

CHAPTER 2

THE ADJUSTED BUDGET

WHAT IS THE ADJUSTED BUDGET?

- 1 The adjusted budget is a comprehensive representation of State budgets, which is used to calculate average per capita State revenues and expenditures used in assessing State fiscal capacities.
- 2 Data from the Australian Bureau of Statistics (ABS) Government Finance Statistics (GFS) are the starting point. They are supplemented by data from the States and other sources to improve comparability between States and to ensure the adjusted budget is suitable for the Commission's purposes.

SCOPE OF THE ADJUSTED BUDGET

- 3 The *Intergovernmental Agreement on Federal Financial Relations 2008* (the IGA) provides for the revenue collected from the goods and services tax (GST) to be paid to the States for use by them for any purpose — for operating purposes as well as to acquire new assets. Consequently, we have included all transactions of the State general government sector that are in whole or part financed by GST revenue. The relevant transactions are:
 - all State expenses and net expenditure on the acquisition of assets; and
 - State grants and subsidies to local governments and public trading enterprises (PTEs).
- 4 We have also included:
 - State own-source revenues, including contributions from PTEs, used to fund State services; and
 - all recurrent and capital payments from the Commonwealth, including Commonwealth own-purpose expenses (COPEs) paid to the States which contributed to State fiscal capacities.
- 5 Other direct spending or revenue raised by the Commonwealth, local government, State PTEs and non-government bodies on State-type services and infrastructure are excluded.

- 6 Thus, the scope of the adjusted budget covers all transactions recorded in the GFS State general government operating statement and the occasional COPE if it contributes to State fiscal capacities.
- 7 All States supported a scope based on the State general government sector. However, as discussed below, some took different views on the types of transactions that should be included.

‘Core’ services

- 8 Most States said that equalisation should be based on a comprehensive coverage of the State general government sector. However, New South Wales said it should be limited to the ‘core’ services provided by States (health, education, and law and order) because these are the services which could reasonably be expected to be delivered in all States. It said the ‘non-core’ services were ones that States chose to deliver and so reflected policy choices.
- 9 There is no basis for us to make judgments about areas of State expenditures that are more important than others in defining a State’s fiscal capacity. Accordingly, we have included all expenses and revenues of the State general government sector in the equalisation process.

Capital

- 10 A number of States did not consider it necessary or appropriate to extend the scope of the adjusted budget to include expenditure on the acquisition of assets. They preferred an alternative approach which recognised differential State asset needs as they impact on State expenses (such as debt charges), and revenues (such as interest earnings).
- 11 We have included expenditure on the acquisition of assets in the adjusted budget because it has been at least partly funded by GST revenue in recent years. A full discussion of the treatment of transactions relating to capital is in the Infrastructure and Net lending chapters.

Local government activities

- 12 South Australia proposed extending equalisation to local government activities. We consider the terms of reference do not give us a mandate to equalise local government activities.

ACT municipal transactions

- 13 GFS includes ACT municipal transactions with the State transactions. New South Wales and the ACT said municipal transactions should be removed from the adjusted budget so that only ‘State-type’ expenses are reflected in the financial averages. Because the effect of including ACT municipal transactions on the relativities is immaterial¹, we followed the GFS process and left these expenses in the relevant categories for simplicity. We treated ACT rate revenue (and other revenue) as ‘Other revenue’ which is assessed equal per capita (EPC) and does not affect the relativities.

¹ ACT municipal transactions increased average expenses on roads and other services by \$1.50 per capita.

Adjustments to GFS data

Cross-subsidies between Public Trading Enterprises (PTEs)

- 14 Western Australia asked the Commission to include in the adjusted budget the cross-subsidies between its electricity PTEs, which are made through a trust fund and not recorded in the GFS State operating statement. It argued these were equivalent to the dividends received and subsidies paid in other States. However, New South Wales said such cross-subsidies do not contribute to GFS net lending and, like equity injections, should only be included if States on average provide assistance to their PTEs through operating transactions.
- 15 We intend to deal with cross-subsidies, or subsidies paid through ‘reduced dividends’ on a case-by-case basis. Adjustments will be made if after examining the nature of the transaction we conclude it is consistent with the average policy, the transactions are identified, reliable data are available, and including them has a material impact on the distribution of the GST². Our approach is intended to improve comparability by reflecting the nature of the underlying transactions, not the form of presentation applied by individual States.
- 16 On this basis, we have adjusted the GFS data to include:
- Western Australia’s cross-subsidy between its electricity PTEs because we concluded it was an operating transaction which Western Australia accounts for in a non-standard way and which would be included under the average policies; and
 - the Northern Territory’s foregone dividends from the Power and Water Corporation because, consistent with the national competition policy, it is average policy for States to receive dividends from, and make explicit subsidies to, PTEs through the State operating statement. While the Northern Territory recorded amounts consistent with the average policy, it was administratively simpler for it to adopt a different accounting treatment.

Equity injections

- 17 Victoria was concerned that the inclusion in the adjusted budget of capital grants and subsidies to PTEs recorded in the GFS operating statement and the exclusion of equity injections recorded in the GFS cash flow statements could influence how States make these contributions in the future. This is because it may affect their GST shares.
- 18 The adjusted budget reflects the average policy of the States on how they fund their PTEs — it reflects the average break-up of contributions into capital grants and equity injections. The GST distribution is based on the premise that all States follow that average policy. While the actions of individual States affect that average policy, we think their decisions on the form of their contributions to PTEs will be based on more important and direct considerations (such as whether they wish to receive future ‘dividends’) rather than any potential impact on their GST

² The threshold for data adjustments to improve interstate comparability is a redistribution of \$3 per capita of GST for any State.

revenue — just as we think our different treatment of the costs of owning and leasing buildings is unlikely to drive State decisions on how best to provide office space.

- 19 An examination of the nature of capital grants made to State PTEs suggests that the issue mainly arises in relation to transport PTEs where some States provided large grants and others provided equity injections for the construction of infrastructure. We have used an EPC assessment for capital grants to transport PTEs so their impact on the relativities is only through their impact on the net lending assessment.
- 20 However, the Commonwealth of Australia *Budget Paper No. 3, Australia's Federal Relations, 2009-10* reports that States will receive a large increase in funding for investment in public and community housing through National Partnership Payments (NPP), mainly the Investment in Social Housing NPP. The spending relating to these is presently assessed differentially in the Welfare and housing category. If in the future these payments are used to increase the equity States hold in State housing PTEs, it may be appropriate to reconsider the treatment of those expenses in future updates.

Unfunded superannuation liabilities

- 21 In the 2004 Review, the Commission decided to include an amount of outstanding superannuation liabilities in its adjusted budget for ten years (1998-99 to 2007-08) after the GFS moved to accrual reporting in 1998. This action was aimed at ensuring all needs relating to these liabilities were recognised³. The annual amount included was one-tenth of the outstanding liabilities at 1 July 1998.
- 22 State views on continuing this arrangement differed. Some States supported discontinuing it in the 2010 Review to make the superannuation assessment simpler. South Australia and Tasmania argued that, as a matter of principle, the transitional arrangements should be completed. Tasmania said States had agreed to a ten-year transitional period because they had expected the Commission would continue the arrangement across reviews.
- 23 Since the transitional arrangements are necessary for equalisation and material, we have continued them. We have included one-tenth of the outstanding liabilities at 1 July 1998 in the adjusted budget for each assessment year up to, and including, 2007-08.

Reconciling to GFS net lending

- 24 Because we make some adjustments to the GFS revenues and expenses (such as, the transitional superannuation arrangements), the outcome of the adjusted budget would not equal the outcome of State budgets as published in GFS⁴. To improve transparency, we have reconciled the adjusted budget result with that of the GFS by including budget balancing

³ Under cash accounting, needs would have been recognised when the liabilities to superannuants were met. With the change to accrual accounting they were recorded in full in State balance sheets without being recognised in State operating accounts.

⁴ This outcome is the GFS net lending/borrowing, which is calculated as net operating balance less net acquisition of non-financial assets.

items. Those items are the difference between GFS and our adjusted budget total revenues, expenses, investment expenditures and Commonwealth payments. We have ensured the balancing items do not affect the GST distribution (by treating them EPC).

- 25 South Australia said the balancing items should not be included in the adjusted budget just to achieve internal consistency. Proper consideration should be given to their assessment. For example, it was concerned that land sales revenue would only be included via a balancing item.
- 26 All items included as balancing items in the Other revenue and Other expenses categories are the consequence of assessment decisions recorded in relevant assessment method chapters.

STRUCTURE OF THE ADJUSTED BUDGET

- 27 We adopted a top down, clean slate approach in deciding how the adjusted budget should be disaggregated into the separate categories necessary to accurately assess the fiscal capacities of the States. We consider the resulting structure reflects the minimum disaggregation possible, consistent with the requirements of the terms of reference and equalisation. We used the assessment guidelines set out in Attachment A of Volume 1 to guide our decisions.
- 28 Under the top down, clean slate approach, we began with total State revenues and total expenses and progressively identified specific revenue and expenditure categories when the disaggregated assessments materially improved equalisation (meaning the GST distribution with the disaggregation was materially different from that without it) and the disaggregation could be done reliably. More specifically, a function (revenue or expense) was considered for separate assessment, if:
- it was clearly a major State service or revenue source distinct from others;
 - it was affected by disabilities that were markedly different from those of other categories;
 - data used to estimate the average revenue or expenses were satisfactory;
 - it was expected that satisfactory assessments of disabilities could be made; and
 - the category was expected to be material, which is defined as:
 - the average expense or revenue is greater than \$50 per capita; or
 - the assessment is likely to redistribute more than \$30 per capita for any State relative to the aggregated assessment.
- 29 This process resulted in 6 State own-source revenue categories, 11 expense categories, an investment category, a net lending category and 2 residual (or other) categories — one for revenue and one for expenditure. State revenue from Commonwealth payments also forms part of the adjusted budget.
- 30 Table 2-1 shows the adjusted budget structure and the average amount for each category for 2005-06 to 2008-09. Definitions of each category are in Appendix 2A of this chapter.

