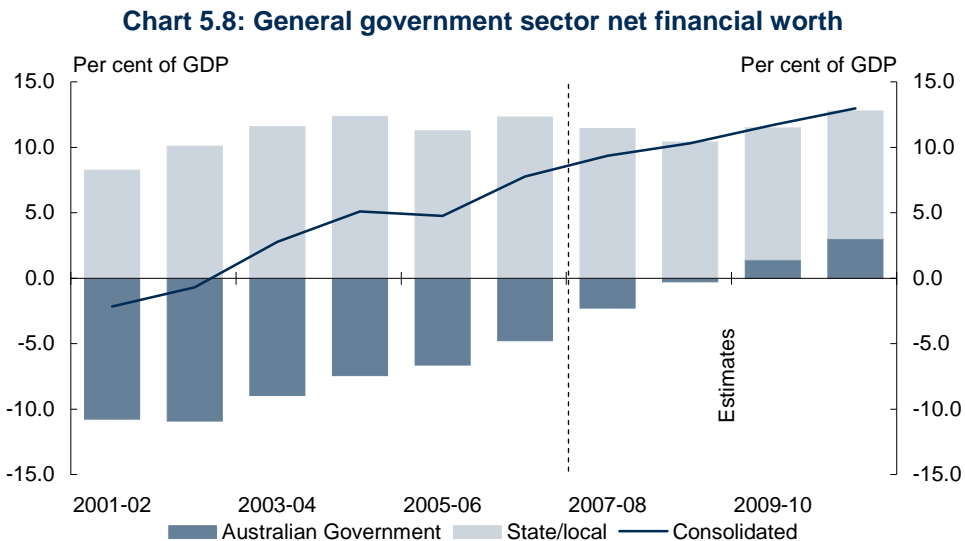
C: Non-financial public sector



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 narrower than net worth, as it excludes non-financial assets.

Following the trend in net debt, the Commonwealth general government sector's net financial worth position has improved over recent years and is forecast to become positive in 2009-10. This increase in Commonwealth general government sector net financial worth is expected to drive consolidated general government sector net worth on a continued upward path over the budget and forward years. Net financial worth in the State/local general government sector is expected to have peaked in 2006-07 and is forecast to fall slightly, as a per cent of GDP, from 2007-08 onwards.



NET WORTH

Net worth is the broadest measure of liabilities, as it includes all assets less all liabilities.

The State/local general government sector is estimated to have a positive net worth of 61.1 per cent of GDP in 2008-09. State/local net worth has increased in nominal terms each year since 1998-99, but has increased only marginally as a proportion of GDP over the same period.

The Commonwealth general government sector has historically recorded negative net worth. This difference primarily reflects the significant funding provided by the Commonwealth to the States and to local government for capital works, with the

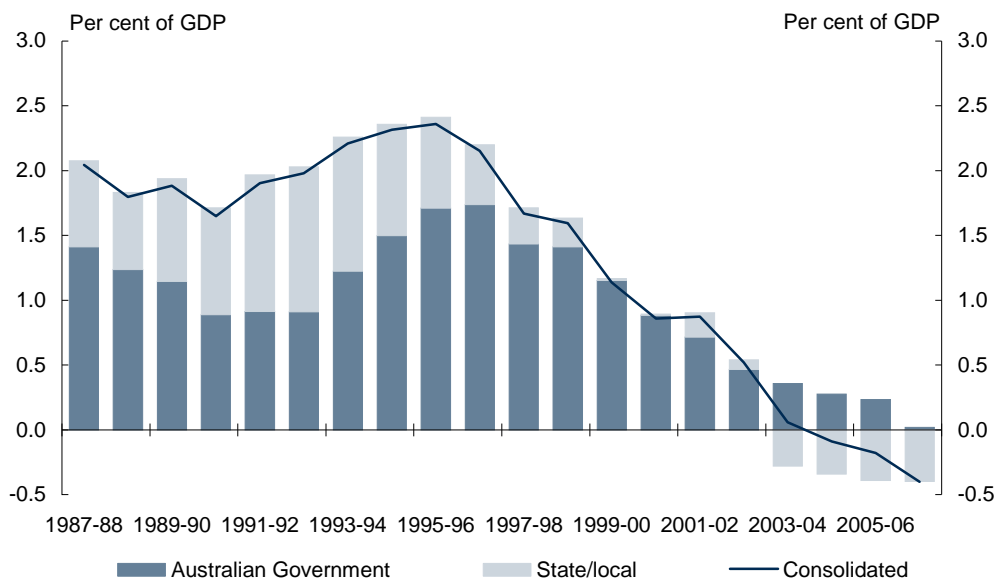
resultant assets recorded in the balance sheets of the State and local governments. There has been a consistent improvement in the net worth of the Commonwealth general government sector since 2002-03, reflecting the contribution of continued budget surpluses and the expectation of higher average investment returns through the Future Fund. Looking ahead, general government sector net worth is expected to improve across all levels of government and particularly at the Commonwealth level.

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 the 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. Consolidated general government sector net interest payments were -0.4 per cent of GDP in 2006-07 due to reduced Commonwealth and State/local general government sector net debt since 1995-96 and lower interest rates in recent years.

Chart 5.9: 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 Australian Treasurer as Chairman.

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

The Loan Council traditionally meets annually in March to consider jurisdictions' 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.

Outcome of the March 2008 Australian Loan Council meeting

The Loan Council met on 14 March 2008 to consider Loan Council nominations for 2008-09. The Loan Council approved each jurisdiction's nominated allocation. In aggregate, the nominations represent a deficit of \$953 million (Table 5.1). The States nominated a deficit of \$19.9 billion and the Commonwealth Government nominated a surplus of \$19.0 billion.

Table 5.1: Loan Council Allocation (LCA) nominations for 2008-09^(a)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	C'with	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Nominated 2008-09 LCAs										
General government sector cash surplus(-)/deficit(+)	586	796	1,983	-368	392	-232	-359	0	-17,386	
PNFC sector cash surplus(-)/deficit(+)	4,495	3,732	6,061	2,290	12	77	111	134	46	
Non-financial public sector cash surplus(-)/deficit(+)(b)	5,080	4,528	8,043	1,922	404	-155	-248	134	-17,340	
<i>minus</i> Net cash flows from investments										
in financial assets for policy purposes(c)	-81	26	0	0	6	5	7	0	891	
<i>plus</i> Memorandum items(d)	130	196	506	-222	-448	26	-6	0	-743	
Loan Council Allocation	5,291	4,698	8,549	1,700	-50	-134	-261	134	-18,974	953
2008-09 tolerance limit(e)	1,287	792	867	495	270	127	75	81	6,227	

- (a) LCA nominations for 2008-09 reflect current best estimates of non-financial public sector (NFPS) surpluses/deficits. Nominations have been provided on the basis of policies announced up to and included in jurisdictions' mid-year budget reports and the Australian Government's pre-election fiscal outlook. Nominations are based on preliminary estimates of general government (GG) finances provided by jurisdictions for purposes of their mid-year reports, and projected bottom lines for each jurisdiction's public non-financial corporations (PNFC) sector, where actual estimates are unavailable. Each jurisdiction will publish an updated LCA estimate as part of its budget documentation.
- (b) The sum of the surpluses of the GG and PNFC sectors may not directly equal the NFPS surplus due to intersectoral transfers.
- (c) This comprises net lending by governments with the aim of achieving government policy, as well as net equity sales and net lending to other sectors or jurisdictions. Such transactions involve the transfer or exchange of a financial asset and are not included within the cash deficit. However, the cash flow from investments in financial assets for policy purposes has implications for governments' calls on financial markets.
- (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 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 the LCA 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.

APPENDIX A: PARAMETERS AND FURTHER INFORMATION

PARAMETER ESTIMATES USED IN THIS BUDGET PAPER

Population

Table A.1 sets out the population series used in this Budget Paper.

Table A.1: Population by State

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(e)	6.925	5.244	4.221	2.130	1.592	0.496	0.342	0.217	21.168
2008-09(p)	7.006	5.328	4.315	2.180	1.609	0.500	0.348	0.221	21.507
2009-10(p)	7.087	5.412	4.410	2.231	1.627	0.504	0.353	0.225	21.850
2010-11(p)	7.169	5.498	4.505	2.282	1.644	0.508	0.359	0.229	22.195
2011-12(p)	7.251	5.583	4.601	2.334	1.662	0.512	0.365	0.233	22.542

(e) Australian Treasury estimates.

(p) Australian Treasury projections.

The state populations for 2000-01 to 2006-07 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 2007-08 to 2011-12 are estimates and projections 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 Australian Treasury assumptions. Broadly, these assumptions are in respect of fertility, mortality, net overseas migration and interstate migration.

The Commonwealth Statistician will determine the population of each State as at 31 December 2007 in June 2008.

State revenue sharing relativities

Table A.2 sets out the state revenue sharing relativities used in this Budget Paper.

The state revenue sharing relativities for 2000-01 to 2008-09 are the relativities recommended by the Commonwealth Grants Commission and endorsed by the Ministerial Council for Commonwealth-State Financial Relations.

The state revenue sharing relativities for 2009-10 to 2011-12 are Australian Treasury projections.

Table A.2: State revenue sharing relativities since 2000-01

	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(p)	0.93739	0.93405	0.93376	0.83078	1.20955	1.51340	1.17751	4.50222
2010-11(p)	0.95777	0.94529	0.91485	0.77387	1.20843	1.50247	1.17991	4.56482
2011-12(p)	0.96655	0.95485	0.90791	0.74118	1.20997	1.50176	1.16876	4.50941

(p) Australian Treasury projections.

Other parameters

Table A.3 sets out the parameters used in this paper, rounded to the nearest quarter.

Table A.3: Other parameters used in this Budget Paper

Per cent growth	CPI(a)	Population
2007-08	2 3/4	1 1/2
2008-09	3 3/4	1 1/2
2009-10	2 3/4	1 1/2
2010-11	2 1/4	1 1/2
2011-12	2 1/2	1 1/2

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

DATA SOURCES

The information in Part 5 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 Budget Paper No. 1, *Budget Strategy and Outlook 2008-09*, Statement 10, for more information. State data for 2007-08 onwards are sourced from Victorian, Northern Territory, Australian Capital Territory and Western Australian 2008-09 budgets and other jurisdictions' 2007-08 mid-year reports.

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.

The 2008-09 Budget also includes a number of additional revisions to Australian Government budget aggregates, which improve the accuracy and comparability of the data through time. See Budget Paper No. 1, Statement 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:

- 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 2008-09 financial year the relevant publications are:

- Report on State Revenue Sharing Relativities 2008 Update;
- Relative Fiscal Capacities of the States 2008; and
- 2008 Update Report Working Papers.

These publications are also available in relation to previous financial years.

APPENDIX B: PAYMENTS TO THE STATES

This appendix provides accrual estimates of Commonwealth payments to the States and local governments. This includes Commonwealth advances (loans) to the States, including new advances, interest on advances and repayments of advances. Most of these advances were funded from borrowings made on behalf of the States under previous Australian Loan Council arrangements.

Each table presents estimated payments to the States for the period 2007-08 to 2011-12 as follows:

B.1 – general revenue assistance;

B.2 – health;

B.3 – education;

B.4 – community services;

B.5 – housing;

B.6 – infrastructure;

B.7 – environment;

B.8 – other purposes;

B.9 – contingent liabilities;

B.10 – local government; and

B.11 – other financial flows.

The new framework for federal financial relations, which commences 1 January 2009, is reflected in the tables in this appendix. For example, Table B.4 presents the existing social security and welfare payments for specific purposes for 2007-08, and the transition of these terminating payments into the new national disabilities services SPP or National Partnership payments in 2008-09.

Owing to the reductions in conditions on payments for specific purposes under the new financial framework, payments from 2008-09 will no longer be allocated as recurrent or capital. All payments made from 1 January 2009 are recurrent in nature. To clarify this transition from previous budget papers, capital payments in 2007-08 will sometimes indicate 'capital' in their title. Some payments may continue to be provided to be spent for capital purposes by the States. From 2009, these would most likely be National Partnership payments (for example, AusLink payments). However,

consistent with Australian Bureau of Statistics Government Finance Statistics treatment, even these payments are considered to be recurrent in nature at the Commonwealth level.

