

BUDGET ★
AUSTRALIA'S FEDERAL RELATIONS
BUDGET PAPER NO. 3

2013-14

CIRCULATED BY

THE HONOURABLE WAYNE SWAN MP
DEPUTY PRIME MINISTER AND TREASURER
OF THE COMMONWEALTH OF AUSTRALIA

AND

SENATOR THE HONOURABLE PENNY WONG
MINISTER FOR FINANCE AND DEREGULATION
OF THE COMMONWEALTH OF AUSTRALIA

FOR THE INFORMATION OF HONOURABLE MEMBERS
ON THE OCCASION OF THE BUDGET 2013-14

14 MAY 2013

© Commonwealth of Australia 2013

ISBN 978-0-642-74896-6

This publication is available for your use under a Creative Commons BY Attribution 3.0 Australia licence, with the exception of the Commonwealth Coat of Arms, third party content and where otherwise stated. The full licence terms are available from <http://creativecommons.org/licenses/by/3.0/au/legalcode>.



Use of Commonwealth of Australia material under a Creative Commons BY Attribution 3.0 Australia licence requires you to attribute the work (but not in any way that suggests that the Commonwealth of Australia endorses you or your use of the work).

Commonwealth of Australia material used 'as supplied'

Provided you have not modified or transformed Commonwealth of Australia material in any way including, for example, by changing the Commonwealth of Australia text; calculating percentage changes; graphing or charting data; or deriving new statistics from published Commonwealth of Australia statistics – then the Commonwealth of Australia prefers the following attribution:

Source: *The Commonwealth of Australia*

Derivative material

If you have modified or transformed Commonwealth of Australia material, or derived new material from those of the Commonwealth of Australia in any way, then the Commonwealth of Australia prefers the following attribution:

Based on Commonwealth of Australia data

Use of the Coat of Arms

The terms under which the Coat of Arms can be used are set out on the It's an Honour website (see www.itsanhonour.gov.au)

Other Uses

Inquiries regarding this licence and any other use of this document are welcome at:

Manager
Communications
The Treasury
Langton Crescent Parkes ACT 2600
Email: medialiasion@treasury.gov.au

Internet

A copy of this document is available on the central Budget website at: www.budget.gov.au.

Printed by CanPrint Communications Pty Ltd

FOREWORD

This Budget Paper presents information on the Commonwealth's financial relations with State, Territory and local governments. This includes an overview of major Australian Government reforms and new developments, as well as information on payments to the States and analysis of fiscal developments in the public sector.

Notes

- (a) The following definitions are used in this Budget Paper:
- Budget year refers to 2013-14, while the forward years refer to 2014-15, 2015-16 and 2016-17; and
 - one billion is equal to one thousand million.
- (b) Figures in tables and the text have generally been rounded. Discrepancies in tables between totals and sums of components reflect rounding unless otherwise noted.
- estimates of \$100,000 and over are generally rounded to the nearest tenth of a million;
 - estimates midway between rounding points are rounded up; and
 - percentage changes in tables are based on the underlying unrounded amounts.
- (c) Tables use the following notations:
- | | |
|-----|-------------------------------|
| - | nil |
| na | not applicable |
| \$m | millions of dollars |
| \$b | billions of dollars |
| nfp | not for publication |
| 0 | zero |
| * | unquantifiable |
| .. | not zero, but rounded to zero |
| ~ | allocation not yet determined |

(d) This Budget Paper uses the following 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.
- 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

GST Goods and services tax

(e) 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.

Budget Paper No. 3, *Australia’s Federal Relations 2013-14*, 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. Appendix D: Debt Transactions of this paper is only available online at: www.budget.gov.au.