Table 2-1 Adjusted budget categories for the 2010 Review

Category name	2005-06	2006-07	2007-08	2008-09
	\$pc	\$pc	\$pc	\$pc
State revenue from Commonwealth payments				
GST revenue	1 810.05	1 895.03	1 993.35	1 903.25
Commonwealth payments assessed actual per capita (a)	1 087.48	1 141.54	1 240.42	1 571.14
Commonwealth payments assessed equal per capita (b)	243.69	208.11	247.87	407.40
State own-source revenue				
Payroll tax	637.48	689.70	754.49	781.94
Land tax	183.04	216.47	213.09	265.92
Stamp duty on conveyances	515.93	614.02	668.01	431.49
Insurance tax	117.74	125.67	130.45	136.90
Motor taxes	278.02	289.59	307.33	304.06
Mining revenue	196.59	205.67	225.45	382.87
Other revenue	1 870.44	1 998.92	1 826.28	1 724.89
Operating expenses (c)				
Schools education	1 448.38	1 506.61	1 562.57	1 637.55
Post-secondary education	222.65	219.03	237.33	234.82
Admitted patient services (net of user charges)	877.29	981.63	1 080.66	1 182.22
Community and other health services	544.01	543.52	578.89	627.97
Welfare and housing (net of user charges for housing)	539.45	592.25	624.57	703.00
Services to communities (net of user charges for electricity, water and sanitation)	195.07	222.39	269.85	273.77
Justice services	516.44	544.46	576.17	605.59
Roads	201.25	217.18	248.69	271.54
Transport services (net of user charges)	258.46	330.14	291.58	324.71
Services to industry	274.16	297.21	325.71	293.16
Other expenses	1 171.12	1 211.68	1 266.44	1 354.49
Depreciation	322.22	346.36	356.15	396.09
Capital expenditure				
Investment	222.28	313.11	391.14	488.44
Other				
Net lending	147.70	59.17	-203.01	-483.48

(a) Most of these payments impact on the relativities (revenue assessed using the payment distribution and the expenses assessed differentially in relevant categories). However, payments to non-government schools under the National schools Specific Purpose payment, Remote Indigenous housing National Partnership payment and half of the payment for the construction of National network roads do not impact on the relativities. Both the revenue and related expenses of these payments are assessed using the same distribution as the Commonwealth payments.

(b) These payments do not impact on the relativities.

(c) Relevant superannuation expenses are included in each expense category.

Source: Commission calculations using GFS data, Commonwealth budget papers and data collected from the Commonwealth and States.

Development of the structure

- 31 *Conceptual case.* We began by considering what major services States provided. We concluded that they provide services to people, communities, industries and for general government purposes. We then sought to identify more specific services, such as school education, hospital inpatient services and welfare. We also examined the revenues they raise and concluded that States tax specific activities, including through taxes on payrolls, land, mining and motor vehicles.
- 32 We were guided by average State practice. However, consistent with the aim of achieving equalisation using simpler methods, State practice was interpreted broadly. For example, State activities in the welfare and housing fields were considered in terms of ‘States providing assistance to disadvantaged people’ rather than ‘States providing separate streams of services to the aged, families and public housing’.
- 33 We also interpreted broadly the types of costs included in a category. We initially considered distributing expenses such as depreciation and superannuation to the functions or categories to which they relate. We have done so in relation to superannuation expenses. However, during the development of the investment and net lending assessments, we decided to include depreciation for all functions in a single category to ensure the same disabilities were more easily applied to investment and depreciation expenses.
- 34 Next we considered whether the activities included in a broad aggregate were affected by similar disabilities. For example, we concluded the disabilities affecting all school education services were similar and that their effects could be assessed in one category. However, because the disabilities affecting State expenses on welfare services and water, sewerage and protection of the environment differ, we considered they should be assessed separately.
- 35 In using disabilities to guide decisions on category structure, we considered influences specific to particular services, such as the target or client population (those using the service), rather than disabilities that affect costs in most services, such as wage levels and location.
- 36 These decisions were made in several iterations with later decisions having the benefit of State views and information gathered to implement the initial proposals. For example, we considered undertaking the health assessments in one category. However, State arguments and further investigation indicated the influences on expenses relating to admitted patients and community health services were noticeably different. Making two disaggregated assessments was considered more consistent with the equalisation principle, could be done using robust methods and would have a material effect on the GST distribution. Therefore, we used two categories. However, we amalgamated public safety expenses with other services in the Other expense category because the disabilities were similar.
- 37 *Satisfactory data.* We also had regard to the need for satisfactory data in considering the establishment of assessment categories.
- 38 The ABS GFS collection, which is the source of almost all our data on State finances, is based on annual audited data reported by State treasuries that must comply with Australian

accounting standards. The ABS makes some adjustments when reported data do not comply with GFS standards. The GFS uses a number of hierarchical classifications.

- 39 The expense classification used by the Commission is the Government Purpose Classification (GPC). It classifies data at the broadest level using highly aggregated 2-digit government purpose codes and at the most detailed disaggregated level using 4-digit codes⁵. We considered the data at the higher levels in the hierarchy (the 2 and 3-digit classifications) were more comparable and robust. Advice from the ABS confirmed that view. Our preference, therefore, was to use the most aggregated data possible, which was consistent with the requirement of the terms of reference to consider using the 2 and 3-digit GFS data.
- 40 We began by defining expense assessment categories on the basis of the more aggregated 2 or 3-digit GPCs. However, there were cases where activities affected by materially different disabilities were included in the same aggregated classifications and more detailed data were required to allow them to be properly assessed. For example, we used detailed 4-digit GPCs to move:
- fire protection services from the Public order and safety 2-digit GPC (which is the basis of the Justice category) to the Other expenses category;
 - non-admitted patient services from the Acute care institutions 3-digit GPC to the Community and other health services category;
 - patient transport from the Community health services 3-digit GPC to the Admitted patient services category; and
 - housing from the Housing and community amenities 2-digit GPC to the Welfare and housing category.
- 41 ABS advice is that the 3 and 4-digit GPC classifications we have used in this process are sufficiently reliable and fit for our purposes.
- 42 GFS revenues are classified by type of tax and other revenue at the highest level (for example taxation revenue, other current revenue) and by broad revenue base at the lowest level (for example, payroll tax, stamp duties on conveyances). The data at the lowest level are reliable and have been used to define revenue categories.
- 43 We have used published GFS figures for net acquisition of non-financial assets to compile Investment expenditure. GFS defines this as gross fixed capital formation⁶ less depreciation plus changes in inventories plus other transactions in non-financial assets.

⁵ GPCs are ABS GFS codes given to each transaction to identify its function (for example, primary education, secondary education). They have a hierarchical structure that consists of a 2-digit level (major group), a 3-digit level (group) and a 4-digit level (sub-group). Major groups are intended to reflect the broad objectives of government whereas the groups and sub-groups identify the means by which those objectives are met.

⁶ GFS defines gross fixed capital formation as net expenditure on non-financial assets plus assets acquired below fair value plus assets donated plus assets acquired under finance leases.

- 44 We have also used published GFS figures for net lending/borrowing to compile Net lending. GFS defines this as the net operating balance (GFS revenue less GFS expenses) less GFS net acquisition of non-financial assets.
- 45 *Materiality*. In reaching our structure we have ensured that each category is large and that, based on our experience, differences between the States in their circumstances will lead to a material difference in assessed expense or revenue capacity.
- 46 *State views*. While States supported the general approach to the development of the budget structure, there were many views on its implementation. One State suggested total expenses might be disaggregated into social, economic and environment services, and capital costs not elsewhere assessed. Another State suggested basing expense categories on 2-digit level GPCs only, while another proposed up to 27 expense and 9 revenue categories.
- 47 After considering State views, we decided on an adjusted budget structure that we believe allows us to adequately and reliably recognise material differences in State capacities to raise revenues and their costs of providing services.
- 48 Our approach, which sees separate categories recognised where it is consistent with the assessment guidelines, leaves residual revenue and expenses categories.

Other revenue

- 49 This category consists of the revenue transactions that remained after we identified the major State revenue to be assessed separately and differentially and the balancing item to ensure the total revenue equals that in the ABS GFS. The category is assessed on an EPC basis.
- 50 This category includes:
- gambling taxation;
 - property titles registration charges;
 - fees and fines;
 - property owner and insurance company contributions to fire brigades;
 - business taxes that are to be abolished under the Intergovernmental Agreement;
 - gross interest and dividend income;
 - contributions by trading enterprises;
 - capital revenue;
 - revenue from assets acquired below fair value;
 - user charges other than charges for admitted patients, housing, electricity, water supply, sanitation and public transport; and
 - balancing items to ensure the total revenue in the Commission's assessments equals that in the ABS GFS.

Other expenses

- 51 This category consists of the operating expense transactions that remained after we identified the major State services to be assessed separately and the balancing items to ensure the total expenses in the assessments equal those in the ABS GFS.
- 52 This category includes:
- other services, which includes:
 - State legislatures, central administrative agencies (such as treasuries) that support State service delivery agencies and supervision of local government, general research and other administrative functions;
 - reimbursement of GST administration expenses to the Australian Taxation Office; and
 - culture and recreation services, such as libraries, public halls, support of the arts and sports and national parks;
 - gross interest expenses, including nominal interest on equalised unfunded superannuation liabilities;
 - public safety services, including emergency services, public order and fire protection;
 - natural disaster relief;
 - transitional superannuation items (one-tenth of superannuation liabilities at July 1998 and nominal interest on unequalised unfunded superannuation liabilities) which ensure the financial effects of the move to accrual accounting in 1998 are recognised in the assessments;
 - administration, regulation and operation of pipelines for the transportation of petroleum and natural gas;
 - communication services; and
 - balancing items to ensure the total expenses in the Commission's assessments equal those in the ABS GFS.
- 53 We initially considered creating separate categories for public safety, other services and transitional superannuation expenses. This was because the expenses exceed \$50 per capita and appeared to be influenced by factors that were markedly different from those affecting other services. However, further examination indicated the drivers of public safety expenses were similar to those affecting other services and it was simpler and more consistent with our assessment guidelines to combine them. Transitional superannuation expenses were included in this category because assessment of these expenses will not be on-going.
- 54 Full details on the assessments for this category are in the Other expenses chapter.

DATA SOURCES

- 55 The Commission had hoped to use only the GFS to compile the adjusted budget. GFS are compiled using standard definitions, classifications and treatment of government financial transactions and are available for the general government sector of all States. While they sometimes reflect interstate differences in the administrative and accounting arrangements and are not always compiled on a consistent basis across States, the quality of the data are improving and adjustments can be made for known differences. In addition, the ABS is committed to maintaining and further improving the quality of these data. We concluded that GFS data are fit for our purpose.
- 56 However, GFS data cannot be used for the last year of an assessment period because they are not available in sufficient time. Therefore, for the final year, we used data from the States. We will replace these data with GFS data in the next update of the relativities.
- 57 At the March 2007 data working party meeting, States agreed to investigate using a model developed by Queensland to provide State expense data for the last assessment year on a GFS basis. For this inquiry, Victoria, Queensland, Tasmania and the Northern Territory used the model but the other States have continued to provide data as before. Published data has been used for New South Wales and Western Australia, and South Australia and the ACT have provided their data in a format different from that required for the Queensland model.
- 58 GFS data cannot be used to compile data on Commonwealth payments for any assessment year because they do not contain the necessary level of detail. Commonwealth budget data are available and have been used because they are reliable and fit for purpose.
- 59 Table 2-2 summarises the data sources used in compiling the adjusted budget for the 2010 Review.

Table 2-2 Data sources for compiling the adjusted budget for the 2010 Review

	Prior to last assessment year	Last assessment year
Commonwealth payments (including COPEs to States)	Commonwealth Final Budget Outcome and extra information from Commonwealth agencies.	Commonwealth Final Budget Outcome and extra information from Commonwealth agencies.
Own-source revenue	GFS and extra information from States.	Information from States, replaced by GFS in following year.
Expenses, user charges, investment and net lending	GFS and extra information from States.	State financial reports or data from States, replaced by GFS in following year.

