

Part IV: Federal Financial Relations

This part provides information concerning general revenue assistance, revenue replacement payments and specific purpose payments to the states in 1999-2000. The information supplements material provided in *Budget Paper No. 3, Federal Financial Relations, 2000-01*.

GENERAL REVENUE ASSISTANCE

In 1999-2000, general revenue assistance to the states comprised financial assistance grants (FAGs), national competition payments (NCPs) and special revenue assistance (SRA). In contrast to most specific purpose payments, general revenue assistance is not required to be spent by the states in a specified area.

As shown below in Table 24, the level of FAGs in 1999-2000 was \$17,299.0 million. This is similar to the 2000-01 Budget estimate of \$17,299.4 million, with the impact of a lower than expected CPI outcome offsetting higher than expected population growth.

Table 24: Level of financial assistance grants

	\$m
1999-2000 base FAGs(a)	16,780.1
Plus adjustment for CPI(b)	310.7
Plus per capita terms adjustment(c)	208.2
Equals 1999-2000 FAGs	17,299.0

- (a) The amount set by the *States Grants (General Purposes) Act 1994* (the Act) as base assistance for 1999-2000.
- (b) The adjustment is based on an index factor calculated by dividing the sum of CPI index numbers for the four quarters to the March quarter 2000 (495.0) by the sum of CPI index numbers for the four quarters to the March quarter 1999 (486.0).
- (c) This adjustment is based on an index factor calculated by dividing the estimated total population of 19,077,616 at 31 December 1999 by the estimated population of 18,848,016 at 31 December 1998.

Table 25 shows the distribution of FAGs for 1999-2000. This distribution differed from the estimates shown in *2000-01 Budget Paper No. 3* for the following reasons.

- The 31 December 1998 and 31 December 1999 population determinations made by the Australian Statistician on 8 June 2000 differed from the population estimates at the time of the 1999-2000 Budget.
- The final determination of unquarantined health care grants (HCGs) for 1999-2000 made by the Minister for Health and Aged Care differed from the 2000-01 Budget estimates of unquarantined HCGs.

Table 25: Financial assistance grants to the States

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Population as at 31 December 1999 (000's)(a)	6451.7	4741.5	3539.5	1873.8	1495.8	469.9	311.2	194.3	19077.6
(2) Per capita relativities(b)	0.89948	0.86184	1.00687	0.94793	1.2068	1.60905	1.1027	4.84429	na
(3) Weighted populations (000's) - (1) times (2)	5803.1	4086.4	3563.8	1776.3	1805.2	756.0	343.1	941.1	19075.1
(4) Share of each state in weighted population (per cent)(c)	30.4	21.4	18.7	9.3	9.5	4.0	1.8	4.9	100.0
(5) FAGs and unquarantined HCGs according to (4) (\$m)	7017.7	4941.7	4309.7	2148.0	2183.0	914.3	415.0	1138.1	23067.4
(6) Unquarantined HCGs (\$m)	1973.6	1412.6	1060.2	556.7	499.4	128.5	73.2	64.3	5768.3
(7) Total FAGs - (5) less (6) (\$m)	5044.1	3529.1	3249.5	1591.4	1683.6	785.8	341.8	1073.8	17299.0

(a) The population as at 31 December 1999 was determined by the Australian Statistician in accordance with the Act.

(b) The per capita relativities adopted at the 1999 Premiers' Conference were applied in 1999-2000 in accordance with the Act.

(c) For ease of presentation, weighted population shares rounded to one decimal place are shown. However, in calculating row (5), unrounded shares are used in accordance with the Act.

Details of NCPs in 1999-2000 are shown in Table 26. NCPs are distributed between the states on an equal per capita basis and payment is subject to satisfactory progress under the *Agreement to Implement the National Competition Policy and Related Reforms*.

Table 26: National competition payments

NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
148.6	109.2	81.5	43.2	34.5	10.8	7.2	4.5	439.4

In 1999-2000, in accordance with the recommendation of the Commonwealth Grants Commission, special revenue assistance of \$13.2 million was paid to the Australian Capital Territory for transitional allowances and special fiscal needs.