In a break from practice since the 2005-06 Budget, detailed estimates for all forward years have been provided, including in respect of notionally lapsing agreements where a new agreement has not yet been agreed. Where possible, the estimates include the state allocations for each payment over the forward estimates. In a small number of cases, where allocations have not been determined, no state allocation is shown but an equal per capita share is included in each State's total payments.

The publication of an estimate for a State in no way commits the Commonwealth to fund a particular program, or indicates that a State has agreed to participate in the program.

Table B.1: Estimated general revenue assistance payments to the States, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
GST revenue	12,007,691	9,317,779	8,596,286	4,013,286	3,943,634	1,677,115	855,601	2,218,628	42,630,020
Budget balancing assistance	-	-	-	-	-	-	-	-	-
National Competition Policy payments	26,304	9,881	-	3,967	3,024	-	-	-	43,176
Compensation									
Crude oil excise condensate	-	-	-	80,000	-	-	-	-	80,000
GST deferral	-	-	-	-	-	-	-	-	-
Total	12,033,995	9,327,660	8,596,286	4,097,253	3,946,658	1,677,115	855,601	2,218,628	42,753,196
2008-09									
GST revenue	13,087,691	10,249,890	8,744,635	3,944,874	4,169,659	1,741,346	914,378	2,427,527	45,280,000
Budget balancing assistance	-	-	-	-	-	-	-	-	-
Royalties(a)	-	-	-	347,000	-	-	-	4,401	351,401
Compensation(a)									
Crude oil excise condensate	-	-	-	72,300	-	-	-	-	72,300
GST deferral	-83,377	-61,446	-58,528	-29,335	-26,073	-10,487	-5,104	-11,650	-286,000
Snowy Hydro Ltd	15,562	7,781	-	-	-	-	-	-	23,343
ACT municipal services(a)	-	-	-	-	-	-	17,131	-	17,131
Total	13,019,876	10,196,225	8,686,107	4,334,839	4,143,586	1,730,859	926,405	2,420,278	45,458,174
2009-10									
GST revenue	14,418,310	11,068,498	9,022,882	3,933,368	4,432,529	1,820,421	980,896	2,583,096	48,260,000
Royalties	-	-	-	686,000	-	-	-	12,409	698,409
Compensation									
Crude oil excise condensate	-	-	-	84,100	-	-	-	-	84,100
GST deferral	2,988	2,294	1,870	816	918	377	203	534	10,000
Snowy Hydro Ltd	31,123	15,562	-	-	-	-	-	-	46,685
ACT municipal services	-	-	-	-	-	-	34,983	-	34,983
Total	14,452,421	11,086,354	9,024,752	4,704,284	4,433,447	1,820,798	1,016,082	2,596,039	49,134,177

Table B.1: Estimated general revenue assistance payments to the States, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2010-11									
GST revenue	15,542,578	11,843,966	9,333,486	3,818,099	4,646,703	1,889,263	1,037,054	2,768,851	50,880,000
Royalties	-	-	-	671,000	-	-	-	12,626	683,626
Compensation									
Crude oil excise condensate	-	-	-	85,100	-	-	-	-	85,100
GST deferral	3,055	2,328	1,835	751	913	371	204	543	10,000
Snowy Hydro Ltd	31,123	15,562	-	-	-	-	-	-	46,685
ACT municipal services	-	-	-	-	-	-	35,647	-	35,647
Total	15,576,756	11,861,856	9,335,321	4,574,950	4,647,616	1,889,634	1,072,905	2,782,020	51,741,058
2011-12									
GST revenue	16,519,773	12,656,987	9,813,555	3,838,493	4,889,104	1,977,555	1,083,196	2,891,337	53,670,000
Royalties	-	-	-	616,000	-	-	-	10,966	626,966
Compensation									
Crude oil excise condensate	-	-	-	85,100	-	-	-	-	85,100
GST deferral	3,079	2,359	1,829	716	910	368	202	537	10,000
Snowy Hydro Ltd	31,123	15,562	-	-	-	-	-	-	46,685
ACT municipal services	-	-	-	-	-	-	36,325	-	36,325
Total	16,553,975	12,674,908	9,815,384	4,540,309	4,890,014	1,977,923	1,119,723	2,902,840	54,475,076

(a) In 2007-08, royalties, ACT municipal services and some compensation payments are being paid under existing arrangements as payments for specific purposes and not as general revenue assistance. As the reclassification to general revenue assistance applies from 1 January 2009, estimates are for half their annual amounts. The other half is reported in Table B.8.

Table B.2: Estimated payments to support state health services, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
Election commitments									
Elective surgery waiting list reduction plan(a)	14,400	11,400	-	5,100	8,500	2,700	833	5,300	75,000
Health infrastructure grants	18,000	1,000	102,000	-	-	20,100	-	-	141,100
Supporting nurses back into the workforce - training payments	131	99	80	40	30	9	7	4	400
Existing payments									
Aged care assessment	23,596	16,505	11,659	6,837	6,303	1,812	724	956	68,392
Essential vaccines	178,303	132,759	108,546	54,409	37,741	13,264	8,887	7,064	540,973
Health care grants	3,243,760	2,364,320	1,895,115	971,021	808,221	214,249	126,531	124,026	9,747,243
Health program grants	-	1,185	-	-	-	-	-	-	1,185
Helping public patients in hospitals waiting for nursing home places(b)	12,625	6,750	6,250	4,625	5,650	1,000	300	300	37,500
Highly specialised drugs	189,083	135,652	66,944	39,450	46,815	14,838	11,749	8,819	513,350
National public health(c)	75,473	57,084	39,671	22,647	17,735	7,323	3,920	4,166	228,019
Organ and tissue donation	780	780	780	390	390	260	260	260	3,900
Organ transplantation services	1,424	-	-	-	405	-	-	-	1,829
Organ transplantation services (capital)	178	-	-	-	51	-	-	-	229
Repatriation general hospitals	842	50	-	-	1,000	141	-	-	2,033
Royal Darwin Hospital - equipped, prepared and ready	-	-	-	-	-	-	-	13,434	13,434
Supporting Western Sydney - Positron Emission Tomography scanner at Westmead	1,200	-	-	-	-	-	-	-	1,200
Youth health services	859	635	446	233	210	64	59	59	2,565
Total	3,769,411	2,734,851	2,236,828	1,107,445	935,064	276,387	153,702	164,663	11,378,352

Table B.2: Estimated payments to support state health services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09									
Election commitments									
Commonwealth Dental Health Program(d)	~	~	~	~	~	~	~	~	92,000
Elective surgery waiting list reduction plan(a)	28,900	22,800	27,600	10,300	5,100	5,400	1,666	-	155,000
Health infrastructure grants	2,500	1,000	9,500	-	-	27,340	-	-	40,340
Supporting nurses back into the workforce - incentive payments	789	594	480	240	180	54	39	24	2,400
Supporting nurses back into the workforce - training payments	274	206	166	83	62	19	14	8	832
Existing payments									
Aged care assessment	24,878	17,275	12,144	7,187	6,678	1,923	740	1,033	71,858
Essential vaccines	88,605	64,015	53,090	26,066	18,080	6,337	4,057	3,421	263,671
Health care grants	3,222,263	2,354,659	1,903,840	976,682	802,072	212,840	127,401	125,038	9,724,795
Health program grants	-	1,211	-	-	-	-	-	-	1,211
Helping public patients in hospitals waiting for nursing home places(b)	12,810	8,140	6,500	3,970	4,490	990	300	300	37,500
Highly specialised drugs	208,299	143,889	70,684	41,722	49,331	16,958	13,903	9,396	554,182
National public health(c)	79,361	58,236	45,728	23,013	19,692	6,477	3,917	3,478	239,902
Organ and tissue donation	780	780	780	390	390	260	260	260	3,900
Organ transplantation services	1,452	-	-	-	412	-	-	-	1,864
Organ transplantation services (capital)	181	-	-	-	52	-	-	-	233
Repatriation general hospitals	844	50	-	-	902	141	-	-	1,937
Royal Darwin Hospital - equipped, prepared and ready	-	-	-	-	-	-	-	13,674	13,674
Supporting Western Sydney - Positron Emission Tomography scanner at Westmead	1,300	-	-	-	-	-	-	-	1,300
Youth health services	875	649	454	236	214	66	61	61	2,616
Total	3,721,552	2,709,485	2,159,991	1,104,543	918,558	282,198	154,705	158,185	11,209,215

Table B.2: Estimated payments to support state health services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2009-10									
National healthcare agreement	3,477,231	2,546,987	2,070,971	1,063,802	863,554	230,566	139,178	136,298	10,528,587
National Partnership payments									
Aged care assessment	26,060	18,089	12,703	7,514	6,999	2,013	772	1,077	75,227
Helping public patients in hospitals waiting for nursing home places(b)	12,990	9,520	6,750	3,320	3,330	990	300	300	37,500
Royal Darwin Hospital - equipped, prepared and ready	-	-	-	-	-	-	-	13,961	13,961
<i>including Election commitments</i>									
Commonwealth Dental Health Program(d)	~	~	~	~	~	~	~	~	96,600
Elective surgery waiting list reduction plan(d)	~	~	~	~	~	~	~	~	150,000
Health infrastructure grants	-	-	-	-	-	4,440	-	-	4,440
Supporting nurses back into the workforce - incentive payments	1,674	1,263	1,020	511	384	114	84	52	5,102
Supporting nurses back into the workforce - training payments	354	268	216	108	82	24	17	11	1,080
Existing payments									
Essential vaccines(e)	74,058	49,899	42,583	22,109	14,671	5,226	3,355	2,850	214,751
Health program grants(e)	-	1,240	-	-	-	-	-	-	1,240
Highly specialised drugs(d)(e)	~	~	~	~	~	~	~	~	588,985
Organ transplantation services(e)	1,479	-	-	-	420	-	-	-	1,899
Organ transplantation services (capital)(e)	185	-	-	-	53	-	-	-	238
Repatriation general hospitals(e)	846	50	-	-	804	141	-	-	1,841
Supporting Western Sydney - Positron Emission Tomography scanner at Westmead(e)	1,300	-	-	-	-	-	-	-	1,300
Total	3,867,342	2,834,303	2,302,763	1,182,616	952,545	262,804	157,222	163,157	11,722,751

Table B.2: Estimated payments to support state health services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2010-11									
National healthcare agreement	3,650,965	2,682,046	2,195,523	1,129,069	905,288	241,727	147,083	144,228	11,095,929
National Partnership payments									
Aged care assessment	27,267	18,925	13,290	7,863	7,325	2,104	807	1,125	78,706
Helping public patients in hospitals waiting for nursing home places(b)	12,990	9,520	6,750	3,320	3,330	990	300	300	37,500
Royal Darwin Hospital - equipped, prepared and ready	-	-	-	-	-	-	-	14,226	14,226
<i>including Election commitments</i>									
Commonwealth Dental Health Program(d)	~	~	~	~	~	~	~	~	101,400
Elective surgery waiting list reduction plan(d)	~	~	~	~	~	~	~	~	220,000
Health infrastructure grants	-	-	-	-	-	2,700	-	-	2,700
Supporting nurses back into the workforce - incentive payments	1,968	1,488	1,197	600	453	135	99	60	6,000
Supporting nurses back into the workforce - training payments	444	335	268	135	101	32	22	13	1,350
Existing payments									
Essential vaccines(e)	58,628	36,373	32,851	16,782	11,568	4,072	2,639	2,292	165,205
Health program grants(e)	-	1,265	-	-	-	-	-	-	1,265
Highly specialised drugs(d)(e)	~	~	~	~	~	~	~	~	626,277
Organ transplantation services(e)	1,479	-	-	-	420	-	-	-	1,899
Organ transplantation services (capital)(e)	185	-	-	-	53	-	-	-	238
Repatriation general hospitals(e)	845	50	-	-	702	141	-	-	1,738
Supporting Western Sydney - Positron Emission Tomography scanner at Westmead(e)	1,300	-	-	-	-	-	-	-	1,300
Total	3,870,159	3,031,905	2,321,464	1,317,864	999,489	273,612	311,282	229,959	12,355,733

Table B.2: Estimated payments to support state health services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12									
National healthcare agreement	3,834,276	2,824,670	2,328,104	1,198,424	949,314	253,509	155,463	152,471	11,696,231
National Partnership payments									
Aged care assessment	28,490	19,772	13,883	8,216	7,654	2,197	842	1,176	82,230
Helping public patients in hospitals waiting for nursing home places(b)	12,990	9,520	6,750	3,320	3,330	990	300	300	37,500
Royal Darwin Hospital - equipped, prepared and ready	-	-	-	-	-	-	-	14,495	14,495
including Election commitments									
Health infrastructure grants	-	-	-	-	-	1,550	-	-	1,550
Supporting nurses back into the workforce - incentive payments	2,361	1,785	1,431	720	543	171	116	72	7,199
Supporting nurses back into the workforce - training payments	536	405	325	164	124	41	26	18	1,639
Existing payments									
Essential vaccines(e)	58,631	36,374	32,854	16,783	11,569	4,072	2,639	2,293	165,215
Health program grants(e)	-	1,292	-	-	-	-	-	-	1,292
Highly specialised drugs(d)(e)	~	~	~	~	~	~	~	~	659,115
Organ transplantation services(e)	1,479	-	-	-	420	-	-	-	1,899
Organ transplantation services (capital)(e)	185	-	-	-	53	-	-	-	238
Repatriation general hospitals(e)	845	50	-	-	602	141	-	-	1,638
Supporting Western Sydney - Positron Emission Tomography scanner at Westmead(e)	1,300	-	-	-	-	-	-	-	1,300
Total	4,153,117	3,057,130	2,517,871	1,295,863	1,022,209	277,646	170,061	177,644	12,671,541

(a) Total state allocations are yet to be agreed. Unallocated amounts are reflected in state totals indicatively on an equal per capita basis.