DATA ADJUSTMENTS

- 60 Adjustments are applied to State revenue and expenses to improve interstate comparability where GFS data are not comparable across States. These are made if reliable data are available and making the adjustment would redistribute more than \$3 per capita for any State.

- 61 Adjustments undertaken for the 2010 Review are summarised in Table 2-3. They are based on analysis of GFS unit records and information collected from the States. We no longer make adjustments used in the 2004 Review to improve the consistency over time of GFS data for specific categories (called functional smoothing) or to allocate expenses of agencies that provide services for other agencies (called central agency adjustments) because they are no longer required or are not material.

Table 2-3 Adjustments to State revenue and expenses for 2010 Review

Affected categories	Adjustments (for some or all States)
Insurance tax, Other revenue, Admitted patient services	Reclassify property owner and insurance company contributions to fire brigades and contributions to workers compensation funds from Insurance tax to Other revenue and offset health insurance and ambulance levies against Admitted patient services expenses.
Stamp duty on conveyances, Welfare and housing	Offset first home bonus expenses against stamp duty on conveyances.
Motor taxes, Other revenue	Reclassify number plate fees classified as user charges in GFS from Other revenue to Motor taxes and emergency service levy from Motor tax to Other revenue.
Schools education, Transport services	Reclassify transport of school student expenses from Transport services to Schools education.
Welfare and housing, Other expenses, Services to communities	Reclassify subsidies to local government for the provision of water services from Other expenses to Services to communities. Also reclassify community service obligation (CSO) payments for water and electricity from Welfare and housing to Services to communities.
Services to communities	Add on Western Australia's cross-subsidies between its electricity PTEs and Northern Territory's foregone dividends from the Power and Water Corporation.
Roads, Transport services	Reclassify bus service expenses from Roads to Transport services.
Superannuation expenses	Allocate superannuation expenses across categories where GPC data are not available.
Various categories	Reclassify expenses or revenues where States advise and provide evidence that GFS classifications are incorrect.

TREATMENT OF COMMONWEALTH PAYMENTS

- 62 Chapter 5 of Volume 1 sets out the guidelines we have used to decide the treatment of Commonwealth payments in this review. States generally supported the guidelines.
- 63 Appendix 2B shows the treatment of each Commonwealth payment. The treatment is based on the terms of reference, the Commonwealth payment guidelines, State views, information on Commonwealth payments to the States provided in Commonwealth of Australia *Budget Paper No. 3, 2009-2010* and the 2010 Review category assessments.
- 64 These processes have resulted in all payments being treated in the same way as they were treated in the 2009 Update, except for:

- Essential vaccines. This payment was treated by the inclusion method in the 2009 Update. New information shows that the Commonwealth will provide funding for essential vaccines for immunisation under the National vaccine schedule. From 2008-09, funding for service delivery was paid as a National Specific Purpose payment (SPP) and funding for vaccine purchase was paid as a NPP. As required by the terms of reference, we have treated the National SPP (for service delivery) as having an impact on relativities. We have treated the NPP (for vaccine purchase) as not affecting relativities because the Commonwealth has paid the States for the acquisition of the vaccines before it enters into centralised purchasing arrangements for them.
- Health program grants. This payment was treated by exclusion in the 2009 Update because it was paid as alternative funding to Medicare benefits. In the 2010 Review, we considered this payment should have an impact on the relativities because we take into account the extent to which Medicare payments offset assessed expenses in the Community and other health category.
- Organ transplantation services. In the 2009 Update, the recurrent payment was treated by inclusion and the capital payment was treated as out of scope. The capital payment was out of scope because the States passed it on to the Australian Red Cross. Further analysis showed that the Commonwealth reimbursed the States for a portion of all the costs of organ transplantation services provided by Red Cross. For this reason, we considered both the recurrent and capital payments should not affect the relativities.
- National action plan to build on social cohesion, harmony and security. This payment was treated by inclusion in the 2009 Update. In the 2010 Review, we considered this payment should not impact on relativities because disabilities were not assessed for the services funded by the payments.
- Great Artesian Basin sustainability initiative. This payment was treated by exclusion in the 2009 Update because it was a minor payment and there were no disabilities assessed. The majority of the payment is for irrigation and a deliberative assessment of needs for this has been made in the 2010 Review. For this reason, we considered this payment should impact on the relativities because it is for State budgetary support and needs are assessed.
- Renewable remote power generation. This payment was treated as out of scope in the 2009 Update because it was considered that the States would pass on the full amounts to their PTEs. In the 2010 Review, we considered this payment should impact on relativities because it is for State budgetary support and needs are assessed.
- Strengthening Tasmania. This payment was treated by inclusion in the 2009 Update. In the 2010 Review, we considered this payment should not impact on relativities because most of the payments are made to local councils.
- National Network Roads. These roads are funded by the Nation building program (formerly Auslink) and the Nation building plan for the future program. In the 2009 Update, both the recurrent and capital payments for these roads were treated by

inclusion and the related expenses were assessed in the Roads category. In the 2010 Review, we considered the payments for the maintenance of these roads should impact on relativities and assessed the related expenses in the Roads category. We considered the payments for the construction of these roads should also impact on relativities. However, while we made an assessment of State investment on roads, we are not confident that we have been able to capture all the disabilities relating to State investment in National network roads. For this reason, only half of the Commonwealth support for this investment affects the relativities.

- Rail infrastructure. This infrastructure is funded by the Nation building program (formerly Auslink) and the Nation building plan for the future program. In the 2009 Update, the payments made under Auslink were treated as out of scope because it was considered that the States would pass on the full amount to the PTEs. In the 2010 Review, we considered the payments made under the Nation building program and the Nation building plan for the future should impact on relativities. These payments support investment by State PTEs and could be expected to increase State net financial worth which we aim to equalise.

- 65 The States generally supported our treatment of each payment, but questioned the treatment of some. For example, New South Wales asked why the ‘Equipped, prepared and ready’ payment to the Royal Darwin Hospital and the Indigenous housing infrastructure program would be treated as having no effect on State fiscal capacities but payments for the Victorian cytology services⁷ and Positron emission tomography (PET) scanner for Westmead Hospital in New South Wales would have an effect.
- 66 We do not consider the payment to the Royal Darwin Hospital should affect the Northern Territory’s fiscal capacity because it is a payment for the purchase of a service by the Commonwealth — preparing the hospital for use following major international crises. Similarly, the Indigenous housing infrastructure program should not affect State fiscal capacities because this is a Commonwealth program aimed at bringing remote Indigenous housing up to appropriate standards prior to it becoming a State responsibility.
- 67 The payment for the Victorian cytology services was quarantined by the 2009 Update terms of reference. This treatment has been continued and the payment will be treated as having no effect on fiscal capacity. However, the payment for the PET scanner affects State fiscal capacity because it supports normal State services and the relative costs of those services are reflected in the Admitted patient services assessment.
- 68 New South Wales also asked whether disabilities should be assessed for the possible indirect impact on the Tasmanian Government’s expenses of the Commonwealth payments for Tasmanian forests and the Tasmanian water infrastructure package. Both payments were

⁷ New South Wales’ comments were on the proposed treatment in staff discussion paper 2009/01-S *Treatment of Commonwealth payments to the States*. The proposed treatment of Victorian cytology services payment in the paper was incorrectly shown as ‘impact’.

treated as not having an impact on the relativities. The Tasmanian forests payment was treated this way because the terms of reference asked us to exclude it. The Tasmania water infrastructure package was treated this way because it is a terminated payment and we have applied the same treatment as in the 2009 Update. We did not make specific assessments for the possible indirect impact on the Tasmanian Government's expenses for these functions because such assessment would be immaterial to the distribution of the GST revenue.

- 69 South Australia considered that capital payments should affect the relativities if they relate to expenditures which would have occurred if the SPP/NPPs were a general purpose payment or related to State responsibilities and truly reflected State decisions on the level of capital works. We agree.
- 70 South Australia also asked the Commission to consider including the operations of public private partnerships (PPPs) that will gradually return to State ownership, including any Commonwealth payments to them or assets funded by them, in the adjusted budget. Our treatment of these entities will be the same as their treatment in GFS.
- 71 The Northern Territory said Commonwealth payments designed to address infrastructure and service backlogs (such as the Northern Territory emergency response and Australian remote Indigenous accommodation (ARIA) and Closing the gap payments) were outside the scope of equalisation and should be excluded. It also said the Community and housing infrastructure program (CHIP) payments and the payment to Indigenous community housing authorities should be treated in the same way as ARIA, which was quarantined by the 2009 terms of reference.
- 72 We considered the payments for CHIP are different from those for ARIA and for the Remote Indigenous housing (RIH) NPP. The CHIP payments were paid for the provision of housing and associated infrastructure to remote Indigenous communities. We have continued the 2009 Update treatment of CHIP. It has an impact on the relativities. The ARIA and RIH payments are aimed at increasing remote Indigenous housing standards to mainstream housing standards to enable State housing authorities to take on responsibility for them consistent with public housing standards. The ARIA payment to the Northern Territory was quarantined by the terms of reference and has no impact on the relativities. However, we consider all payments under these programs should be treated in the same way because the payments are for services purchased by the Commonwealth. Therefore we have treated ARIA payments and the RIH NPP as having no impact on relativities.

BACKCASTING THE DISTRIBUTION OF COMMONWEALTH PAYMENTS

- 73 We backcast major changes in federal financial relations unless the terms of reference direct us not to do so or it cannot be done reliably.

- 74 The IGA made major changes in the distribution of National SPPs and substantially increased the level of funding available. From 2010-11, the distribution of each National SPP⁸ will be:
- 2010-11 — 80 per cent by the historical distribution plus 20 per cent distributed EPC;
 - 2011-12 — 60 per cent by the historical distribution plus 40 per cent distributed EPC;
 - 2012-13 — 40 per cent by the historical distribution plus 60 per cent distributed EPC;
 - 2013-14 — 20 per cent by the historical distribution plus 80 per cent distributed EPC; and
 - 2014-15 onwards — based on population share.
- 75 Since the application year for the 2010 Review is 2010-11, we have:
- backcast the 2010-11 distribution of National SPPs into the assessment years because this is a major change in federal financial arrangements affecting the year in which the relativities will be applied;
 - not backcast the funding increase because it is not practical to estimate the assessment period equivalent amounts or in which expense categories States would have increased their spending; and
 - retained the treatment in past assessment years of payments changing their classification or terminating.
- 76 Table 2-4 shows the amounts (per capita) before and after backcasting the 2010-11 distribution of National SPPs into the assessment years for this review. We will continue this backcasting until the 2014 Update.

UPDATE PROCESS

- 77 We will use up-to-date figures from the following sources to compile the adjusted budget annually:
- Commonwealth payments — Commonwealth Final Budget Outcome and extra information from Commonwealth agencies for all assessment years; and
 - own-source revenue, user charges, expenses, investment and net lending — GFS and extra information from States for years prior to last assessment year and information from States for last assessment year.