In accordance with the 1996 Premiers' Conference agreement, untied funds previously paid to the states as identified road grants were absorbed into the FAGs pool in 1997-98. Table 27 shows the equivalent amount of each state's FAGs in 1999-2000.

Table 27: Addition to financial assistance grants from the absorption of untied identified road grants

NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
124.6	87.7	76.5	38.1	38.8	16.2	7.4	20.2	409.5

REVENUE REPLACEMENT PAYMENTS

The arrangements governing revenue replacement payments (RRPs) are set out in *Budget Paper No. 3*. All revenues collected by the Commonwealth under the 'safety net' arrangements are passed through to the States (less administrative costs) as RRP. The level of RRP was around \$38.9 million lower than estimated at the time of the 2000-01 Budget, primarily due to lower than expected collections associated with petroleum products. Details of RRP made to the states in 1999-2000 are set out in Table 28.

Table 28: Revenue replacement payments to the States^(a)

			NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Tobacco	Share	(per cent)	32.5	21.8	19.1	11.1	9.0	3.2	1.5	1.9	
	Amount	(\$m)	1082.7	726.5	635.3	369.9	299.5	107.5	48.5	62.3	3332.2
Petroleum	Share	(per cent)	30.0	20.2	19.6	17.1	7.5	2.5	1.3	1.8	
	Amount	(\$m)	771.8	517.8	503.4	439.8	194.0	63.0	33.2	46.4	2569.4
Alcohol	Share	(per cent)	33.8	22.3	19.3	11.1	7.9	2.4	1.6	1.6	
	Amount	(\$m)	347.3	229.5	198.5	114.6	80.8	24.8	16.1	16.1	1027.7
Total			2201.8	1473.8	1337.2	924.3	574.2	195.3	97.8	124.8	6929.3

(a) Payments are net of a deduction for administration costs incurred by the Commonwealth of \$2,686,216 for tobacco products, \$246,218 for petroleum products and \$1,029,537 for alcohol products.

LOCAL GOVERNMENT GENERAL PURPOSE ASSISTANCE

Table 29 provides details of Commonwealth payments to local government authorities in 1999–2000 for each of the six states and the Northern Territory, and an analogous payment made to the Australian Capital Territory.

In 1999–2000, local government general purpose assistance was increased on the basis of an annual escalation factor determined by the Treasurer. The factor reflects the underlying real per capita growth in general revenue assistance to the states. A preliminary factor of 1.0295 was determined in April 1999 and a final factor of 1.0309 was determined in June 2000, reflecting higher than expected CPI and population outcomes. This has resulted in an underpayment to local government of around \$1.7 million in 1999–2000 for which there will be an adjustment in 2000–01, as provided for under the *Local Government (Financial Assistance) Act 1995*.

Table 29: General purpose assistance for local government

	NSW \$m	VIC \$m	QLD \$m	WA \$m	SA \$m	TAS \$m	ACT \$m	NT \$m	Total \$m
Financial assistance grants	296.3	217.9	161.6	85.9	69.2	21.9	14.3	8.8	875.9
Identified road funding	112.8	80.1	72.8	59.4	21.4	20.6	12.5	9.1	388.7
Total general purpose assistance(a)	409.1	298.0	234.5	145.3	90.6	42.5	26.7	17.9	1264.5

(a) Total general purpose assistance was the actual payment that the state received on behalf of local governments in 1999–2000. It is equal to the estimated entitlement for 1999–2000, adjusted for an overpayment from 1998–99.

SPECIFIC PURPOSE PAYMENTS

Tables 30 and 31 provide information on Commonwealth specific purpose payments (SPPs) to the States and local government together with details of repayments and interest on advances (loans) to the States. The majority of these advances were funded from borrowings made on behalf of the States.

Details are classified as follows:

- SPPs
 - current;
 - captial;
- repayments of advances (including repayments to the Debt Sinking Funds);
- details of new advances made; and
- interest on Commonwealth advances.

SPP information is presented on a functional basis, which aggregates payments directed toward like objectives and purposes. SPPs are further divided into those paid 'to' the States (by far the larger group by number) and those judged to be paid 'through' the States to other groups. Payments in the latter group are indicated within the table by (*) and separate totals for 'to' and 'through' are provided in the summary at the end of the table.