(b) Payments commenced in 2006-07 and were previously included and reported in health care grants.

(c) Includes funding for the Public Health Outcome Funding Agreements with the States.

(d) There is no basis on which to estimate state allocations. In this case, the total is notionally allocated on an equal per capita basis.

(e) The treatment of this payment under the new framework for federal financial relations is yet to be decided.

Table B.3: Estimated payments to support state education services, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
Election commitments									
National secondary schools computer fund	32,717	24,775	19,940	10,062	7,521	2,343	1,615	1,026	100,000
Existing payments									
Australian Technical Colleges(a)	-	-	-	-	-	-	-	-	-
Children's services	1,024	1,060	531	462	5,172	331	2	2	8,584
Government schools	612,300	439,781	373,393	182,763	132,773	50,797	30,427	22,582	1,844,816
Government schools (capital)	174,185	125,544	106,630	53,774	39,033	14,315	8,359	6,676	528,516
*non-government schools	1,733,884	1,341,376	1,039,032	519,058	415,835	108,950	105,869	42,124	5,306,128
*non-government schools (capital)	77,306	60,839	41,749	22,561	17,590	4,734	5,182	7,214	237,175
Indigenous education strategic initiatives - government	11,205	7,182	40,343	18,644	6,413	3,270	376	17,456	104,889
Relocation of Amberley State School (capital)	-	-	26,800	-	-	-	-	-	26,800
Skilling Australia's workforce	414,454	308,661	241,639	124,668	93,586	29,130	21,302	12,932	1,246,372
Targeted programs - government schools and joint	169,070	104,081	72,315	39,711	39,300	12,433	4,507	8,804	450,221
*Targeted programs - non-government schools	82,650	65,262	33,757	18,885	18,398	3,685	3,292	2,665	228,594
Payments to local government									
Children's services	12,215	13,445	4,992	1,869	1,222	1,813	-	5,074	40,630
Total	3,321,010	2,492,006	2,001,121	992,457	776,843	231,801	180,931	126,555	10,122,725

Table B.3: Estimated payments to support state education services, by year and State (continued)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09									
National early childhood development and schools agreement									
Government schools	1,540,604	1,125,316	893,564	449,607	356,798	103,309	83,719	54,230	4,607,145
Government schools (capital)(b)	326,962	234,838	199,384	97,592	70,894	27,128	16,248	12,059	985,104
Indigenous education strategic initiatives - government	54,682	39,398	32,976	16,882	12,187	4,458	2,633	2,082	165,296
*Non-government schools	12,798	3,657	12,743	9,585	5,984	1,662	388	8,587	55,402
*Non-government schools (capital)(b)	968,446	724,096	571,329	282,589	226,891	58,984	57,883	22,853	2,913,069
Targeted programs - government schools and joint	30,576	24,090	16,481	8,913	6,950	1,892	2,053	2,232	93,186
*Targeted programs - non-government schools	102,216	63,740	42,335	23,649	24,030	7,178	2,769	5,007	270,922
National vocational education and training agreement	44,926	35,498	18,317	10,399	9,864	2,008	1,746	1,411	124,167
Skilling Australia's workforce	213,448	158,835	124,173	64,146	48,320	15,032	10,977	6,688	641,618
National Partnership payments	213,448	158,835	124,173	64,146	48,320	15,032	10,977	6,688	641,618
Children's services	1,037	1,078	540	469	5,269	336	2	4	8,735
<i>including Election commitments</i>									
Early childhood education and care(c)	~	~	~	~	~	~	~	~	40,000
National action plan for literacy and numeracy(c)	~	~	~	~	~	~	~	~	94,188
National secondary schools computer fund(c)	~	~	~	~	~	~	~	~	390,246
Trade training centres in schools(c)	~	~	~	~	~	~	~	~	233,142
Payments to local government									
Children's services	12,660	13,927	5,175	1,933	1,263	1,878	-	5,250	42,086
Total	3,768,580	2,770,980	2,193,176	1,106,708	873,454	256,504	201,640	134,879	11,305,921
<i>Memorandum item</i>									
Support for government schools	1,156,939	807,698	675,649	346,335	263,772	92,527	52,194	60,634	3,455,749
Support for non-government schools	2,158,019	1,620,697	1,255,441	625,624	503,517	130,770	126,843	55,205	6,476,116

Table B.3: Estimated payments to support state education services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2009-10									
National early childhood development and schools agreement	3,310,515	2,381,296	1,915,129	954,402	760,838	218,862	178,619	112,457	9,832,118
National vocational education and training agreement	434,095	323,158	252,809	130,517	98,149	30,541	22,318	13,574	1,305,161
National Partnership payments	1,052	1,098	551	477	5,368	342	2	4	8,894
<i>Children's services</i>									
including Election commitments									
Early childhood education and care(c)	~	~	~	~	~	~	~	~	80,000
National action plan for literacy and numeracy(c)	~	~	~	~	~	~	~	~	156,632
National secondary schools computer fund(c)	~	~	~	~	~	~	~	~	277,142
Trade training centres in schools(c)	~	~	~	~	~	~	~	~	242,934
Payments to local government									
Children's services	12,870	14,157	5,261	1,965	1,284	1,909	-	5,336	42,782
Total	4,003,978	2,907,156	2,326,467	1,164,629	921,978	269,108	213,180	139,168	11,945,663
<i>Memorandum item</i>									
Support for government schools	1,203,296	838,965	703,623	360,999	274,560	96,431	54,238	64,142	3,596,253
Support for non-government schools	2,326,716	1,709,961	1,348,078	662,502	536,661	138,040	135,328	55,288	6,912,573

Table B.3: Estimated payments to support state education services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2010-11									
National early childhood development and schools agreement	3,442,992	2,535,212	2,050,466	1,014,194	812,435	232,707	191,089	119,080	10,398,175
National vocational education and training agreement	441,386	328,585	257,055	132,708	99,797	31,054	22,693	13,802	1,327,080
National Partnership payments	1,064	1,118	560	486	5,466	349	2	4	9,049
<i>Children's services</i>									
including Election commitments									
Early childhood education and care(c)	~	~	~	~	~	~	~	~	100,000
National action plan for literacy and numeracy(c)	~	~	~	~	~	~	~	~	159,761
National secondary schools computer fund(c)	~	~	~	~	~	~	~	~	200,000
Trade training centres in schools(c)	~	~	~	~	~	~	~	~	253,137
Payments to local government									
Children's services	13,067	14,373	5,340	1,994	1,304	1,937	-	5,417	43,432
Total	4,128,778	3,055,875	2,458,122	1,222,687	971,820	282,366	225,323	145,663	12,490,634
<i>Memorandum item</i>									
Support for government schools	1,244,673	866,880	727,344	373,147	283,889	99,878	56,025	66,550	3,718,386
Support for non-government schools	2,396,287	1,820,149	1,447,525	704,070	573,955	146,859	144,984	58,858	7,292,687

Table B.3: Estimated payments to support state education services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12									
National early childhood development and schools agreement	3,651,863	2,698,907	2,180,043	1,076,174	863,215	246,922	203,611	122,930	11,043,665
National vocational education and training agreement	450,205	335,149	262,191	135,360	101,790	31,674	23,147	14,077	1,353,593
National Partnership payments	1,079	1,138	570	495	5,564	355	2	4	9,207
Children's services									
<i>including Election commitments</i>									
Early childhood education and care(c)	~	~	~	~	~	~	~	~	300,000
National action plan for literacy and numeracy(c)	~	~	~	~	~	~	~	~	162,538
National secondary schools computer fund(c)	~	~	~	~	~	~	~	~	200,000
Trade training centres in schools(c)	~	~	~	~	~	~	~	~	263,700
Payments to local government									
Children's services	13,278	14,604	5,426	2,025	1,325	1,968	-	5,505	44,131
Total	4,414,377	3,279,225	2,637,274	1,309,944	1,040,191	301,963	241,761	152,099	13,376,834
<i>Memorandum item</i>									
Support for government schools	1,302,634	909,455	759,678	388,457	295,841	104,288	58,735	66,541	3,885,627
Support for non-government schools	2,550,677	1,944,570	1,548,179	752,550	613,550	156,862	155,019	62,869	7,784,276

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

(a) Total expenditure on Australian Technical Colleges is estimated at \$459.2 million over the five years to 2011-12. Most of this funding is classified as Australian Government own-purpose expenses. Payments to the States for this program are included under non-government schools programs to 2008-09 and National early childhood development and schools agreement from 2008-09.

(b) Capital payments for government and non-government schools have been bundled with the National early childhood development and schools agreement, however, the precise treatment of this payment under the new framework for federal financial relations is yet to be decided.

(c) There is no basis on which to estimate state allocations. In this case, the total is notionally allocated on an equal per capita basis.