⁸ For the government schools component of the National schools SPP, the relevant population will be each State's share of full time student enrolments in government schools.

Table 2-4 Amounts (per capita) before and after backcasting the 2010-11 distribution of National SPPs into the assessment years

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Health SPP - before backcasting									
2006-07	439.40	422.16	423.63	429.34	481.67	415.15	359.06	548.78	433.44
2007-08	478.76	459.92	457.58	465.54	519.21	450.88	385.89	600.00	470.66
2008-09	493.72	473.32	471.66	479.17	534.80	465.18	399.33	619.30	484.92
Health SPP - after backcasting									
2006-07	438.21	424.42	425.59	430.16	472.02	418.81	373.94	525.71	433.44
2007-08	477.14	462.06	460.19	466.56	509.50	454.83	402.84	574.13	470.66
2008-09	491.96	475.64	474.31	480.32	524.83	469.13	416.44	592.42	484.92
Schools SPP (Government) - before backcasting									
2006-07	143.49	141.49	146.69	147.51	152.78	157.97	124.80	302.38	146.39
2007-08	139.13	128.49	144.14	141.94	142.46	164.19	121.72	353.37	140.52
2008-09	155.26	147.48	153.52	152.47	156.55	176.39	148.72	328.98	154.95
Schools SPP (Government) - after backcasting									
2006-07	144.09	141.37	147.23	139.37	161.93	159.54	122.83	286.80	146.39
2007-08	139.25	129.58	145.01	133.72	151.88	162.65	119.62	324.58	140.52
2008-09	155.10	147.53	155.49	143.81	167.67	175.61	143.81	308.64	154.95
Skills and workforce development SPP - before backcasting									
2006-07	60.91	59.01	51.80	55.49	66.51	66.80	68.04	74.11	58.90
2007-08	60.98	58.12	50.78	56.21	70.00	68.00	71.33	77.40	58.93
2008-09	62.80	60.94	56.61	59.61	67.38	64.87	67.64	82.90	61.44
Skills and workforce development SPP - after backcasting									
2006-07	60.51	58.99	53.22	56.18	64.99	65.22	66.21	71.07	58.90
2007-08	60.57	58.28	52.41	56.75	67.79	66.18	68.85	73.70	58.93
2008-09	62.53	61.04	57.58	59.98	66.19	64.19	66.40	78.61	61.44
Disability SPP - before backcasting									
2006-07	30.70	27.19	28.59	24.18	43.61	42.40	25.96	30.65	29.94
2007-08	34.11	31.18	33.33	32.43	42.14	44.35	38.23	79.93	34.43
2008-09	40.71	37.06	37.81	33.90	55.20	54.91	35.78	41.70	39.87
Disability SPP - after backcasting									
2006-07	30.55	27.74	28.86	25.33	40.87	39.90	26.75	30.51	29.94
2007-08	34.17	31.83	33.55	32.83	40.60	42.36	37.47	70.83	34.43
2008-09	40.54	37.62	38.22	35.09	52.13	51.90	36.60	41.33	39.87
Affordable housing SPP - before backcasting									
2006-07	52.24	48.00	53.24	56.41	56.98	66.30	73.44	186.31	54.20
2007-08	52.92	48.03	50.37	50.57	65.05	72.63	80.37	104.55	53.30
2008-09	52.70	48.38	52.63	55.37	57.47	67.33	73.50	184.75	54.27
Affordable housing SPP - after backcasting									
2006-07	52.63	49.24	53.43	55.97	56.42	63.88	69.59	159.89	54.20
2007-08	53.00	49.08	50.96	51.12	62.70	68.77	74.95	94.30	53.30
2008-09	53.01	49.56	52.95	55.15	56.83	64.72	69.65	158.65	54.27

Note: We did not backcast payments for the Schools SPP (non-government) because the impact on relativities is the same whether we backcast or not (related expenses are assessed using the payment distribution).

Source: Commission calculation using data from the Commonwealth budget papers.

SIMPLIFICATION

- 78 Simplification has been achieved through the reduction in the number of assessment categories and the use of aggregated and more reliable GFS GPC data. We have also reduced the number of adjustments to GFS data.

FURTHER INFORMATION

- 79 Background material in support of the development of the scope and structure of the adjusted budget, including the treatment of Commonwealth payments, is published on the Commission's website. That material includes the following documents, released for comment in the development of the adjusted budget and the treatment of Commonwealth payments, together with State submissions responding to those documents:

- Issues paper *2006/02 Approach to disaggregation*;
- Staff discussion paper *2006/06 Disaggregating expenses*;
- Staff discussion paper *2006/07 Disaggregating revenue*;
- Commission discussion paper *2006/11 Initial views on assessment structure and approaches*;
- Commission information paper *2007/12 Principles, interpretation and scope of horizontal fiscal equalisation*;
- Commission position paper *2008/30 The adjusted budget*;
- Staff discussion paper *2009/01-S Treatment of Commonwealth payments to the States*;
- Commission position paper *2009/03 Treatment of Commonwealth payments*; and
- *2010 Review Draft Report*.

APPENDIX 2A CATEGORY DEFINITIONS FOR THE 2010 REVIEW

Table 2A-1 Category definitions for the 2010 Review, Revenue

Category code	Definition	ABS Taxes classification (TC) Codes
210 Payroll tax	<p>Taxes levied on the payrolls of employers. More specifically, the category includes:</p> <ul style="list-style-type: none"> – net payroll tax collections, including the surcharges imposed on large employers by some States, less the tax paid by those government departments and authorities covered by the Commission’s expense comparisons. <p>Payroll tax collected from trading enterprises is included in this category.</p>	<p>TC 211 - Payroll taxes</p> <p>TC 221 - Stevedoring industry charges</p>
220 Land tax	<p>Taxes on the ownership of land based on the assessed value of land. More specifically, the category includes:</p> <ul style="list-style-type: none"> – levies on property owners intended specifically for financing the planning and development of land within the metropolitan region; and – land tax on some rural land. 	<p>TC 311 - Land taxes</p> <p>TC 313 - Metropolitan improvement rates</p>
230 Stamp duty on conveyances	<p>Stamp duties on conveyances and transfer of real estate, business and other property, including those from the sale of major government assets and corporate reconstructions.</p> <p>First home bonus expenses are offset against conveyance revenue.</p>	<p>TC 334 - Stamp duties on conveyances</p>
240 Insurance tax	<p>Taxes levied on premiums for life insurance, general insurance (such as private motor vehicles, occupational indemnity and household contents) and compulsory third party motor insurance.</p> <p>Excludes:</p> <ul style="list-style-type: none"> – levies imposed on insurance companies to finance fire-fighting authorities (classified to Other revenue); and – ambulance levies (offset against Admitted patient services). 	<p>TC 452 - Third party insurance taxes</p> <p>TC 459 - Taxes on insurance not elsewhere classified (n.e.c.)</p>
250 Motor taxes	<p>Taxes levied on the operation of motor vehicle. More specifically, the category includes:</p> <ul style="list-style-type: none"> – stamp duties imposed on motor vehicle registration and transfers; – motor transport and maintenance taxes; – motor vehicle registration, transfers, and number plate fees for vehicles under the Heavy Vehicles Inter-State scheme; and – other vehicle registration, transfer, and number plate fees. <p>Excludes compulsory third party insurance revenues and driver licence fees.</p> <p>Includes Commonwealth payments for interstate road transport.</p>	<p>TC 512 - Stamp duty on vehicle registration</p> <p>TC 514 - Road transport and maintenance taxes</p> <p>TC 515 - Heavy vehicle registration fees and taxes</p> <p>TC 516 - Other vehicle registration fees and taxes</p>

Table 2A-1 Category definitions for the 2010 Review, Revenue (continued)

Category code	Definition	ABS TC Codes
260 Mining revenue	Royalties on the extraction of minerals or fossil fuels. Includes Commonwealth Government payments for royalties and excludes offshore petroleum and natural gas and uranium.	Economic Type Framework (ETF) 1136 - Royalty income
270 Other revenue	<p>Consists of the transactions that remain after the Commission has identified the major State revenue to be assessed separately. It also includes the balancing items to ensure the total revenue included in the Commission's assessments equal those in the ABS GFS.</p> <p>More specifically, the category includes:</p> <ul style="list-style-type: none"> – business taxes that are to be abolished under the Intergovernmental Agreement; – gambling taxation; – property titles registration charges; – fees and fines; – property owner and insurance company contributions to fire brigades; – gross interest and dividend income; – contributions by trading enterprises; – capital revenue nec; – revenue from assets acquired below fair value; – user charges other than those from the provision of services for admitted patients, housing, water supply, sanitation, electricity and public transport; and – balancing items to ensure the total revenue included in the Commission's assessments equal those in the ABS GFS. 	GFS own-source revenue less the sum of revenue for the other revenue categories the Commission assessed.

Source: ABS GFS definitions.

Table 2A-2 Category definitions for the 2010 Review, Expenses

Category code	Definition	ABS Government purpose classification (GPC) Codes
310 Schools education	Expenses on the administration and provision of educational programs for preschools to secondary schools. Also includes superannuation expenses. More specifically, the category includes: <ul style="list-style-type: none"> – education programs in preschool and kindergarten (excludes play centres, crèches, day-care centres), primary schools and secondary schools; – special education programs provided by special schools or integrated into mainstream preschool, primary or secondary education; and – transportation services to school students living in urban and non-urban areas, including contract bus services, conveyance allowances to parents and reimbursement of public trading enterprises and private sector bus operators for concessional fares offered to these students. 	0411 - Primary education 0412 - Secondary education 0419 - Primary and secondary education n.e.c. 0431 - Preschool education 0432 - Special education 0439 - Other education not definable by level 0441 - Transportation of non-urban school students 0449 - Transportation of other students 0490 - Education n.e.c.
320 Post-secondary education	Expenses on the administration and provision of education programs offered by Technical and further education (TAFE) institutions and universities. Also includes superannuation expenses. Excludes Vocational education and training (VET) courses and apprenticeship and training programs not offered by TAFE, and transportation provided to TAFE and university students. These expenses are classified to Services to industry and Schools education respectively.	0421 - University education 0422 - Technical and further education 0429 - Tertiary education n.e.c.
410 Admitted patient services	Expenses on the administration and provision of acute and non-acute medical care and treatment for people admitted to a public hospital. This category also includes: <ul style="list-style-type: none"> – expenses on nursing homes for the aged and psychiatric medical care and treatment in psychiatric hospitals and psycho-geriatric nursing homes; – expenses on emergency transport to hospital, inter-hospital transport, non-emergency transport to and from treatment centres and travel and accommodation assistance; and – superannuation expenses. User charges relevant to the provision of admitted patient services are net off the expenses.	0511 - Admitted patient services in acute care institutions 0520 - Mental health institutions 0530 - Nursing homes for the aged 0542 - Patient transport
420 Community and other health services	Expenses on the administration and provision of community and other health services. More specifically, the category includes: <ul style="list-style-type: none"> – emergency services, outpatient clinics, dental clinics, outreach services and community health services provided by acute care institutions; – mental health programs for the mentally ill treated in a community setting; – domiciliary nursing services, well-baby and dental clinics, home nursing services not delivered as part of a welfare oriented program, health services provided to a particular community group, alcohol and drug rehabilitation programs not involving admission, and other health services provided in a community setting; – preventive health and population health programs aim to prevent disease, protect, promote and/or restore the collective health of whole or specific populations; and – pharmaceuticals provided outside of hospitals, aid and appliances used for health purposes and supplied in an ambulatory setting. Also includes superannuation expenses.	0512 - Non-admitted patients in acute care institutions 0541 - Community mental health services 0549 - Other community health services 0550 - Public health services 0560 - Pharmaceuticals, medical aids and appliances 0570 - Health research 0590 - Health administration n.e.c.