CONTENTS

Foreword	iii
Part 1: Australia's Federal Relations	3
Overview	3
Total payments to the States	4
Gains for the States since 2007	7
Major Government reforms and developments.....	9
Part 2: Payments for Specific Purposes	15
Overview of payments.....	15
Health	23
Education	51
Skills and workforce development.....	65
Community services	70
Affordable housing	80
Infrastructure	84
Environment	94
Contingent payments	102
Other national partnership payments	104
Part 3: General Revenue Assistance	111
Overview of payments.....	111
GST entitlement to the States	111
Other general revenue assistance	119
Mirror tax arrangements.....	122
Part 4: Developments In The Consolidated Non-Financial Public Sector	123
Introduction.....	123
Net operating balance	124
Fiscal and cash balances.....	125
Net debt.....	126
Net interest payments	127
The Australian Loan Council	128

Appendix A: Parameters and Further Information 131
Population 131
Age/gender weighted populations..... 133
School enrolments..... 133
Wage and cost indices 134
Data sources 134
Further information 135

**Appendix B: Total Payments To The States By Government Finance
Statistics (GFS) Function 137**

Appendix C: Supplementary Tables..... 143

LIST OF TABLES

Table 1.1:	Commonwealth payments to the States.....	6
Table 1.2:	Total Commonwealth payments to the States as a proportion of GDP	7
Table 2.1:	Total payments for specific purposes by category, 2012-13 to 2016-17.....	18
Table 2.2:	Total payments for specific purposes by sector, 2012-13 to 2016-17	19
Table 2.3:	Total payments for specific purposes by sector and category, 2012-13 to 2016-17	20
Table 2.4:	Payments to support state health services.....	23
Table 2.5:	Payments to support state education services.....	51
Table 2.6:	Payments to support state skills and workforce development related services.....	65
Table 2.7:	Payments to support state community services	70
Table 2.8:	Payments to support state affordable housing services.....	80
Table 2.9:	Payments to support state infrastructure services	84
Table 2.10:	Payments to support state environment services.....	94
Table 2.11:	Contingent payments to the States	102
Table 2.12:	Payments to support other services	104
Table 3.1:	General revenue assistance	111
Table 3.2:	General revenue assistance by State.....	111
Table 3.3:	Reconciliation of GST revenue estimates since the 2012-13 Budget and 2012-13 MYEFO	112
Table 3.4:	Policy decisions since MYEFO that affect GST revenue	113
Table 3.5:	Reconciling GST revenue, GST entitlement and GST payments to the States.....	114
Table 3.6:	GST relativities	115
Table A:	Difference from equal per capita distribution, 2013-14.....	116
Table B:	Implied relativity of expected total Commonwealth payments, 2013-14.....	117
Table 3.7:	Calculation of GST entitlements	118
Table 3.8:	Distribution of the prior year balancing adjustment	118
Table 3.9:	Distribution of GST entitlements over budget year and forward estimates	119
Table 3.10:	Reconciliation of the GST administration budget	119
Table 3.11:	Other general revenue assistance.....	120
Table 3.12:	Mirror taxes accrued on behalf of the States.....	122
Table 4.1:	Loan Council Allocation nominations for 2013-14	130
Table A.1:	Population by State, at 31 December.....	131
Table A.2:	Net overseas migration.....	132
Table A.3:	Net interstate migration.....	133
Table A.4:	Age/gender weighted population	133

Table A.5:	School enrolments	133
Table A.6:	Wage and cost indices.....	134
Table B.1:	Total payments to the States by GFS function.....	138
Table C.1:	General government cash balance by level of government as a percentage of GDP	144
Table C.2:	Public non-financial corporations sector cash balance by level of government as a percentage of GDP	145
Table C.3:	Non-Financial Public Sector cash balance by level of government as a percentage of GDP	146
Table C.4:	General government sector fiscal balance by level of government as a percentage of GDP	147
Table C.5:	Public non-financial corporations sector fiscal balance by level of government as a percentage of GDP	148
Table C.6:	Non-financial public sector fiscal balance by level of government as a percentage of GDP	149
Table C.7:	Gross fixed capital formation by sector	150
Table C.8:	Net debt by sector (as at end of financial year).....	151
Table C.9:	General government sector net financial worth by level of government (as at end of financial year)	152
Table C.10:	General government sector net worth by level of government (as at end of financial year)	152
Table C.11:	General government net interest payments by level of government.....	153

LIST OF CHARTS

Chart 2.1:	Composition of payments for specific purposes	22
Chart A:	GST redistributed as a proportion of the GST payments	116
Chart 4.1:	Consolidated net operating balance by sector	124
Chart 4.2:	Consolidated fiscal balance by sector	125
Chart 4.3:	Consolidated cash balance by sector	126
Chart 4.4:	Consolidated net debt by sector	127
Chart 4.5:	General government sector net interest payments	128