Table B.4: Estimated payments to support state community services, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
Existing payments									
Disabilities services(a)	269,106	159,442	133,459	57,554	75,807	24,157	9,986	7,405	736,916
Family violence partnership	666	1,415	2,995	666	1,748	-	-	15,291	22,781
Home and community care	306,960	248,201	224,761	101,826	86,225	26,612	12,131	7,240	1,013,956
National action plan to build on social cohesion, harmony and security	183	104	20	75	29	10	20	20	461
Unaccompanied humanitarian minors	144	998	833	262	3	-	-	-	2,240
Young people with disabilities	4,663	3,457	2,739	1,390	1,056	281	224	139	13,949
Payments to local government									
Disabilities services	198	623	708	-	-	-	-	-	1,529
Total	581,920	414,240	365,515	161,773	164,868	51,060	22,361	30,095	1,791,832
2008-09									
National disabilities services agreement									
Disabilities services(a)	129,150	88,902	73,673	32,496	41,020	12,828	5,596	4,138	387,800
Young people with disabilities	124,487	85,445	70,934	31,106	39,964	12,312	5,373	3,998	373,617
National Partnership payments									
Unaccompanied humanitarian minors	207	1,447	1,198	379	6	-	-	-	3,237
including Election commitments									
National reciprocal transport concession(b)	~	~	~	~	~	~	~	~	12,500
Payments to local government									
Disabilities services	201	633	720	-	-	-	-	-	1,554
Existing payments									
Family violence partnership(c)	634	1,345	2,848	634	1,663	-	-	10,292	17,416
Home and community care(c)	330,355	266,803	251,295	111,105	93,720	29,214	13,311	8,060	1,103,863
Home and community care services for veterans(d)	6,070	4,189	3,461	1,377	1,427	564	244	45	17,377
National action plan to build on social cohesion, harmony and security	350	200	100	150	70	40	30	19	959
Total	600,188	455,517	409,476	179,903	179,860	55,764	24,979	26,820	1,932,506

Table B.4: Estimated payments to support state community services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2009-10									
National disabilities services agreement	286,968	198,569	163,201	73,167	89,265	27,291	12,589	9,266	860,316
National Partnership payments									
Unaccompanied humanitarian minors	211	1,485	1,227	389	6	-	-	-	3,318
<i>including Election commitments</i>									
National reciprocal transport concession(b)	~	~	~	~	~	~	~	~	12,500
Payments to local government									
Disabilities services	205	651	739	-	-	-	-	-	1,595
Existing payments									
Family violence partnership(c)	441	940	1,993	441	1,160	-	-	551	5,526
Home and community care(c)	352,429	284,279	278,450	119,927	100,548	31,546	14,256	8,479	1,189,914
Home and community care services for veterans(d)	6,264	4,323	3,572	1,421	1,473	583	252	47	17,935
Total	650,573	493,343	451,705	196,621	193,383	59,708	27,299	18,472	2,091,104
2010-11									
National disabilities services agreement	323,987	225,409	183,455	83,766	98,534	30,594	14,224	10,581	970,550
National Partnership payments									
Unaccompanied humanitarian minors	218	1,520	1,259	398	6	-	-	-	3,401
<i>including Election commitments</i>									
National reciprocal transport concession(b)	~	~	~	~	~	~	~	~	12,500
Payments to local government									
Disabilities services	211	668	757	-	-	-	-	-	1,636
Existing payments									
Family violence partnership(c)	449	958	2,031	449	1,182	-	-	565	5,634
Home and community care(c)	376,886	303,608	309,468	129,955	108,415	34,295	15,432	9,164	1,287,223
Home and community care services for veterans(d)	6,458	4,457	3,682	1,466	1,519	601	259	48	18,490
Total	712,247	539,716	503,189	217,319	210,582	65,776	30,117	20,487	2,299,434

Table B.4: Estimated payments to support state community services, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12									
National disabilities services agreement	366,733	254,235	205,193	95,156	108,466	33,796	16,379	11,990	1,091,948
National Partnership payments									
Unaccompanied humanitarian minors	221	1,546	1,280	405	6	-	-	-	3,458
<i>including Election commitments</i>									
National reciprocal transport concession(b)	~	~	~	~	~	~	~	~	12,500
Payments to local government									
Disabilities services	217	687	777	-	-	-	-	-	1,681
Existing payments									
Family violence partnership(c)	458	976	2,069	458	1,204	-	-	576	5,741
Home and community care(c)	404,821	326,453	335,272	140,265	115,589	36,538	16,517	9,698	1,385,153
Home and community care services for veterans(d)	6,460	4,457	3,683	1,466	1,519	601	260	48	18,494
Total	782,931	591,450	550,825	239,044	227,706	71,219	33,358	22,441	2,518,975

(a) Funding for the purpose of assisting parent carers aged 65 years or more to obtain supported accommodation in the community for their adult children with a disability has been transferred to the Commonwealth State Territory Disability Agreement (CSTDA) from the Australian Government's Disability Assistance Package from 2008-09 onwards, consistent with the States' responsibilities under the CSTDA. The funds transferred are \$124.5 million in 2008-09; \$154.4 million in 2009-10; \$252.6 million in 2010-11; and \$369.7 million in 2011-12. Also, the Australian Government is providing an additional \$100 million in 2007-08 to assist the States to provide supported accommodation in the community for people with a disability.

(b) There is no basis on which to estimate state allocations. In this case, the total is notionally allocated on an equal per capita basis.

(c) The treatment of this payment under the new framework for federal financial relations is yet to be decided.

(d) Prior to 2008-09, payments for home and community care services for veterans under the Veterans' Home Care program were classified as Australian Government own-purpose expenses.

Table B.5: Estimated payments to support state housing services, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
Community housing	22,461	16,682	13,210	6,698	5,106	1,609	1,078	675	67,519
Crisis accommodation assistance	13,919	10,338	8,186	4,151	3,164	997	669	418	41,842
Commonwealth-State Housing Agreement block assistance/base funding	249,415	185,232	146,686	74,376	56,692	22,075	17,221	13,527	765,224
Housing assistance for indigenous people	18,759	3,838	26,637	16,740	8,804	700	-	20,541	96,019
Social housing subsidy program	1,995	-	-	-	-	-	-	-	1,995
Supported accommodation assistance	60,937	39,423	30,524	18,193	17,430	7,821	6,259	5,193	185,780
Total	367,486	255,513	225,243	120,158	91,196	33,202	25,227	40,354	1,158,379
2008-09									
National affordable housing agreement									
Commonwealth-State Housing Agreement block assistance/base funding	185,542	129,771	114,448	61,014	46,324	16,843	12,784	20,478	587,202
Community housing	126,574	94,005	74,442	37,746	28,771	11,178	8,708	6,829	388,251
Crisis accommodation assistance	11,398	8,464	6,703	3,398	2,590	816	548	342	34,257
Housing assistance for indigenous people	7,063	5,246	4,154	2,106	1,605	506	339	213	21,230
Supported accommodation assistance	9,490	1,930	13,568	8,481	4,456	351	-	10,443	48,717
Total	31,019	20,127	15,582	9,285	8,903	3,993	3,190	2,651	94,748
National Partnership payments									
Indigenous housing and infrastructure(a) including Election commitments	11,082	1,435	80,114	100,743	28,853	529	42	140,574	363,372
Homes for the homeless(b)	6,371	4,853	5,865	2,806	1,817	1,000	1,000	1,288	25,000
Existing payments									
*Additional First Home Owners Scheme	-	2,304	-	53	-	56	-	-	2,413
Social housing subsidy program(c)	1,995	-	-	-	-	-	-	-	1,995
Total	390,532	268,133	314,875	225,630	123,318	35,270	26,609	182,817	1,567,184

Table B.5: Estimated payments to support state housing services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2009-10									
National affordable housing agreement	377,253	263,840	232,800	124,039	94,193	34,202	25,942	41,593	1,193,862
National Partnership payments									
Indigenous housing and infrastructure(a)	12,092	1,437	85,210	106,148	30,520	529	90	156,573	392,599
<i>including Election commitments</i>									
Homes for the homeless(b)	6,371	4,853	5,865	2,806	1,817	1,000	1,000	1,288	25,000
Existing payments									
Social housing subsidy program(c)	1,995	-	-	-	-	-	-	-	1,995
Total	397,711	270,130	323,875	232,993	126,530	35,731	27,032	199,454	1,613,456
2010-11									
National affordable housing agreement	382,210	267,291	235,812	125,665	95,451	34,670	26,300	42,131	1,209,530
National Partnership payments									
Indigenous housing and infrastructure(a)	14,462	719	90,249	94,563	26,199	264	110	181,944	408,510
<i>including Election commitments</i>									
Homes for the homeless(b)	6,371	4,853	5,865	2,806	1,817	1,000	1,000	1,288	25,000
Existing payments									
Social housing subsidy program(c)	1,995	-	-	-	-	-	-	-	1,995
Total	405,038	272,863	331,926	223,034	123,467	35,934	27,410	225,363	1,645,035

Table B.5: Estimated payments to support state housing services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12									
National affordable housing agreement	387,184	270,737	238,828	127,284	96,709	35,139	26,657	42,666	1,225,204
National Partnership payments									
Indigenous housing and infrastructure(a)	-	-	-	-	-	-	-	-	-
<i>including Election commitments</i>									
Homes for the homeless(b)	6,371	4,853	5,865	2,806	1,817	1,000	1,000	1,288	25,000
Existing payments									
Social housing subsidy program(c)	1,995	-	-	-	-	-	-	-	1,995
Total	395,550	275,590	244,693	130,090	98,526	36,139	27,657	43,954	1,252,199

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

(a) Prior to 2008-09, all payments under the Community Housing and Infrastructure Program were classified as Australian Government own-purpose expenses. Provision has been made for continued funding in 2011-12. However, the extension of the relevant agreements has not been negotiated and therefore the amounts payable under the agreements cannot be specifically identified.

(b) The Australian Government is providing \$150 million over five years to 2012-13 to assist the States provide up to 600 homes across Australia for families and individuals who are homeless.

(c) The treatment of this payment under the new framework for federal financial relations is yet to be decided.

Table B.6: Estimated payments to support state infrastructure services, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
AusLink	924,272	422,859	703,785	339,496	157,085	53,470	5,353	44,342	2,650,662
Interstate road transport	26,514	15,427	5,463	2,283	6,982	287	287	287	57,530
Funding for road projects other than under AusLink	5,100	-	-	-	-	250	-	-	5,350
Payments to local government									
AusLink	153,858	98,556	103,306	80,518	31,315	17,037	-	6,926	491,516
Funding for road projects other than under AusLink	-	650	-	-	-	-	-	-	650
Total	1,109,744	537,492	812,554	422,297	195,382	71,044	5,640	51,555	3,205,708
2008-09									
National Partnership payments									
AusLink	891,886	277,000	750,403	400,116	250,669	88,824	11,793	77,751	2,748,442
Interstate road transport	27,970	16,276	5,763	2,408	7,364	303	303	303	60,690
<i>including Election commitments</i>									
Kings Highway - upgrade	16,300	-	-	-	-	-	7,000	-	23,300
Payments to local government									
AusLink	193,155	121,097	155,236	85,242	47,076	18,341	-	8,457	628,604
Funding for road projects other than under AusLink	-	350	-	-	-	-	-	-	350
Existing payments									
Federation fund projects - NSW/VIC	-	1,000	-	-	-	-	-	-	1,000
Funding for road projects other than under AusLink	13,600	1,700	4,500	-	-	1,050	-	8,800	29,650
Total	1,142,911	417,423	915,902	487,766	305,109	108,518	19,096	95,311	3,492,036

Table B.6: Estimated payments to support state infrastructure services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2009-10									
National Partnership payments									
AusLink(a)	~	~	~	~	~	~	~	~	3,631,212
Interstate road transport	29,478	17,152	6,073	2,538	7,759	320	320	320	63,960
Payments to local government									
AusLink	39,677	15,503	41,558	12,876	8,780	290	-	850	119,534
Existing payments									
Federation fund projects - NSW/VIC	-	14,000	-	-	-	-	-	-	14,000
Funding for road projects other than under AusLink	39,300	2,000	2,000	-	-	13,700	-	2,000	59,000
Total	1,296,488	948,285	773,683	380,804	289,649	99,375	58,981	40,440	3,887,706
2010-11									
National Partnership payments									
AusLink(a)(b)	~	~	~	~	~	~	~	~	3,534,861
Interstate road transport	31,092	18,092	6,406	2,677	8,182	337	337	337	67,460
Payments to local government									
AusLink	-	-	-	-	-	-	-	-	-
Existing payments									
Funding for road projects other than under AusLink	30,000	10,000	1,000	-	-	-	-	4,000	45,000
Total	1,212,570	903,780	716,586	361,031	272,684	82,501	57,481	40,688	3,647,321

Table B.6: Estimated payments to support state infrastructure services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12									
National Partnership payments									
AusLink(a)(b)	~	~	~	~	~	~	~	~	4,133,737
Interstate road transport	32,798	19,084	6,757	2,823	8,630	356	356	356	71,160
Payments to local government									
AusLink	-	-	-	-	-	-	-	-	-
Existing payments									
Funding for road projects other than under AusLink	2,000	62,000	1,000	-	-	-	-	5,000	70,000
Total	1,375,618	1,105,066	842,016	424,923	316,398	95,702	67,225	47,949	4,274,897

(a) State allocations for some payments are yet to be determined, but are reflected in State totals indicatively on an equal per capita basis.

(b) Payments show total AusLink funding, including funding that will be paid to local government.