Table 2A-2 Category definitions for the 2010 Review, Expenses (continued)

Category code	Definition	ABS GPC Code
510 Welfare and housing	<p>Expenses on the administration and provision of welfare and housing services.</p> <p>More specifically, the category includes welfare services to:</p> <ul style="list-style-type: none"> – children and families, notably child protection services and out of home care; – aged people, notably under the Home and Community Care program; – disabled people; – people in need of other welfare support, such as supported accommodation services for the homeless and those who are at risk of homelessness; and – people in public housing and those receiving private rental and home purchase assistance. <p>Housing expenses comprise general government expenses on the direct provision of housing services net of rents received from tenants and subsidies paid to public housing authorities and community housing bodies.</p> <p>This category also includes expenses incurred by the States in providing grants under the \$7000 First Home Owners Scheme and superannuation expense.</p> <p>User charges relevant to the provision of housing services are net off the expenses.</p>	<p>0610 - Social security</p> <p>0621 - Family and child welfare services</p> <p>0622 - Welfare services for the aged</p> <p>0623 - Welfare services for people with a disability</p> <p>0629 - Welfare services n.e.c.</p> <p>0690 - Social welfare services n.e.c.</p> <p>0711 - Housing</p>
520 Services to communities	<p>Expenses on the administration and provision of services to communities.</p> <p>More specifically, the category includes:</p> <ul style="list-style-type: none"> – reimbursement of concessions, subsidies and payments of community service obligations to enterprises providing electricity, water (excluding irrigation) and sanitation services; – protection of the environment; and – planning, development, administration and support for communities (including Indigenous communities). <p>Also includes superannuation expenses.</p> <p>User charges relevant to the provision of electricity, and water supply and sanitation services are net off the expenses.</p>	<p>0712 - Aboriginal community development</p> <p>0719 - Other community development</p> <p>0721 - Aboriginal community water supply</p> <p>0729 - Other water supply</p> <p>0731 - Aboriginal community sanitation services</p> <p>0739 - Other sanitation and protection of the environment</p> <p>0791 - Aboriginal community amenities</p> <p>0799 - Other community amenities</p> <p>0921 - Aboriginal community electricity services</p> <p>0922 - Other electricity</p> <p>0929 - Other energy</p>
610 Justice Services	<p>Expenses on the administration and provision of justice services.</p> <p>More specifically, the category includes:</p> <ul style="list-style-type: none"> – police services; – law courts and legal services, including crown prosecutions, trusteeship services and law reform, registration of legal titles to property and registration of births, deaths and marriages; and – prison and corrective services, including detention for juveniles and child offenders, youth training centres and juvenile corrective institutions. <p>Also includes superannuation expenses.</p>	<p>0311 - Police services</p> <p>0320 - Law courts and legal services</p> <p>0330 - Prisons and corrective services</p>

Table 2A-2 Category definitions for the 2010 Review, Expenses (continued)

Category code	Definition	ABS GPC Code
710 Roads	<p>Expenses on the administration and provision of roads, highway and bridge affairs.</p> <p>More specifically, the category includes:</p> <ul style="list-style-type: none"> – road maintenance, including road pavement and shoulder maintenance; – road rehabilitation, including reinstating failed road pavements to existing standards to improve the ride quality without improving the design standard; – administration expenses on road construction affairs; and – road safety and traffic improvements, and miscellaneous road transport activities, including driver licensing, motor vehicle registration and regulation. <p>Also includes superannuation expenses.</p>	<p>1211 - Aboriginal community road transport services</p> <p>1212 - Road maintenance</p> <p>1213 - Road rehabilitation</p> <p>1214 - Road construction</p> <p>1219 - Road transport n.e.c.</p>
720 Transport services	<p>Expenses on the administration and provision of transport services. These include mainly subsidies paid to public transport providers that provide passenger transport services. Freight subsidies comprise a small proportion of expenses.</p> <p>Also includes superannuation expenses.</p> <p>Excludes expenses for transport of students which are classified to the Schools education category.</p> <p>User charges relevant to the provision of transport services are net off the expenses.</p>	<p>1221 - Aboriginal community water transport services</p> <p>1222 - Urban water transport services</p> <p>1223 - Non-urban water transport services</p> <p>1231 - Urban rail transport services</p> <p>1232 - Non-urban rail transport freight services</p> <p>1233 - Non-urban rail transport passenger services</p> <p>1241 - Aboriginal community air transport services</p> <p>1249 - Other air transport services</p> <p>1281 - Multi-mode urban transport</p> <p>1289 - Other transport n.e.c.</p>
810 Services to Industry	<p>Expenses on the administration, regulation, promotion, research and operation of various industries. These industries include:</p> <ul style="list-style-type: none"> – fuels such as natural gas, liquefied petroleum gases and refinery gases, coal, petroleum and alternative fuels; – management of agricultural land and water resources; – forestry, fishing and hunting; – mining and mineral resources; – manufacturing; – building and construction; – storage and warehousing; and – tourism and area promotion. <p>Also includes training programs such as apprenticeship schemes designed to facilitate entry into the workforce not provided by TAFE institutions.</p> <p>Also includes consumer affairs, such as licensing, sales practices, labelling of package food, price control and shop inspection.</p> <p>Also includes superannuation expenses.</p>	<p>0911 - Gas</p> <p>0919 - Fuel affairs and services n.e.c.</p> <p>0990 - Fuel and energy n.e.c.</p> <p>1010 - Agriculture</p> <p>1020 - Forestry, fishing and hunting</p> <p>1110 - Mining and mineral resources, other than fuels</p> <p>1120 - Manufacturing</p> <p>1130 - Construction</p> <p>1310 - Storage, saleyards and markets</p> <p>1320 - Tourism and area promotion</p> <p>1331 - Vocational training</p> <p>1339 - Other labour and employment affairs</p> <p>1390 - Other economic affairs n.e.c.</p>

Table 2A-2 Category definitions for the 2010 Review, Expenses (continued)

Category code	Definition	ABS Code
820 Other expenses	<p>Consists of the transactions that remain after the Commission has identified the major State services to be assessed separately. It also includes the balancing items to ensure the total operating expenses included in the Commission's assessments equal those in the ABS government finance statistics (GFS).</p> <p>More specifically, the category includes:</p> <ul style="list-style-type: none"> – State legislatures, central administrative agencies (such as treasuries) that support State service delivery agencies and supervision of local government, general research and other administrative functions; – reimbursement of GST administration expenses to the Australian Taxation Office; – administration, regulation and operation of pipelines for the transportation of petroleum and natural gas; – communication services such as postal, telephone, telegraph, cable and wireless communications and satellites; – culture and recreation services, such as libraries, public halls, support of the arts and sports and national parks; – public safety services, including emergency services, public order and fire protection; – natural disaster relief; – transitional superannuation items which ensure the financial effects of the move to accrual accounting in 1998 are recognised in the assessments. These transitional arrangements cease after 2007-08; – gross interest payments including nominal interest on equalised unfunded superannuation liabilities; and – balancing items to ensure the total expenses included in the Commission's assessments equal those in the ABS GFS. 	GFS expenses less the sum of expenses for the other operating expense categories that the Commission assessed.
850 Depreciation	Nominal expenses reflecting the loss in value of capital stock.	ETF 1231 - Depreciation of fixed assets (non-defence)

Source: ABS GFS definitions.

Table 2A-3 Category definitions for the 2010 Review, Investment and net lending

Category code	Definition	ABS Code
910 Investment	<p>Consists of expenditure on the acquisition of produced and non-produced non-replacement assets. Also includes the balancing items to ensure the total capital expenses (910 - Investment plus 920 - Net lending/borrowing) included in the Commission's assessment equal those in the ABS government finance statistics (GFS).</p> <p>Produced assets are those non-financial assets that are outputs from the processes of production.</p> <p>Non-produced assets mainly consist of land, subsoil assets, non-cultivated biological resources and water resources, patented entities, leases and other transferable contracts and purchased goodwill.</p>	<p>Produced assets:</p> <p>For type of asset classification (TAC) 1,</p> <p>ETF 222 - Expenditure on non-financial assets (net); plus</p> <p>ETF 1152 - Assets acquired below fair value; plus</p> <p>ETF 1252 - Assets donated; plus</p> <p>ETF 4101 - Assets acquired under finance leases; less</p> <p>ETF 1231 - Depreciation of fixed assets; plus</p> <p>ETF 3210 - Change in inventory.</p> <p>Non-produced assets:</p> <p>For TAC 2,</p> <p>ETF 222 - Expenditure on non-financial assets (net); plus</p> <p>ETF 1152 - Assets acquired below fair value; plus</p> <p>ETF 1252 - Assets donated.</p>
920 Net lending	<p>The financial requirement of government, calculated as the GFS net operating balance (GFS revenue minus GFS expenses) less the net acquisition of non-financial assets. A positive result reflects a net lending position and a negative result reflects a net borrowing position.</p>	

Source: ABS GFS definitions.

APPENDIX 2B TREATMENT OF COMMONWEALTH PAYMENTS IN THE 2010 REVIEW

- 1 The terms of reference asked the Commission to apply the same treatment to those payments that were directed to have no direct influence on the relativities in the 2004 Review or subsequent Updates. Table 2B-1 provides the list of payments.
- 2 Table 2B-2 provides a summary of the treatment accorded each payment in the review. Those payments where treatments are prescribed by the terms of reference are marked with an asterisk.
- 3 Tables 2B-3 to 2B-5 show payments made in 2006-07 to 2008-09 and the Commission’s decision on the treatment of each payment.
- 4 Table 2B-6 shows payments commencing in 2009-10 and 2010-11. Although these payments will affect the year in which the 2010 Review relativities will be applied, we did not backcast any of them. This is because they do not represent a major change in federal financial relations or we have insufficient information on them to make a decision on how they should be backcast. The payments will be reflected in the relativities when they appear in the data for the assessment period in future updates.