Table B.7: Estimated payments to support state environmental services, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
Existing payments									
Eradication of red imported fire ant	-	-	7,000	-	-	-	-	-	7,000
Exotic disease preparedness program	79	56	56	56	35	35	35	35	387
Great Artesian Basin sustainability initiative	3,311	-	4,837	-	-	-	-	-	8,148
Improving water information	3,272	2,477	1,994	1,006	752	234	162	103	10,000
National action plan for salinity and water quality	17,315	6,259	7,450	47,512	10,634	973	1,086	516	91,745
National landcare program(a)	6,457	4,768	5,521	3,766	3,641	1,556	175	938	26,822
National water initiative - Living Murray	31,756	23,435	-	-	5,575	-	-	-	60,766
Natural Heritage Trust of Australia -									
Bushcare	11,036	8,207	8,777	6,917	4,758	2,160	475	2,333	44,663
Coastcare	4,219	3,139	3,356	2,645	1,819	825	-	892	16,995
Landcare	8,439	6,275	6,712	5,290	3,638	1,652	475	1,784	34,265
Rivercare	8,765	6,517	6,971	5,494	3,779	1,715	325	1,851	35,417
*Photovoltaic rebate program	4,204	2,938	2,188	526	2,854	93	-	8	12,811
Plant disease and eradication	-	-	661	-	-	-	-	-	661
Renewable remote power generation	200	-	-	17,464	85	1,608	-	7,643	27,000
Tasmanian water infrastructure	-	-	-	-	-	1,100	-	-	1,100
Payments to local government									
Blackburn Lake Sanctuary	-	1,800	-	-	-	-	-	-	1,800
Total	99,053	65,871	55,523	90,676	37,570	11,951	2,733	16,103	379,480
2008-09									
National Partnership payments									
Exotic disease preparedness program	79	56	56	56	35	35	35	35	387
Water initiatives									
Great Artesian Basin sustainability initiative	3,371	-	4,928	-	-	-	-	-	8,299
Improving water information(b)	~	~	~	~	~	~	~	~	20,000
National water initiative - Living Murray	37,696	11,019	-	-	-	-	-	-	48,715
Renewable remote power generation	2,553	-	-	22,102	2,310	2,809	-	10,226	40,000

Table B.7: Estimated payments to support state environmental services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09 (continued)									
<i>including Election commitments</i>									
Caring for our Country - Natural Heritage Trust(c)	41,010	32,375	25,760	29,420	18,980	5,830	1,350	4,275	159,000
Existing payments									
Eradication of red imported fire ant	-	-	3,274	-	-	-	-	-	3,274
Plant disease and eradication	-	-	408	-	-	-	-	-	408
Total	91,224	48,405	38,438	53,606	22,822	9,139	1,708	14,742	280,083
2009-10									
National Partnership payments									
Exotic disease preparedness program	79	56	56	56	35	35	35	35	387
Water initiatives									
Great Artesian Basin sustainability initiative	5,952	-	7,886	-	1,042	-	-	-	14,880
Improving water information(b)	~	~	~	~	~	~	~	~	20,000
National water initiative - Living Murray	18,708	17,187	-	-	31,191	-	-	-	67,086
Renewable remote power generation	5,000	-	-	16,307	5,077	5,000	-	9,076	40,460
<i>including Election commitments</i>									
Caring for our Country - Natural Heritage Trust(b)(c)	~	~	~	~	~	~	~	~	138,000
Total	81,180	56,384	39,665	32,395	49,160	8,704	2,589	10,736	280,813
2010-11									
National Partnership payments									
Exotic disease preparedness program	80	57	57	57	36	36	36	36	395
Water initiatives									
Great Artesian Basin sustainability initiative	5,948	-	7,881	-	1,041	-	-	-	14,870
Improving water information(b)	~	~	~	~	~	~	~	~	20,000
National water initiative - Living Murray	-	-	-	-	-	-	-	-	-
Renewable remote power generation	5,000	-	-	5,000	5,000	5,000	-	5,000	25,000
<i>including Election commitments</i>									
Caring for our Country - Natural Heritage Trust(b)(c)	~	~	~	~	~	~	~	~	138,000
Total	62,250	39,196	39,848	21,205	17,833	8,677	2,592	6,664	198,265

Table B.7: Estimated payments to support state environmental services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12									
National Partnership payments									
Exotic disease preparedness program	81	58	58	58	37	37	37	37	403
Water initiatives									
Great Artesian Basin sustainability initiative					1,040				14,857
Improving water information(b)	5,943	-	7,874	-	~	~	~	~	10,000
National water initiative - Living Murray	~	~	~	~	~	~	~	~	-
Renewable remote power generation	-	-	-	-	-	-	-	-	-
including Election commitments									
Caring for our Country - Natural Heritage Trust(b)(c)	~	~	~	~	~	~	~	~	138,000
Total	53,815	36,718	37,984	15,283	12,039	3,423	2,433	1,565	163,260

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

(a) From 2008-09, the National Landcare Program will be delivered directly to industry and community groups under the Australian Government's Caring for our Country program.

(b) There is no basis on which to estimate state allocations. In this case, the total is notionally allocated on an equal per capita basis.

(c) Caring for our Country — Natural Heritage Trust replaces Natural Heritage Trust (Bushcare, Coastcare, Landcare and Rivercare) and the National Action Plan for Salinity and Water Quality from 2008-09 onwards.

Table B.8: Estimated payments to support other state services, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
ACT national capital influences	-	-	-	-	-	-	23,956	-	23,956
Agriculture - Advancing Australia - FarmBis	-	1,170	2,903	1,197	1,980	450	-	350	8,050
Assistance for water and sewerage	-	-	-	-	-	-	9,633	-	9,633
*Bushfire mitigation program	1,370	965	965	550	425	275	200	250	5,000
Compensation - companies regulation	57,776	50,509	28,445	17,508	13,023	4,034	-	2,573	173,868
Compensation - Snowy Hydro Ltd	24,225	12,113	-	-	-	-	-	-	36,338
CrimTrac Police Reference System	537	-	1,000	-	-	495	-	499	2,531
*Natural Disaster Mitigation Program	4,208	2,788	2,674	2,318	696	13,684	350	972	27,690
Equine influenza emergency response	32,481	15,939	34,605	5,733	4,563	1,647	189	2,043	97,200
Extension of fringe benefits	71,652	51,223	35,767	18,010	20,378	6,545	1,454	998	206,027
Film and literature classifications	104	104	106	106	105	103	104	101	833
Improving policing in very remote areas	1,485	-	2,970	2,970	2,970	-	-	792	11,187
Legal aid(a)	-	-	-	14,624	13,641	5,237	3,997	3,529	41,028
Regional assistance	259	-	-	-	-	-	-	-	259
Royalties	-	-	-	728,000	-	-	-	4,047	732,047
Standard Business Reporting Program	380	740	384	200	384	384	384	384	3,240
Sydney Cricket Ground - new grandstand	15,000	-	-	-	-	-	-	-	15,000
Tasmanian forests package	-	-	-	-	-	19,000	-	-	19,000
Payments to local government									
Bert Hinkler Hall of Aviation	-	-	1,450	-	-	-	-	-	1,450
*Financial assistance grants	403,200	305,437	244,331	123,050	93,173	29,047	19,895	12,569	1,230,702
General purpose assistance	158,722	112,785	102,500	83,648	30,065	28,990	17,542	12,815	547,067
Untied local roads grants	-	-	-	-	-	-	-	-	-
Supplementary funding to SA councils for local roads	-	-	-	-	13,592	-	-	-	13,592
Local community sporting infrastructure	5,000	-	-	-	-	-	-	-	5,000
Regulation Reduction Incentive Fund	-	-	400	-	-	-	-	-	400
Strengthening Tasmania	-	-	-	-	-	4,790	-	-	4,790
Total	776,399	553,773	458,500	997,914	194,995	114,681	77,704	41,922	3,215,888

Table B.8: Estimated payments to support other state services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09									
National Partnership payments									
Bushfire mitigation program	1,370	965	965	550	425	275	200	250	5,000
Extension of fringe benefits	76,421	54,631	38,147	19,209	21,734	6,980	1,552	1,063	219,737
Legal aid(a)	49,413	32,896	34,424	15,257	13,737	5,337	4,081	4,228	159,373
Payments to local government									
*Financial assistance grants									
General purpose assistance	421,396	319,099	256,822	129,604	96,873	30,173	20,807	13,220	1,287,994
United local roads grants	165,816	117,827	107,082	87,386	31,409	30,287	18,326	13,388	571,521
Supplementary funding to SA councils for local roads	-	-	-	-	14,200	-	-	-	14,200
Strengthening Tasmania	-	-	-	-	-	1,460	-	-	1,460
Existing payments									
ACT national capital influences	-	-	-	-	-	-	12,218	-	12,218
Assistance for water and sewerage	-	-	-	-	-	-	4,914	-	4,914
Compensation - Snowy Hydro Ltd	15,562	7,781	-	-	-	-	-	-	23,343
Crim Trac Police Reference System	155	108	1,000	-	1,039	250	-	2,196	4,748
*Natural Disaster Mitigation Program	10,975	2,405	10,087	3,685	4,011	1,404	1,065	968	34,600
Film and literature classifications(b)	106	106	108	109	107	105	106	103	850
Improving policing in very remote areas	2,188	-	4,377	4,376	4,376	-	-	10,995	26,312
Royalties	-	-	-	347,000	-	-	-	4,401	351,401
Standard Business Reporting Program	780	1,440	780	1,000	780	780	780	780	7,120
Sydney Cricket Ground - new grandstand	10,000	-	-	-	-	-	-	-	10,000
Total	754,182	537,258	453,792	608,176	188,691	77,051	64,048	51,592	2,734,789

Table B.8: Estimated payments to support other state services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2009-10									
National Partnership payments									
Bushfire mitigation program	1,370	965	965	550	425	275	200	250	5,000
Extension of fringe benefits	78,917	56,418	39,394	19,835	22,444	7,209	1,603	1,098	226,918
Legal aid(a)	51,211	34,129	35,402	15,666	14,025	5,442	4,164	3,676	163,715
including Election commitments									
Albert Hall, Canberra - restoration assistance grant	-	-	-	-	-	-	500	-	500
Payments to local government									
*Financial assistance grants									
General purpose assistance	436,513	331,964	268,843	135,848	100,270	31,147	21,662	13,780	1,340,027
Untied local roads grants	172,515	122,587	111,408	90,917	32,678	31,510	19,066	13,929	594,610
Supplementary funding to SA councils for local roads	-	-	-	-	14,774	-	-	-	14,774
Existing payments									
Film and literature classifications(b)	108	108	110	111	109	107	108	106	867
Improving policing in very remote areas	-	-	-	-	-	-	-	384	384
Standard Business Reporting Program	150	830	150	1,240	150	150	150	150	2,970
Total	740,784	547,001	456,272	264,167	184,875	75,840	47,453	33,373	2,349,765

Table B.8: Estimated payments to support other state services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2010-11									
National Partnership payments									
Bushfire mitigation program	1,370	965	965	550	425	275	200	250	5,000
Extension of fringe benefits	81,568	58,313	40,718	20,503	23,199	7,450	1,656	1,134	234,541
Legal aid(a)	53,011	35,301	36,061	15,885	14,291	5,549	4,247	3,749	168,094
Payments to local government									
*Financial assistance grants									
General purpose assistance	452,690	345,719	281,664	142,510	103,909	32,191	22,576	14,380	1,395,639
Unified local roads grants	179,674	127,674	116,032	94,690	34,034	32,818	19,858	14,507	619,287
Supplementary funding to SA councils for local roads	-	-	-	-	15,387	-	-	-	15,387
Existing payments									
Film and literature classifications(b)	110	110	113	113	111	109	110	108	884
Total	768,423	568,082	475,553	274,251	191,356	78,392	48,647	34,128	2,438,832

Table B.8: Estimated payments to support other state services, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12									
National Partnership payments									
Bushfire mitigation program	1,370	965	965	550	425	275	200	250	5,000
Extension of fringe benefits	83,366	59,596	41,614	20,956	23,709	7,613	1,693	1,159	239,706
Legal aid(a)	54,458	36,411	36,024	16,120	14,563	5,575	4,331	3,824	171,306
Payments to local government									
*Financial assistance grants									
General purpose assistance	469,415	359,981	294,980	149,437	107,672	33,267	23,523	15,005	1,453,280
Unified local roads grants	187,095	132,947	120,824	98,600	35,440	34,173	20,678	15,106	644,863
Supplementary funding to SA councils for local roads	-	-	-	-	-	-	-	-	-
Existing payments									
Film and literature classifications(b)	110	110	113	113	111	109	110	108	884
Total	795,814	590,010	494,520	285,776	181,920	81,012	50,535	35,452	2,515,039

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

(a) Prior to 2008-09, payments for legal aid to New South Wales, Victoria and Queensland were classified as Australian Government own-purpose expenses.

(b) The treatment of this payment under the new framework for federal financial relations is yet to be decided.

Table B.9: Estimated contingent payments to the States, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
Existing payments									
Exceptional circumstances assistance	317,549	163,813	123,468	40,627	88,204	28,630	-	21,138	783,429
Hepatitis C settlement fund	1,427	-	-	109	27	-	-	37	1,600
Native title	-	-	-	-	-	-	-	-	-
Natural disaster relief	26,450	1,040	36,270	9,000	3,000	500	-	13,230	89,490
Total	345,426	164,853	159,738	49,736	91,231	29,130	-	34,405	874,519
2008-09									
National Partnership payments									
Exceptional circumstances assistance	138,587	107,266	50,043	53,923	100,553	38,733	-	34,733	523,838
Hepatitis C settlement fund	1,106	-	-	42	154	-	42	56	1,400
Native title	-	-	-	-	-	-	-	-	-
Natural disaster relief	27,000	1,540	35,000	8,500	3,000	500	-	14,000	89,540
Total	166,693	108,806	85,043	62,465	103,707	39,233	42	48,789	614,778
2009-10									
National Partnership payments									
Exceptional circumstances assistance	-	-	-	-	-	-	-	-	-
Hepatitis C settlement fund	1,106	-	-	42	154	-	42	56	1,400
Native title	-	-	-	-	-	-	-	-	-
Natural disaster relief	27,000	1,540	35,000	8,500	3,000	500	-	14,000	89,540
Total	28,106	1,540	35,000	8,542	3,154	500	42	14,056	90,940
2010-11									
National Partnership payments									
Exceptional circumstances assistance	-	-	-	-	-	-	-	-	-
Hepatitis C settlement fund	1,106	-	-	42	154	-	42	56	1,400
Native title	-	-	-	-	-	-	-	-	-
Natural disaster relief	27,000	1,040	35,000	8,500	3,500	500	-	14,000	89,540
Total	28,106	1,040	35,000	8,542	3,654	500	42	14,056	90,940

Table B.9: Estimated contingent payments to the States, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12									
National Partnership payments									
Exceptional circumstances assistance	-	-	-	-	-	-	-	-	-
Hepatitis C settlement fund	1,106	-	-	42	154	-	42	56	1,400
Native title	-	-	-	-	-	-	-	-	-
Natural disaster relief	27,000	1,040	35,000	8,500	3,500	500	-	14,000	89,540
Total	28,106	1,040	35,000	8,542	3,654	500	42	14,056	90,940

Table B.10: Estimated payments to support local government, by year and State^(a)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
AusLink	153,858	98,556	103,306	80,518	31,315	17,037	-	6,926	491,516
Blackburn Lake Sanctuary	-	1,800	-	-	-	-	-	-	1,800
Bert Hinkler Hall of Aviation	-	-	1,450	-	-	-	-	-	1,450
Children's services	12,215	13,445	4,992	1,869	1,222	1,813	-	5,074	40,630
Disabilities services	198	623	708	-	-	-	-	-	1,529
*Financial assistance grants	-	-	-	-	-	-	-	-	-
General purpose assistance	403,200	305,437	244,331	123,050	93,173	29,047	19,895	12,569	1,230,702
Untied local roads grants	158,722	112,785	102,500	83,648	30,065	28,990	17,542	12,815	547,067
Supplementary funding to SA councils for local roads	-	-	-	-	13,592	-	-	-	13,592
Local community sporting infrastructure	5,000	-	-	-	-	-	-	-	5,000
Regulation Reduction Incentive Fund	-	-	400	-	-	-	-	-	400
Strengthening Tasmania	-	-	-	-	-	4,790	-	-	4,790
Funding for road projects other than under AusLink	-	650	-	-	-	-	-	-	650
Total	733,193	533,296	457,687	289,085	169,367	81,677	37,437	37,384	2,339,126
2008-09									
AusLink	193,155	121,097	155,236	85,242	47,076	18,341	-	8,457	628,604
Children's services	12,660	13,927	5,175	1,933	1,263	1,878	-	5,250	42,086
Disabilities services	201	633	720	-	-	-	-	-	1,554
*Financial assistance grants	-	-	-	-	-	-	-	-	-
General purpose assistance	421,396	319,099	256,822	129,604	96,873	30,173	20,807	13,220	1,287,994
Untied local roads grants	165,816	117,827	107,082	87,386	31,409	30,287	18,326	13,388	571,521
Supplementary funding to SA councils for local roads	-	-	-	-	14,200	-	-	-	14,200
Strengthening Tasmania	-	-	-	-	-	1,460	-	-	1,460
Funding for road projects other than under AusLink	-	350	-	-	-	-	-	-	350
Total	793,228	572,933	525,035	304,165	190,821	82,139	39,133	40,315	2,547,769

Table B.10: Estimated payments to support local government, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2009-10									
AusLink	39,677	15,503	41,558	12,876	8,780	290	-	850	119,534
Children's services	12,870	14,157	5,261	1,965	1,284	1,909	-	5,336	42,782
Disabilities services	205	651	739	-	-	-	-	-	1,595
*Financial assistance grants									
General purpose assistance	436,513	331,964	268,843	135,848	100,270	31,147	21,662	13,780	1,340,027
Unified local roads grants	172,515	122,587	111,408	90,917	32,678	31,510	19,066	13,929	594,610
Supplementary funding to SA councils for local roads	-	-	-	-	14,774	-	-	-	14,774
Total	661,780	484,862	427,809	241,606	157,786	64,856	40,728	33,895	2,113,322
2010-11									
AusLink(b)	~	~	~	~	~	~	~	~	~
Children's services	13,067	14,373	5,340	1,994	1,304	1,937	-	5,417	43,432
Disabilities services	211	668	757	-	-	-	-	-	1,636
*Financial assistance grants									
General purpose assistance	452,690	345,719	281,664	142,510	103,909	32,191	22,576	14,380	1,395,639
Unified local roads grants	179,674	127,674	116,032	94,690	34,034	32,818	19,858	14,507	619,287
Supplementary funding to SA councils for local roads	-	-	-	-	15,387	-	-	-	15,387
Total	645,642	488,434	403,793	239,194	154,634	66,946	42,434	34,304	2,075,381

Table B.10: Estimated payments to support local government, by year and State (continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12									
AusLink(b)	~	~	~	~	~	~	~	~	~
Children's services	13,278	14,604	5,426	2,025	1,325	1,968	-	5,505	44,131
Disabilities services	217	687	777	-	-	-	-	-	1,681
*Financial assistance grants									
General purpose assistance	469,415	359,981	294,980	149,437	107,672	33,267	23,523	15,005	1,453,280
Unified local roads grants	187,095	132,947	120,824	98,600	35,440	34,173	20,678	15,106	644,863
Supplementary funding to SA councils for local roads	-	-	-	-	-	-	-	-	-
Total	670,005	508,219	422,007	250,062	144,437	69,408	44,201	35,616	2,143,955

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

(a) The treatment of local government payments under the new framework is yet to be decided.

(b) Payments in 2009-10 may not represent total funding, as not all funding has been allocated. Payments in 2010-11 and 2011-12 are not quantifiable as local government AusLink funding is not yet agreed. Total AusLink funding is reported in Appendix Table B.6.

Table B.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08									
Advances									
Environment	-	-	-	-	-	-	-	-	-
Urban Water Supply and Treatment									
Contingent liabilities									
Natural disaster relief	1,500	-	3,000	-	-	-	-	500	5,000
Repayments									
Housing									
Housing for servicemen	-975	-	-591	-184	-26	-	-	-	-1,776
CSHA loans	-33,520	-	-8,881	-8,697	-11,384	-4,311	-	-582	-67,375
Other housing	-	-	-	-	-	-	-6,769	-2,549	-9,318
Infrastructure									
Sewerage	-3,444	-	-803	-	-	-	-	-	-4,247
Railway projects	-96	-96	-	-382	-	-	-	-	-574
Environment									
Urban water supply and treatment	-	-	-	-	-604	-	-	-	-604
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-136	-136
Captains Flat (Abatement of Pollution) Agreement	-9	-	-	-	-	-	-	-	-9
War Service Land Settlement Scheme	-515	-549	-	-	-	-	-	-	-1,064
Other purposes									
Australian Capital Territory debt repayments	-	-	-	-	-	-	-4,647	-	-4,647
Loan Council - housing nominations	-6,304	-	-2,320	-4,022	-3,776	-1,691	-	-2,099	-20,212
Contingent liabilities									
Natural disaster relief	-1,497	-	-1,766	-	-	-	-	-392	-3,655
Interest									
Housing									
Housing nominations	-22,702	-	-8,152	-13,957	-13,675	-6,006	-	-7,854	-72,346
Housing for servicemen	-2,313	-	-1,310	-265	-99	-	-	-	-3,987
CSHA loans	-45,657	-	-12,759	-12,089	-19,359	-6,275	-	-1,580	-97,719
Other housing	-	-	-	-	-	-	-9,276	-3,591	-12,867

Table B.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State (Continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2007-08 (continued)									
Infrastructure									
Sewerage	-4,376	-	-1,136	-	-	-	-	-	-5,512
War Service Land Settlement Scheme	-115	-119	-	-	-	-	-	-	-234
Railway projects	-19	-19	-	-225	-	-	-	-	-263
Environment									
Urban water supply and treatment	-	-	-	-	-887	-	-	-	-887
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-603	-603
Captains Flat (Abatement of Pollution) Agreement	-1	-	-	-	-	-	-	-	-1
Other purposes									
Australian Capital Territory Government debt	-	-	-	-	-	-	-6,734	-	-6,734
Contingent liabilities									
Natural disaster relief	-294	-	-2,340	-	-	-	-	-45	-2,679
Net financial flow	-120,337	-783	-37,058	-39,821	-49,810	-18,283	-27,426	-18,931	-312,449
2008-09									
Advances									
Environment									
Urban Water Supply and Treatment	-	-	-	-	-	-	-	-	-
Contingent liabilities									
Natural disaster relief	1,500	-	3,000	-	-	-	-	500	5,000
Repayments									
Housing									
Housing for servicemen	-1,046	-	-633	-194	-29	-	-	-	-1,902
CSHA loans	-34,125	-	-9,122	-8,801	-11,885	-4,494	-	-609	-69,036
Other housing	-	-	-	-	-	-	-7,025	-2,671	-9,696
Infrastructure									
Sewerage	-3,793	-	-884	-	-	-	-	-	-4,677
War Service Land Settlement Scheme	-534	-569	-	-	-	-	-	-	-1,103
Railway projects	-93	-93	-	-384	-	-	-	-	-570

**Table B.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State
(Continued)**

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09 (continued)									
Environment									
Urban water supply and treatment	-	-	-	-	-673	-	-	-	-673
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-136	-136
Captains Flat (Abatement of Pollution) Agreement	-5	-	-	-	-	-	-	-	-5
Other purposes									
Australian Capital Territory debt repayments							-4,647		-4,647
Loan Council - housing nominations	-6,589	-	-2,424	-4,203	-3,946	-1,766	-	-2,193	-21,121
Contingent liabilities	-	-	-	-	-	-	-	-	-
Natural disaster relief	-1,622	-	-11,078	-	-	-	-	-455	-13,155
Interest									
Housing									
Housing nominations	-22,464	-	-8,062	-13,802	-13,531	-5,941	-	-7,774	-71,574
Housing for servicemen	-2,270	-	-1,284	-257	-98	-	-	-	-3,909
CSHA loans	-44,090	-	-12,351	-11,682	-18,850	-6,078	-	-1,556	-94,607
Other housing	-	-	-	-	-	-	-8,971	-3,469	-12,440
Infrastructure									
Sewerage	-3,975	-	-1,035	-	-	-	-	-	-5,010
War Service Land Settlement Scheme	-87	-90	-	-	-	-	-	-	-177
Railway projects	-14	-14	-	-203	-	-	-	-	-231
Environment									
Urban water supply and treatment	-	-	-	-	-817	-	-	-	-817
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-596	-596
Captains Flat (Abatement of Pollution) Agreement	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-
Australian Capital Territory Government debt	-	-	-	-	-	-	-6,220	-	-6,220
Contingent liabilities	-	-	-	-	-	-	-	-	-
Natural disaster relief	-333	-	-2,427	-	-	-	-	-58	-2,818
Net financial flow	-119,540	-766	-46,300	-39,526	-49,829	-18,279	-26,863	-19,017	-320,120