Table 2B-1 Payments quarantined by previous terms of reference

Payment name
Caring for our Country
Commonwealth funding to deliver the Northern Territory emergency response to address the Indigenous crisis in the Northern Territory
The Northern Territory’s share of the Australian Remote Indigenous Accommodation payment
The Commonwealth’s purchase of the Mersey Campus of the North West Regional Hospital from Tasmania
Payments to the States to reimburse them for revenue lost as a result of the establishment of a national scheme of companies, securities and future regulation
Roads to recovery program
Commonwealth Government payments to the sinking fund on State debt
Payments for the Victorian cytology service made under the Public Health Outcome Funding Agreements
Payments to Tasmania under the supplementary Tasmanian Regional Forestry Agreement
Payments to the Northern Territory for Royal Darwin Hospital: equipped, prepared and ready
The national Aboriginal health strategy component of the payment to the Northern Territory under the agreement for the provision of housing and infrastructure for Indigenous people in the Northern Territory

Source: Previous terms of reference for the 2004 Review and subsequent updates.

Table 2B-2 Summary of treatment of Commonwealth payments

Payment	Year of payments			Treatment
	06-07	07-08	08-09	
General revenue assistance				
GST revenue	x	x		x Pool for GST relativities
Budget balancing assistance*				x No impact on relativities
Royalties	x	x		x Mining revenue
Reduced royalties		x		x Mining revenue
GST policy decisions				x No impact on relativities
Snowy Hydro Ltd - company tax compensation	x	x		x Other revenue
ACT municipal services				x No impact on relativities
Assistance for water and sewerage	x	x		No impact on relativities
ACT National Capital influences	x	x		No impact on relativities
Health				
Specific purpose payments				
National healthcare and Healthcare grants	x	x		x Impact on relativities
Essential vaccines (service delivery)	x	x		x Impact on relativities
National public health (except for Victorian cytology service)	x	x		x Impact on relativities
Youth health services	x	x		x Impact on relativities
National partnership payments				
Health and hospital workforce reform				x Impact on relativities
Health and hospital fund				x Impact on relativities
Elective surgery waiting list incentives		x		Impact on relativities
Elective surgery waiting list reduction program				x Impact on relativities
Essential vaccines (vaccine purchase)	x	x		x No impact on relativities
Organ transplantation services - Recurrent	x	x		x No impact on relativities
Organ transplantation services - Capital	x	x		x No impact on relativities
Health infrastructure		x		x Impact on relativities
PET scanner for Westmead Hospital, Sydney	x	x		x Impact on relativities
Health services (except for Victorian cytology, Royal Darwin Hospital - prepared, equipped and ready; and Healthcare grants for Torres Strait)				x Impact on relativities
Victorian cytology services*	x	x		x No impact on relativities
Royal Darwin Hospital - prepared, equipped and ready*	x	x		x No impact on relativities
Supporting nurses back into workforce - cash bonus (incentive)				x No impact on relativities
Supporting nurses back into workforce - training payment		x		x Impact on relativities
Help public patients in hospitals waiting for nursing home places		x		Impact on relativities
Longer stay older patients in public hospitals				x Impact on relativities

Table 2B-2 Summary of treatment of Commonwealth payments (continued)

Payment	Year of payments			Treatment
	06-07	07-08	08-09	
Health (continued)				
Repatriation general hospitals	x	x	x	No impact on relativities
Health program grants	x			Impact on relativities
Organ and tissue donation		x		Impact on relativities
Highly specialised drugs	x	x	x	No impact on relativities
Education				
Specific purpose payments				
National schools - Government				x Impact on relativities
National schools - Non-government				x No impact on relativities
School grants (was called Government schools)	x	x	x	Impact on relativities
School grants (was called Non-government schools)	x	x	x	No impact on relativities
Targeted programs - Government schools	x	x	x	Impact on relativities
Targeted programs - Non-government schools	x	x	x	No impact on relativities
Indigenous education strategic initiatives program - government	x	x	x	Impact on relativities
National partnership payments				
Building the education revolution				x Impact - Government; No impact - Non-government
Digital education revolution				x Impact - Government; No impact - Non-government
National secondary schools computer fund		x		Impact - Government; No impact - Non-government
Early childhood education				x Impact on relativities
Improving teacher quality				x Impact on relativities
Indigenous early childhood development				x Impact on relativities
Literacy and numeracy				x Impact - Government; No impact - Non-government
Low socio-economic status school communities				x Impact on relativities
Schools security program				x No impact on relativities
Trade training centres in schools				x Impact - Government; No impact - Non-government
Australian technical colleges	x	x		Impact - Government; No impact - Non-government
Indigenous education strategic initiatives program - non-government	x			No impact on relativities
Relocation of Amberley State school, Queensland			x	No impact on relativities

Table 2B-2 Summary of treatment of Commonwealth payments (continued)

Payment	Year of payments			Treatment
	06-07	07-08	08-09	
<i>National skills and workforce development</i>				
Specific purpose payments				
National skills and workforce development				x Impact on relativities
Skilling Australia's workforce	x	x		x Impact on relativities
National partnership payments				
TAFE fee waivers for childhood qualifications				x No impact on relativities
Productivity places program				x Impact on relativities
<i>Community services</i>				
Specific purpose payments				
National disability services				x Impact on relativities
Disability services	x	x		x Impact on relativities
Young people with disabilities	x	x		x Impact on relativities
National partnership payments				
Aged care assessment	x	x		x Impact on relativities
Certain concessions for pensioner and senior card holders				x Impact on relativities
Extension of fringe benefits	x	x		Impact on relativities
Home and community care	x	x		x Impact on relativities
Home and community care - services for veterans				x No impact on relativities
National reciprocal transport concessions				x Impact on relativities
Unaccompanied humanitarian minors	x	x		x No impact on relativities
National action plan to build on social cohesion, harmony and security	x	x		x No impact on relativities
Children's services	x	x		x No impact on relativities
Family violence partnerships			x	x Impact on relativities
<i>Affordable housing</i>				
Specific purpose payments				
National affordable housing				x Impact on relativities
Commonwealth–State housing agreement	x	x		x Impact on relativities
Community housing	x	x		x Impact on relativities
Crisis accommodation assistance	x	x		x Impact on relativities
Housing assistance for Indigenous people	x	x		x Impact on relativities
Supported accommodation assistance	x	x		x Impact on relativities
National partnership payments				
Remote Indigenous housing				x No impact on relativities
Social housing				x Impact on relativities
Homelessness				x Impact on relativities
Nation building and jobs plan - Invest in social housing				x Impact on relativities
First home owners boost				x No impact on relativities
Social housing subsidy program	x	x		x Impact on relativities

Table 2B-2 Summary of treatment of Commonwealth payments (continued)

Payment	Year of payments			Treatment
	06-07	07-08	08-09	
Infrastructure				
National partnership payments				
Nation building program (former Auslink)	x	x	x	Impact - Maintenance and construction of National network roads (NNRs) and off-NNRs and Rail; No impact - Local roads; and Roads to recovery*
Nation building plan for the future			x	Impact on relativities
Kings Highway upgrade			x	No impact on relativities
Regional and local community infrastructure (was Community infrastructure program and Community infrastructure program - strategic)			x	No impact on relativities
East Kimberley development package			x	No impact - Payments for environment health measures, teacher training facilities and aged care; Impact - Other payments
Interstate road transport	x	x	x	Motor taxes revenue
Local community sporting infrastructure			x	No impact on relativities
Supplementary funding to SA councils for local roads	x	x	x	No impact on relativities
Nation building program - local government			x	No impact on relativities
Petroleum products freight subsidy scheme	x			No impact on relativities
Environment				
National partnership payments				
Caring for our Country*			x	No impact on relativities
Natural Heritage Trust of Australia - Coastcare*	x	x		No impact on relativities
Natural Heritage Trust of Australia - Rivercare*	x	x		No impact on relativities
Natural Heritage Trust of Australia - Bushcare*	x	x		No impact on relativities
Natural Heritage Trust of Australia - Landcare*	x	x		No impact on relativities
National landcare program*	x	x		No impact on relativities
National action plan for salinity and water quality*	x	x		No impact on relativities
Eradication of red imported fire ant	x	x	x	No impact on relativities
Exotic diseases eradication	x	x	x	No impact on relativities
Plant disease and eradication	x	x	x	Impact on relativities
Great Artesian Basin initiative	x	x	x	Impact on relativities
Renewable remote power generation	x	x	x	Impact on relativities
Living Murray (was called National Water initiative - Living Murray)	x	x	x	Impact on relativities
Water for the future			x	Impact on relativities
Improving water information		x		No impact on relativities

Table 2B-2 Summary of treatment of Commonwealth payments (continued)

Payment	Year of payments			Treatment
	06-07	07-08	08-09	
<i>Environment (continued)</i>				
Transfer of Commonwealth land to Victoria - Point Nepean			x	No impact on relativities
Photovoltaic rebate program	x	x		No impact on relativities
Regional assistance	x	x		Impact on relativities
Tasmanian forests package*	x	x		No impact on relativities
Agriculture - Advancing Australia - FarmBis	x	x		Impact on relativities
Tasmanian water infrastructure		x		No impact on relativities
<i>Contingencies</i>				
National partnership payments				
Exceptional circumstances assistance	x	x	x	No impact on relativities
Equine influenza emergency response		x	x	No impact on relativities
Hepatitis C settlement fund	x	x	x	No impact on relativities
Natural disaster relief	x	x	x	No impact on relativities
<i>Other State services</i>				
National partnership payments				
Bushfire mitigation program	x	x	x	No impact on relativities
Natural disaster mitigation package	x	x	x	No impact on relativities
Legal aid	x	x	x	No impact on relativities
Standard business reporting program		x	x	No impact on relativities
Film and literature classifications	x	x	x	No impact on relativities
Seamless national economy			x	No impact on relativities
CrimTrac reference system	x	x	x	No impact on relativities
Improving policing in very remote areas	x	x	x	Impact on relativities
North East Tasmania micro capital scheme			x	Impact on relativities
Sydney Cricket Ground - new grandstand		x	x	No impact on relativities
Strengthening Tasmania	x	x	x	No impact on relativities
Sinking fund on State debt*	x	x	x	No impact on relativities
Compensation - companies regulation*	x	x		No impact on relativities
<i>Local government - Financial assistance grants</i>				
National partnership payments				
Local government general purpose assistance	x	x	x	No impact on relativities
Untied local road grants	x	x	x	No impact on relativities

Table 2B-2 Summary of treatment of Commonwealth payments (continued)

Payment	Year of payments			Treatment
	06-07	07-08	08-09	
<i>Commonwealth own-purpose expenses</i>				
Payments to States for Indigenous purposes				
- Health	x	x	x	Impact on relativities
- Family violence partnerships	x	x	x	Impact on relativities
- Others	x	x	x	No impact on relativities
Payments to States and non-government organisations for Indigenous purposes				
- Community housing and infrastructure program (CHIP)	x	x		Impact on relativities except for National Aboriginal Health Strategy
Payments to States for emergency services	x	x	x	Impact on relativities
Payments to States for Australian technical colleges				x Impact - Government; No impact - Non-government
Commonwealth expenses on Mersey Hospital, Tasmania*			x	x No impact on relativities
Payments to States for Northern Territory Emergency Response*			x	x No impact on relativities

* Treatment prescribed by the terms of reference.

Source: Commonwealth of Australia *Final Budget Outcome* and information collected from other Commonwealth agencies.

Table 2B-3 General revenue assistance

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
General revenue assistance (GRA)							
	GST revenue			2006-07 and 2008-09	GST revenue	GST revenue	
Budget balancing assistance	Assistance to the States during the transitional period (expired 30 June 2009) if a State's share of GST payments in a financial year is less than its minimum guaranteed amount for that year.			2008-09	Not applicable	No impact on relativities	Required by terms of reference.
ACT municipal services	Payments to compensate the ACT for the effects of national capital influences on the costs of providing municipal type services.	Payment to ACT only.		2006-07 and 2008-09	Out of scope	No impact on relativities	For a unique State policy or above average effort.
Royalties	Includes the transfer of two-thirds of Commonwealth Government's petroleum royalties from North Shelf Project to Western Australia; and payment to the Northern Territory in lieu of uranium royalties.			2006-07 and 2008-09	Mining revenue	Mining revenue and assessed APC	
Reduced royalties (was called Compensation - crude oil excise condensate)	Payment to Western Australia for the loss of shared Offshore Petroleum Royalty revenue resulting from imposing the Crude Oil Excise on condensate. This arises because Crude Oil Excise payments are a deductible expense for calculating the Offshore Petroleum Royalty.		An initial payment of \$80 million was paid to Western Australia in 2007-08, with payments in subsequent years adjusted to equal the impact of removing the condensate.	2007-08 and 2008-09	Mining revenue	Mining revenue and assessed APC	

Table 2B-3 General revenue assistance (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
General revenue assistance (GRA) (continued)							
GST deferral (now GST policy decisions)	To compensate the States for the deferral of GST collections that may occur when organisations move to annual lodgement. This ensures that the full financial impact of the Commonwealth's decision is borne by the Commonwealth and not the States.			2008-09	Exclusion	No impact on relativities	Ceasing payment and relates only to timing of GST payments.
Snowy Hydro Ltd — company tax compensation	To compensate Victoria and New South Wales for company tax payments by Snowy Hydro Ltd. Snowy Hydro is jointly owned by the Commonwealth, New South Wales and Victorian Governments.			2006-07 and 2008-09	Contributions by trading enterprises – dividend equivalent payment	Other revenue and assessed EPC	

Source: Commonwealth of Australia *Final Budget Outcomes*.