**Table B.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State
(Continued)**

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
\$'000									
2009-10									
Advances									
Environment	-	-	-	-	-	-	-	-	-
Urban Water Supply and Treatment									
Contingent liabilities									
Natural disaster relief	1,500	-	3,000	-	-	-	-	500	5,000
Repayments									
Housing									
Housing for servicemen	-1,123	-	-677	-206	-32	-	-	-	-2,038
CSHA loans	-34,766	-	-9,283	-8,798	-12,409	-4,685	-	-636	-70,577
Other housing	-	-	-	-	-	-	-7,258	-2,798	-10,056
Infrastructure									
Sewerage	-4,178	-	-973	-	-	-	-	-	-5,151
Railway projects	-83	-83	-	-386	-	-	-	-	-552
Environment									
Urban water supply and treatment	-	-	-	-	-751	-	-	-	-751
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-136	-136
Captains Flat (Abatement of Pollution) Agreement	-5	-	-	-	-	-	-	-	-5
War Service Land Settlement Scheme	-417	-450	-	-	-	-	-	-	-867
Other purposes									
Australian Capital Territory debt repayments	-6,885	-	-2,533	-4,392	-4,123	-1,846	-4,647	-2,292	-4,647
Loan Council - housing nominations	-	-	-	-	-	-	-	-	-22,071
Contingent liabilities									
Natural disaster relief	-1,810	-	-11,453	-	-	-	-	-518	-13,781
Interest									
Housing									
Housing nominations	-22,213	-	-7,969	-13,638	-13,378	-5,872	-	-7,691	-70,761
Housing for servicemen	-2,225	-	-1,256	-248	-97	-	-	-	-3,826
CSHA loans	-42,479	-	-11,926	-11,266	-18,310	-5,870	-	-1,530	-91,381
Other housing	-	-	-	-	-	-	-8,655	-3,342	-11,997

Table B.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State (Continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2008-09 (continued)									
Environment									
Urban water supply and treatment	-	-	-	-	-673	-	-	-	-673
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-136	-136
Captains Flat (Abatement of Pollution) Agreement	-5	-	-	-	-	-	-	-	-5
Other purposes									
Australian Capital Territory debt repayments	-	-	-	-	-	-	-4,647	-	-4,647
Loan Council - housing nominations	-6,589	-	-2,424	-4,203	-3,946	-1,766	-	-2,193	-21,121
Contingent liabilities	-	-	-	-	-	-	-	-	-
Natural disaster relief	-1,622	-	-11,078	-	-	-	-	-455	-13,155
Interest									
Housing									
Housing nominations	-22,464	-	-8,062	-13,802	-13,531	-5,941	-	-7,774	-71,574
Housing for servicemen	-2,270	-	-1,284	-257	-98	-	-	-	-3,909
CSHA loans	-44,090	-	-12,351	-11,682	-18,850	-6,078	-	-1,556	-94,607
Other housing	-	-	-	-	-	-	-8,971	-3,469	-12,440
Infrastructure									
Sewerage	-3,975	-	-1,035	-	-	-	-	-	-5,010
War Service Land Settlement Scheme	-87	-90	-	-	-	-	-	-	-177
Railway projects	-14	-14	-	-203	-	-	-	-	-231
Environment									
Urban water supply and treatment	-	-	-	-	-817	-	-	-	-817
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-596	-596
Captains Flat (Abatement of Pollution) Agreement	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-
Australian Capital Territory Government debt	-	-	-	-	-	-	-6,220	-	-6,220
Contingent liabilities	-	-	-	-	-	-	-	-	-
Natural disaster relief	-333	-	-2,427	-	-	-	-	-58	-2,818
Net financial flow	-119,540	-766	-46,300	-39,526	-49,829	-18,279	-26,863	-19,017	-320,120

Table B.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State (Continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2010-11 (continued)									
Environment									
Urban water supply and treatment	-	-	-	-	-838	-	-	-	-838
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-136	-136
Captains Flat (Abatement of Pollution) Agreement	-	-	-	-	-	-	-	-	-
War Service Land Settlement Scheme	-292	-328	-	-	-	-	-	-	-620
Other purposes	-	-	-	-	-	-	-	-	-
Australian Capital Territory debt repayments	-	-	-	-	-	-	-1,813	-	-1,813
Loan Council - housing nominations	-7,195	-	-2,647	-4,590	-4,309	-1,929	-	-2,395	-23,065
Contingent liabilities	-	-	-	-	-	-	-	-	-
Natural disaster relief	-1,810	-	-11,828	-	-	-	-	-518	-14,156
Interest									
Housing									
Housing nominations	-21,949	-	-7,869	-13,464	-13,216	-5,799	-	-7,602	-69,899
Housing for servicemen	-2,175	-	-1,227	-239	-95	-	-	-	-3,736
CSHA loans	-40,822	-	-11,490	-10,849	-17,739	-5,650	-	-1,503	-88,053
Other housing	-	-	-	-	-	-	-8,329	-3,208	-11,537
Infrastructure									
Sewerage	-3,048	-	-800	-	-	-	-	-	-3,848
War Service Land Settlement Scheme	-33	-33	-	-	-	-	-	-	-66
Railway projects	-5	-5	-	-158	-	-	-	-	-168
Environment									
Urban water supply and treatment	-	-	-	-	-653	-	-	-	-653
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-582	-582
Captains Flat (Abatement of Pollution) Agreement	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-
Australian Capital Territory Government debt	-	-	-	-	-5,191	-	-	-	-5,191

Table B.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State (Continued)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2010-11 (continued)									
Contingent liabilities	-	-	-	-	-	-	-	-	-
Natural disaster relief	-372	-	-2,601	-	-	-	-	-71	-3,044
Net financial flow	-117,340	-427	-46,714	-38,832	-49,840	-18,117	-22,701	-19,111	-313,082
2011-12									
Advances									
Environment	-	-	-	-	-	-	-	-	-
Urban Water Supply and Treatment	-	-	-	-	-	-	-	-	-
Contingent liabilities	-	-	-	-	-	-	-	-	-
Natural disaster relief	1,500	-	3,000	-	-	-	-	500	5,000
Repayments									
Housing	-	-	-	-	-	-	-	-	-
Housing for servicemen	-1,254	-	-767	-221	-39	-	-	-	-2,281
CSHA loans	-35,810	-	-9,578	-9,047	-13,527	-4,796	-	-694	-73,452
Other housing	-	-	-	-	-	-	-7,592	-3,072	-10,664
Infrastructure	-	-	-	-	-	-	-	-	-
Sewerage	-5,069	-	-1,180	-	-	-	-	-	-6,249
Railway projects	-33	-33	-	-365	-	-	-	-	-431
Environment	-	-	-	-	-	-	-	-	-
Urban water supply and treatment	-	-	-	-	-935	-	-	-	-935
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-136	-136
Captains Flat (Abatement of Pollution) Agreement	-	-	-	-	-	-	-	-	-
War Service Land Settlement Scheme	-153	-165	-	-	-	-	-	-	-318
Other purposes	-	-	-	-	-	-	-	-	-
Australian Capital Territory debt repayments	-	-	-	-	-	-	-554	-	-554
Loan Council - housing nominations	-7,519	-	-2,766	-4,796	-4,502	-2,016	-	-2,503	-24,102
Contingent liabilities	-	-	-	-	-	-	-	-	-
Natural disaster relief	-1,810	-	-12,203	-	-	-	-	-518	-14,531

Table B.11: Other financial flows — estimated advances, repayment of advances and interest payments, by year and State (Continued)

\$'000	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2011-12 (continued)									
Interest									
Housing	-	-	-	-	-	-	-	-	-
Housing nominations	-21,667	-	-10,113	-13,280	-13,046	-5,723	-	-7,508	-71,337
Housing for servicemen	-2,124	-	-1,195	-203	-94	-	-	-	-3,616
CSHA loans	-39,122	-	-8,693	-10,421	-17,133	-5,425	-	-1,475	-82,269
Other housing	-	-	-	-	-	-	-7,997	-3,068	-11,065
Infrastructure									
Sewerage	-2,515	-	-663	-	-	-	-	-	-3,178
War Service Land Settlement Scheme	-17	-14	-	-	-	-	-	-	-31
Railway projects	-2	-2	-	-136	-	-	-	-	-140
Environment									
Urban water supply and treatment	-	-	-	-	-556	-	-	-	-556
Northern Territory - water and sewerage assistance	-	-	-	-	-	-	-	-576	-576
Captains Flat (Abatement of Pollution) Agreement	-	-	-	-	-	-	-	-	-
Other purposes	-	-	-	-	-	-	-	-	-
Australian Capital Territory Government debt	-	-	-	-	-	-	-5,032	-	-5,032
Contingent liabilities									
Natural disaster relief	-372	-	-2,688	-	-	-	-	-71	-3,131
Net financial flow	-115,967	-214	-46,846	-38,469	-49,832	-17,960	-21,175	-19,121	-309,584

APPENDIX C: SUPPLEMENTARY TABLES

Table C.1: General government cash balance by level of government as a per cent of GDP

	Australian Government(a)				State/local				Consolidated(a)						
	Underlying		Cash balance(b)		Receipts		Payments		Receipts		Payments		Cash balance(b)		
	Receipts	Payments	cash balance(b)		Receipts	Payments	Cash balance		Receipts	Payments	Cash balance(a)		Receipts	Payments	Cash balance(b)
1988-89	25.0	23.6	1.5		13.9	13.9	0.0		31.0	29.3	1.6		31.0	29.3	1.6
1989-90	24.8	23.3	1.5		13.8	14.3	-0.5		30.6	29.4	1.1		30.6	29.4	1.1
1990-91	24.5	24.6	-0.1		14.3	14.9	-0.6		30.7	31.3	-0.5		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		29.5	33.3	-3.8
1992-93	22.3	26.4	-4.1		14.7	15.4	-0.7		29.0	33.5	-4.5		29.0	33.5	-4.5
1993-94	22.6	26.5	-4.0		14.4	14.6	-0.1		29.7	33.5	-3.8		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		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		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		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		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	0.3		37.4	37.2	0.3
1999-00(d)	25.7	23.7	2.0		16.9	16.5	0.4		37.7	35.4	2.4		37.7	35.4	2.4
2000-01	26.5	25.7	0.9		16.9	16.5	0.5		37.1	35.9	1.3		37.1	35.9	1.3
2001-02	25.5	25.6	-0.1		16.9	16.2	0.7		35.8	35.3	0.6		35.8	35.3	0.6
2002-03	26.2	25.2	1.0		17.0	16.4	0.6		36.8	35.3	1.6		36.8	35.3	1.6
2003-04	25.9	24.9	1.0		17.1	16.3	0.8		36.8	35.1	1.9		36.8	35.1	1.9
2004-05	26.3	24.8	1.5		17.3	16.3	1.0		37.4	35.0	2.5		37.4	35.0	2.5
2005-06	26.5	24.8	1.6		17.5	16.5	1.1		37.8	35.1	2.8		37.8	35.1	2.8
2006-07	26.0	24.2	1.6		17.1	17.4	-0.3		37.3	35.8	1.4		37.3	35.8	1.4
2007-08(e)	26.2	24.4	1.5		16.6	16.9	-0.2		37.1	35.4	1.3		37.1	35.4	1.3
2008-09(e)	25.4	23.4	1.8		16.0	16.2	-0.2		35.8	34.0	1.6		35.8	34.0	1.6
2009-10(p)	25.7	23.9	1.5		15.9	16.0	-0.2		36.0	34.3	1.4		36.0	34.3	1.4
2010-11(p)	25.7	24.0	1.4		15.8	16.0	-0.2		35.9	34.4	1.3		35.9	34.4	1.3

(a) Australian Government data has been revised in the 2008-09 Budget to improve accuracy and comparability through time. See Budget Paper No. 1 Statement 10.

(b) Future Fund earnings have been excluded from the Australian Government 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 Australian Government sector 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

	Australian Government(a)			State/local			Consolidated(a)		
	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	2.8	-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	1.8	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	5.7	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	4.9	5.5	-0.6	8.2	8.9	-0.7
2006-07	1.6	1.8	-0.2	4.9	5.7	-0.7	6.6	7.5	-0.9
2007-08(e)	0.7	0.7	0.0	4.7	6.2	-1.6	5.4	7.0	-1.6
2008-09(e)	0.7	0.7	-0.1	4.4	5.9	-1.5	5.1	6.7	-1.6

(a) Australian Government data has been revised in the 2008-09 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 Australian Government sector moved from a cash system to an accrual framework in 1999-00.

(e) Estimates.

na Comparable data not available.

Table C.3: Non-financial public sector cash balance by level of government as a per cent of GDP

	Australian Government(a)			State/local			Consolidated(a)		
	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	33.6	1.5
1989-90	25.5	25.9	0.2	15.5	4.2	-0.7	33.1	34.8	-0.4
1990-91	25.4	26.6	-0.6	16.0	4.4	-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	22.9	27.9	-4.2	16.3	5.0	-0.3	31.1	37.1	-4.2
1993-94	23.2	27.4	-3.6	15.9	5.0	0.4	31.8	36.2	-3.0
1994-95	24.0	27.3	-2.5	15.4	5.3	0.4	32.3	36.0	-1.9
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	0.6	21.2	22.1	-0.9	na	na	-0.3
1999-00(d)	na	na	1.6	21.4	20.6	0.8	na	na	2.4
2000-01	na	na	0.9	20.9	20.5	0.4	na	na	1.3
2001-02	na	na	0.0	20.4	19.9	0.5	na	na	0.6
2002-03	na	na	1.1	20.3	20.0	0.3	na	na	1.5
2003-04	28.3	27.0	1.1	20.5	19.7	0.8	42.7	40.5	2.0
2004-05	28.7	26.9	1.7	20.4	19.8	0.5	43.0	40.6	2.3
2005-06	28.8	27.2	1.5	20.7	20.2	0.5	43.2	41.2	2.1
2006-07	27.3	25.6	1.5	20.2	21.2	-1.0	41.7	41.0	0.6
2007-08(e)	26.7	24.9	1.4	19.7	21.5	-1.8	40.6	40.6	-0.3
2008-09(e)	25.9	23.9	1.7	18.8	20.6	-1.8	38.9	38.7	0.0

(a) Australian Government data has been revised in the 2008-09 Budget to improve accuracy and comparability through time. See Budget Paper No. 1 Statement 10.

(b) Future Fund earnings have been excluded from the Australian Government 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 Australian Government sector moved from a cash system to an accrual framework in 1999-00.

(e) Estimates.

na Comparable data not available.

Table C.4: General government fiscal balance by level of government as a per cent of GDP

	Australian Government(a)			State/local			Consolidated(a)		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
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	25.0	24.1	0.6	17.1	16.4	0.2	37.1	35.4	0.9
1999-00	25.9	24.1	1.9	16.7	15.9	0.3	37.7	35.0	2.1
2000-01	27.0	26.1	0.9	16.6	16.2	-0.2	37.3	36.0	0.7
2001-02	25.9	26.2	-0.4	16.5	16.0	0.0	35.8	35.6	-0.4
2002-03	26.5	25.7	0.7	16.6	15.8	0.3	36.6	35.2	1.0
2003-04	26.4	25.6	0.7	16.7	15.8	0.5	36.9	35.2	1.2
2004-05	27.0	25.5	1.4	16.7	15.7	0.4	37.4	35.1	1.7
2005-06	27.0	25.0	1.7	16.7	15.7	0.4	37.6	34.5	2.2
2006-07	26.6	24.7	1.6	16.6	15.7	0.1	37.2	34.5	1.7
2007-08(e)	26.9	24.9	1.8	16.2	15.6	-0.4	37.3	34.4	1.4
2008-09(e)	25.9	23.8	1.9	15.5	14.9	-0.5	35.8	32.9	1.5
2009-10(p)	26.2	24.2	1.7	15.5	14.8	-0.3	36.0	33.2	1.4
2010-11(p)	26.2	24.1	1.7	15.4	14.8	-0.4	35.9	33.2	1.4

(a) Australian Government data has been revised in the 2008-09 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.

(e) Estimates.

(p) Projections.

na Comparable data not available.

Table C.5: Public non-financial corporations sector fiscal balance by level of government as a per cent of GDP

	Australian Government(a)			State/local			Consolidated(a)		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
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	4.6	4.3	-0.1	6.1	6.1	-0.4	10.6	10.4	-0.6
1999-00	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	0.1
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	7.6	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	4.4	4.3	-0.7	7.4	7.4	-1.0
2006-07	1.5	1.6	-0.2	4.6	4.2	-0.7	6.1	5.8	-0.8
2007-08(e)	0.6	0.6	0.0	4.1	4.1	-1.5	4.8	4.7	-1.6
2008-09(e)	0.6	0.6	-0.1	4.0	3.9	-1.5	4.6	4.5	-1.6

(a) Australian Government data has been revised in the 2008-09 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.

(e) Estimates.

na Comparable data not available.

Table C.6: Non-financial public sector fiscal balance by level of government as a per cent of GDP

	Australian Government(a)			State/local			Consolidated(a)		
	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)	Revenue	Expenses	Fiscal balance(b)
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	28.9	27.8	0.5	20.8	20.1	-0.2	44.7	42.7	0.3
1999-00	29.3	26.9	2.0	20.5	19.5	0.6	44.8	41.4	2.6
2000-01	30.1	29.0	0.8	20.3	19.7	0.0	44.1	42.3	0.8
2001-02	28.9	29.0	-0.3	19.5	18.8	-0.3	41.7	41.2	-0.5
2002-03	28.9	28.0	0.9	19.4	18.7	-0.1	42.0	40.4	0.9
2003-04	28.7	27.7	1.0	19.4	18.3	0.3	42.0	39.9	1.3
2004-05	29.4	27.7	1.5	19.4	18.3	0.0	42.5	39.9	1.5
2005-06	29.2	27.3	1.5	19.4	18.2	-0.3	42.5	39.5	1.2
2006-07	27.7	25.9	1.5	19.4	18.1	-0.6	41.2	38.2	0.9
2007-08(e)	27.4	25.3	1.8	19.1	18.4	-2.0	40.7	37.8	-0.2
2008-09(e)	26.4	24.2	1.8	18.4	17.7	-2.0	39.2	36.2	-0.2

(a) Australian Government data has been revised in the 2008-09 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.

(e) Estimates.

na Comparable data not available.

Table C.7: Non-financial public sector net debt

	General government						PNFCs		NFPS	
	Australian Government(a)		State/local		Consolidated(a)		Consolidated		Consolidated(a)	
	\$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	14.5	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	14.5	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	10.0	94,048	21.5	52,878	12.1	146,926	33.5
1993-94	70,223	15.3	40,693	8.8	106,439	23.1	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	71,928	11.8	14,492	2.4	82,534	13.6	34,240	5.6	116,774	19.2
1999-00	54,538	8.5	7,961	1.2	58,430	9.1	39,146	6.1	97,576	15.1
2000-01	43,465	6.3	989	0.1	40,204	5.8	43,762	6.3	83,966	12.2
2001-02	38,642	5.3	-4,909	-0.7	29,439	4.0	43,265	5.9	72,704	9.9
2002-03	30,375	3.9	-11,119	-1.4	16,304	2.1	44,308	5.7	60,612	7.8
2003-04	23,948	2.8	-18,130	-2.2	2,095	0.2	44,382	5.3	46,477	5.5
2004-05	12,453	1.4	-25,647	-2.9	-17,141	-1.9	47,510	5.3	30,369	3.4
2005-06	-5,337	-0.6	-36,019	-3.7	-45,595	-4.7	50,430	5.2	4,834	0.5
2006-07	-30,768	-2.9	-32,651	-3.1	-68,182	-6.5	45,834	4.4	-22,347	-2.1
2007-08(e)	-42,639	-3.8	-28,635	-2.5	-76,345	-6.8	57,855	5.1	-18,496	-1.6
2008-09(e)	-44,987	-3.7	-24,159	-2.0	-74,553	-6.1	76,117	6.2	1,558	0.1
2009-10(p)	-65,428	-5.1	-20,651	-1.6	-91,837	-7.2	na	na	na	na
2010-11(p)	-86,517	-6.5	-17,190	-1.3	-109,831	-8.2	na	na	na	na
2011-12(p)	-106,655	-7.6	na	na	na	na	na	na	na	na

(a) Australian Government 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 not available.

Table C.8: General government sector net financial worth by level of government (as at end of financial year)

	Australian Government(a)		State/local		Consolidated(a)	
	\$b	Per cent of GDP	\$b	Per cent of GDP	\$b	Per cent of GDP
1999-00	-67.6	-10.5	56.3	8.7	-8.9	-1.4
2000-01	-73.0	-10.6	61.8	9.0	-8.7	-1.3
2001-02	-79.2	-10.8	60.8	8.3	-15.9	-2.2
2002-03	-85.2	-10.9	78.8	10.1	-5.5	-0.7
2003-04	-75.5	-9.0	97.3	11.6	23.3	2.8
2004-05	-66.8	-7.4	111.0	12.4	45.9	5.1
2005-06	-64.3	-6.6	108.8	11.2	46.1	4.8
2006-07	-49.9	-4.8	129.0	12.3	81.3	7.8
2007-08(e)	-25.8	-2.3	129.0	11.4	105.6	9.4
2008-09(e)	-3.6	-0.3	128.0	10.4	127.0	10.3
2009-10(p)	18.0	1.4	129.3	10.1	150.2	11.7
2010-11(p)	40.4	3.0	130.4	9.7	173.7	13.0
2011-12(p)	62.1	4.4	na	na	na	na

(a) Australian Government 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 not available.

**Table C.9: General government sector net worth by level of government
(as at end of financial year)**

	Australian Government(a)		State/local		Consolidated(a)	
	\$b	Per cent of GDP	\$b	Per cent of GDP	\$b	Per cent of GDP
1999-00	-7.0	-1.1	390.9	60.6	403.0	62.5
2000-01	-6.4	-0.9	405.6	58.9	419.2	60.8
2001-02	-11.3	-1.5	427.9	58.2	438.9	59.7
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	25.0	2.6	608.5	62.9	660.3	68.2
2006-07	45.1	4.3	676.1	64.6	750.6	71.7
2007-08(e)	60.8	5.4	713.9	63.3	806.5	71.5
2008-09(e)	86.0	7.0	752.3	61.1	872.9	70.9
2009-10(p)	111.4	8.7	783.6	61.0	931.1	72.5
2010-11(p)	138.3	10.3	812.9	60.7	988.8	73.9
2011-12(p)	165.1	11.7	na	na	na	na

(a) Australian Government 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 not available.

Table C.10: General government sector net interest payments by level of government

	Australian Government(a)		State/local		Consolidated(a)	
	\$m	Per cent of GDP	\$m	Per cent of GDP	\$m	Per cent 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	1.6
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	8,579	1.4	1,347	0.2	9,695	1.6
1999-00	7,438	1.2	95	0.0	7,335	1.1
2000-01	6,094	0.9	63	0.0	5,918	0.9
2001-02	5,268	0.7	1,368	0.2	6,423	0.9
2002-03	3,641	0.5	581	0.1	4,066	0.5
2003-04	2,994	0.4	-2,352	-0.3	489	0.1
2004-05	2,463	0.3	-3,067	-0.3	-809	-0.1
2005-06	2,265	0.2	-3,779	-0.4	-1,727	-0.2
2006-07	198	0.0	-4,168	-0.4	-4,211	-0.4
2007-08(e)	-1,314	-0.1	na	na	na	na
2008-09(e)	-2,166	-0.2	na	na	na	na
2009-10(p)	-2,795	-0.2	na	na	na	na
2010-11(p)	-3,069	-0.2	na	na	na	na
2011-12(p)	-5,370	-0.4	na	na	na	na

(a) Australian Government 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 not available.