Table 2B-4 Other payments

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Healthcare SPP – this SPP commenced in July 2009. It incorporates the following payments made in earlier years.							
Healthcare grants	Funding under the Australian Health Care Agreements which assists the provision of public hospital services free of charge to eligible persons.	Distributed on an annual basis to the States and Territories in accordance with the Agreements, subject to a determination by Minister for Health and Aged Care.	States are required to maintain a level of public patient services.	2006-07 and 2008-09	Inclusion	Impact on relativities	
National public health — excluding Victorian Cytology service	To provide subsidies for health promotion and disease prevention. It includes: Public Health Outcome Funding Agreements (PHOFAs), Council of Australian Governments (COAG) Diversion Initiative, the Non-government Treatment Grants (NSW only), Hepatitis C Education and Prevention Budget Initiative and COAG Illicit Drug Diversion Package.	PHOFAs — based on a resource allocation formula, COAG Diversion and Illicit Drugs, Hepatitis C are based on weighted predicted population estimates each year.	.	2006-07 and 2008-09	Inclusion	Impact on relativities	
Youth health services	To fund community based organisations to enable them to develop and implement innovative primary health care services for homeless and at-risk youth.	Based on State population distributions with ACT and NT receiving a minimum percentage of the overall funding.	States match funding on a dollar for dollar basis.	2006-07 and 2008-09	Inclusion	Impact on relativities	
Essential vaccines (service delivery)	Funding for the delivery of vaccines under the national immunisation program. Only the service delivery component of this program is included in the National Healthcare SPP.			2006-07 and 2008-09	Inclusion	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for healthcare							
Health and hospital workforce reform	To improve the efficiency of public hospital services, enhance health workforce capability and supply, increase the volume and quality of sub-acute care services, and improve the operations of emergency departments.		States contribute to the Workforce enablers components.	2008-09	Not applicable	Impact on relativities	
Health and hospital fund	To support infrastructure for three reform priorities: expand and modernise key public hospitals; deliver national consistent cancer services; and invest in translational medical research.			2008-09	Not applicable	Impact on relativities	
Elective surgery waiting list reduction program and incentives	To reduce waiting lists for surgery in public hospitals. Includes funding for the construction of additional operating theatres and the purchase of new surgical equipment to improve long-term elective surgery performance. Funding is also available as performance rewards for those States which reduce elective surgery waiting times and increase surgery throughput.	No reward payments were made in 2007-08 and 2008-09.		2007-08 and 2008-09	Inclusion	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for healthcare (continued)							
Essential vaccines (vaccine purchase)	Funding for essential vaccines for immunisation under the National Vaccine Schedule. Paid as a National Partnership payment until the Commonwealth enters into centralised purchasing arrangements for individual vaccines.			2006-07 and 2008-09	Inclusion	No impact on relativities	Purchase by Commonwealth Government.
Health infrastructure	Funding for health infrastructure projects. Includes: Tasmanian health package; Tasmanian health package — PET scanner for the Royal Hobart Hospital; PET scanner for Calvary Mater Hospital, Newcastle; PET scanner for Westmead Hospital, Sydney; Olivia Newton-John Cancer Centre, Melbourne; Children's cancer centre, Adelaide; Lismore integrated cancer centre; Cairns Base Hospital chemotherapy cancer initiative; Cairns integrated cancer centre; Health infrastructure projects in Tasmania; and Health infrastructure grants for Victoria, New South Wales and Queensland.			2006-07 and 2008-09	Not applicable except for PET scanner for Westmead Hospital, Sydney — Inclusion	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for healthcare (continued)							
Organ transplantation services	To reimburse New South Wales and South Australia for 40 per cent of the cost of certain transplantation-related services conducted by the Australian Red Cross Blood Service. The Commonwealth will meet its future payment commitments to States by providing a single payment in 2008-09 and ceasing future payments.	Payment to New South Wales and South Australia only.		2006-07 and 2008-09	Inclusion — Recurrent; Out of scope — Capital	Recurrent and capital — No impact on relativities	Payment to a third party — States act as an intermediary and the payment does not reduce or increase State needs.
Repatriation general hospitals	Funding for a non-treatment nature such as accrued leave credits, income maintenance, superannuation differential etc in accordance with agreements reached on integration of repatriation general hospitals. The Commonwealth will meet its future payment commitments to States by providing a single payment in 2008-09 and ceasing future payments.	Payments to New South Wales, Victoria, South Australia and Tasmania only.		2006-07 and 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
Health program grants	To provide alternative funding to Medicare benefits, with the aim of improving access to approved health services and/or where fee for service is inappropriate, by reimbursing service costs to State government organisations for two types of services: pathology and medical/general practitioner services.	Organisations are funded at the discretion of the Minister (or delegate). Payments are made to give effect to specific health policy objectives and on the basis of how many services are provided.		2006-07	Exclusion	Impact on relativities	Change from exclusion to 'impact on relativities' to reflect the Community and other health assessment.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
Existing payments for healthcare not listed in <i>Budget Paper 3, 2009-2010</i>							
Organ and tissue donation	To fund initiatives that will assist improving rates of organ and tissue donation in Australia.	Payment based on agreed deliverables under the National Clinical Taskforce for Organ and Tissue donation.		2007-08	Inclusion	Impact on relativities	
Highly specialised drugs	To provide access to certain drugs under the Pharmaceutical Benefits Scheme which must be supplied through hospitals to outpatients, because of special need in clinical administration or monitoring.	The Commonwealth Government funds all use of highly specialised drugs by hospital outpatients.		2006-07 and 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
National schools SPP – this SPP commenced in January 2009. It incorporates the following payments made in earlier years.							
National Schools	Funding to support schools.			2008-09	Not applicable	Government – Impact on relativities Non-government – No impact on relativities	Non-government Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
School Grants Government (was called Government schools)	Recurrent grants — for staff salaries, teacher profession development, curriculum development and general operation provisions. Capital grants — for the provision, maintenance and upgrading of school facilities.	Recurrent grants — per student basis and adjusted for movements in average government school operating costs. Capital grants — based on total school enrolments.	Recurrent — No matching conditions; Capital — 50% for facilities for existing students.	2006-07 and 2008-09	Inclusion	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National schools SPP (continued)							
Indigenous education strategic initiatives — government	Funding to State education providers in the pre-school, school and vocational education and training sectors, as well as project based funding aimed at improving Indigenous education outcomes.			2006-07 and 2008-09	Inclusion	Impact on relativities	
Targeted programs — government	Funding to government schools for the improvement of literacy, numeracy and educational outcomes for educationally disadvantaged students, to promote the study of other languages, and to assist in the transition from school to work.			2006-07 and 2008-09	Inclusion	Impact on relativities	
School grants Non-government (was called non-government schools)	Funding to non-government schools through per capita general recurrent grants and capital grants as well as hostels for rural students.	Recurrent grants — number of eligible students enrolled in non-government schools. Capital grants — according to a schedule approved by the Minister each year.	Capital – 50% of funds allocated in a triennium for existing school students.	2006-07 and 2008-09	Inclusion (no impact on relativities because both revenue and expenses were assessed APC)	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Targeted Non-government programs —	Funding to non-government schools for the improvement of literacy, numeracy and educational outcomes for educationally disadvantaged students, to promote the study of other languages, and to assist in the transition from school to work.		No input conditions. Funds may be used at the discretion of the education authority.	2006-07 and 2008-09	Inclusion (no impact on relativities because both revenue and expenses were assessed APC)	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for schools							
Building the education revolution (part of Nation Building and Jobs Plan)	To improve capital infrastructure for the benefit of schools and their local communities in Australia. This measure is part of the Nation Building and Jobs Plan announced by the Government in February 2009. It includes Primary Schools for the 21st Century; Science and Language Centres for 21st Century Secondary Schools; and National School Pride program.	Primary Schools for the 21st Century — enrolment numbers; Science and Language Centres for 21st Century Secondary Schools — secondary schools submit a priority list of projects to the Commonwealth for approval; National School Pride program — enrolment numbers.		2008-09	Not applicable	Government – Impact on relativities Non-government – No impact on relativities	Non-government Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Digital Education Revolution (includes National secondary schools computer fund)	A National Secondary School Computer Fund has been established to provide grants of up to \$1 million to eligible secondary schools to assist them in providing new or upgraded information and communication technology to students in Years 9 to 12.			2007-08 and 2008-09	Not applicable	Government – Impact on relativities Non-government – No impact on relativities	Non-government Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for schools (continued)							
Early childhood education	Funding with the objective that all children have access to affordable, quality early childhood education in the year before formal schooling, with a focus on Indigenous communities. This program is delivered by four-year university qualified early childhood teachers for 15 hours a week, 40 weeks a year.			2008-09	Not applicable	Impact on relativities	
Improving teacher quality	To attract, train, place, develop and retain quality teachers and leaders in schools. These reforms provide a platform for raising student performance and support other school reforms targeting low socio- economic status school communities and literacy and numeracy outcomes.			2008-09	Not applicable	Government and Non-government – Impact on relativities	
Indigenous early childhood development — education – child and family centres	Funding to reduce the gap in development between Indigenous and non-Indigenous children by improving access to early childhood education.			2008-09	Not applicable	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for schools (continued)							
Literacy and numeracy	Funding to improve literacy and numeracy, with a priority focus on primary-aged students at risk of falling behind, including Indigenous students. The reforms contribute to literacy and numeracy outcomes identified in the National Education Agreement and the COAG target to halve the gap for Indigenous students in reading, writing and numeracy within a decade.			2008-09	Not applicable	Government – Impact on relativities Non-government – No impact on relativities	Non-government Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Low socio-economic status school communities	Funding to improve education outcomes in low socio-economic status (SES) communities. The National Partnership contributes to COAG's social inclusion and Indigenous disadvantage agendas through the identification of reforms and models of service delivery that achieve improved educational outcomes for low SES school communities.			2008-09	Not applicable	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for schools (continued)							
School security program	To assist at-risk religious, ethnic and secular schools meet their particular security needs.			2008-09	Not applicable	No impact on relativities	Payment relates to State expenses where needs could not be assessed.
Trade training centres in Schools	For the provision of facilities to enhance vocational education opportunities for students in years 9 to 12 in every government and non-government secondary school.			2008-09	Not applicable	Government – Impact on relativities Non-government – No impact on relativities	Non-government Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Existing payments for schools not listed in <i>Budget Paper 3, 2009-2010</i>							
Australian technical colleges	To establish 24 Australian technical colleges. Students in these colleges will combine academic courses leading to a Year 12 certificate with a School-based New Apprenticeship in a trade, leading to a nationally endorsed training package qualification. Commonwealth own-purpose expense from 2008-09.	Most of this funding is classified as Commonwealth own purpose expenses and paid to private consortia. It is expected that the States will provide recurrent funding to each college at current per-student rates.		2006-07 and 2007-08	Inclusion — payment to Government colleges. Out of scope — payment to Non-government colleges.	Government – Impact on relativities Non-government – No impact on relativities	Non-government Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
Existing payments for schools not listed in <i>Budget Paper 3, 2009-2010</i> (continued)							
Indigenous education strategic initiatives program — Non-government	Funding to non-government education providers aimed at improving Indigenous education outcomes.			2006-07	Out of scope	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Relocation of Amberley State school	To relocate and rebuild the Amberley State School at no expense to Defence, the State or the school. It was necessitated by the expansion and upgrading of the RAAF base, which would have resulted in the school falling within the area.	Payment to Queensland only.		2007-08	Out of scope	No impact on relativities	Purchase of services by Commonwealth Government.
National skills and workforce development SPPs – this SPP commenced in January 2009. It incorporates the following payments made in earlier years.							
National skills and workforce development SPP	To work towards increasing the skill levels of all Australians, including Indigenous Australians.			2008-09	Not applicable	Impact on relativities	
Skilling Australia's Workforce	To provide a nationally identifiable and consistent vocational education and training system. Funds are paid to the Australian National Training Authority (ANTA) for allocation to the States.	Population share (mix of historical and current).		2006-07 and 2008-09	Inclusion	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for national skills and workforce development (continued)							
TAFE fee waivers for childcare qualifications	To remove fees for the diploma and advanced diploma of children's services courses delivered at TAFE institutions, or other government VET providers. This agreement will assist in meeting the objectives of agreement on Early Childhood Education, agreed by COAG on 29 November 2008.	The Agreement applies to student activity of the 2009 calendar year only. A longer term arrangement will be negotiated by the parties to this agreement in 2010.		2008-09	Not applicable	No impact on relativities	Purchase of services by Commonwealth Government.
Productivity places program	To reduce skills shortages and increase the productivity of industry and enterprises. It is part of the Skilling Australia for the Future initiative.	The Commonwealth provides data to Skills Australia to assist in identifying industries, occupations and regions with skill shortages.	50/40/10 cost sharing across the Commonwealth, States and private sources.	2008-09	Not applicable	Impact on relativities	
Community Services – National disability SPP – this SPP commenced in January 2009. It incorporates the following payments made in earlier years.							
National disability SPP	To support State community services.	At its meeting of 29 November 2008, COAG agreed to a one-off payment of \$70 million to the States in 2008-09, and to roll the Disabilities Assistance Package into the base National Disability SPP.		2008-09	Not applicable	Impact on relativities	
Young people with disabilities	To reduce the numbers of younger people with a disability in residential aged care, with priority given to people aged less than 50 years.	The States will contribute up to \$122 million over the 5 years on an annual basis.		2006-07 and 2008-09	Inclusion	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
Community Services – National disability SPP (continued)							
Disability services	To assist in the provision of accommodation support and other services for people with disabilities.	Based on historical arrangements during the first agreement (1991-92 to 1996-97).	Additional funding based on population shares.	2006-07 and 2008-09	Inclusion	Impact on relativities	
National Partnership Payments for community services							
Aged care assessment	To enable Aged Care Assessment Teams to comprehensively assess the care needs of frail older people and to establish their eligibility for appropriate residential aged care, transitional care and community care services.	Needs-adjusted, population-based approach.		2006-07 and 2008-09	Inclusion	Impact on relativities	
Certain concessions for pensioner and seniors card holders	To contribute towards the cost of certain concessions for pensioners. It includes the Extension of Fringe Benefits.			2008-09	Not applicable	Impact on relativities	
Home and community care	For the provision of appropriate community care services to help frail aged people and people with a disability live independently in their homes as long as possible.	Equal per capita across target population.	States match the funding at a required matching ratio.	2006-07 and 2008-09	Inclusion	Impact on relativities	
Home and Community Care — services for veterans	To support Home and Community Care program provision of community care services to veterans.			2008-09	Not applicable	No impact on relativities	Purchase of services by Commonwealth Government.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for community services (continued)							
National reciprocal transport concessions	To enable Seniors Card holders to access public transport concessions when they travel outside their home State.			2008-09	Not applicable	Impact on relativities	
Unaccompanied humanitarian minors	To assist humanitarian minors without parents in Australia and families providing their care through early intervention, counselling and assistance by State welfare agencies.	Number of refugee minors receiving supervision and care in each location.		2006-07 and 2008-09	Exclusion	No impact on relativities	Payment relates to State expenses where needs could not be assessed.
National action plan to build on social cohesion, harmony, and security	Contribution to partnership projects with State governments aimed at further integrating the Muslim community into broader Australian society.	Funding is distributed according to an assessment of State proposals, and after Minister for Immigration and Citizenship approvals.	Not applicable	2006-07 and 2008-09	Inclusion	No impact on relativities	Payment relates to State expenses where needs could not be assessed.
Children's Services	To contribute to the cost of establishing additional new child care places.	Distributed by demand and/or historical costs.	Not applicable	2006-07 and 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
Existing community services payments not in Budget Paper 3, 2009-2010							
Family violence partnership	To assist the States to jointly fund projects designed to reduce and prevent the incidence of family violence in Indigenous communities. This was Commonwealth own-purpose expense prior to 2007-08.	On merit basis.		2007-08 and 2008-09	Inclusion	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National affordable housing SPP – this SPP commenced in January 2009. It incorporates the following payments made in earlier years.							
National affordable housing SPP	Funding to support State services in the housing sector, including social housing, assistance to people in the private rental market, support and accommodation for people who are homeless or at risk of homelessness, and home purchase assistance.			2008-09	Not applicable	Impact on relativities	
Commonwealth-State housing agreement (CSHA) — base funding	For the provision of public rental housing for low to moderate income households. It includes housing assistance such as public and community housing, home purchase assistance and private rental assistance.	Base funding is distributed across States on a modified per capita basis.	States contribute 48.95% of their share of base funding.	2006-07 and 2008-09	Inclusion	Impact on relativities	
Community Housing	To develop community housing which provides appropriate and affordable rental accommodation for low to moderate income earners. States use the funding to subsidise non-government organisations in providing low cost accommodation.	Per capita basis.	State matching funds are determined as a set proportion of CSHA Base Funding.	2006-07 and 2008-09	Inclusion	Impact on relativities	
Crisis Accommodation Assistance	Funding under the CSHA for the purchase, construction, renovation, maintenance and lease of dwellings to provide accommodation for use under the Supported Accommodation Assistance Program.	Per capita basis.	State matching funds are determined as a set proportion of CSHA Base Funding.	2006-07 and 2008-09	Inclusion	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National affordable housing SPPs (continued)							
Housing Assistance for Indigenous people	To assist Indigenous people with low to moderate incomes to access affordable, appropriate and secure rental accommodation, including public and community-owned rental housing. States can use the grants for construction, upgrades, maintenance and other related housing functions.	Based on Indigenous housing needs.	State matching funds are determined as a set proportion of CSHA Base Funding.	2006-07 and 2008-09	Inclusion	Impact on relativities	
Supported accommodation assistance	To assist people who are homeless and in crisis. Services are provided by community organisations and local governments under contracts to State government welfare departments.	Historical basis.	Commonwealth Government (51%) and State (49%).	2006-07 and 2008-09	Inclusion	Impact on relativities	
National Partnership Payments for affordable housing							
Remote Indigenous Housing and Australian Remote Indigenous Accommodation	To facilitate significant reform in the provision of housing for Indigenous people in remote communities and to address overcrowding, homelessness, poor housing conditions and severe housing shortages in remote Indigenous communities.			2008-09	Not applicable	No impact on relativities	Purchase of services by Commonwealth Government.
Social Housing	To establish a Social Housing Growth Fund which will provide capital funding to support a range of projects to increase the supply of social housing and enable more disadvantaged households to access safe and secure housing that meets their needs.		On a per capita basis, subject to each State submitting suitable proposals.	2008-09	Not applicable	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for affordable housing (continued)							
Homelessness	To support homelessness initiatives consistent with the priorities identified in the Commonwealth Government's <i>White Paper on Homelessness: The Road Home</i> , with a focus on prevention, early intervention and breaking the cycle of homelessness through a better connected service system.			2008-09	Not applicable	Impact on relativities	
Nation Building and Jobs Plan — Invest in social housing	To invest in additional public and community housing to meet priority social housing needs, including reducing homelessness. This includes \$200 million in 2009-10 for repairs to existing public housing stock.			2008-09	Not applicable	Impact on relativities	
First Home Owners Boost	As part of the Economic Security Strategy, to stimulate housing activity, support the construction industry and assist first homebuyers to enter the housing market.			2008-09	Not applicable	No impact on relativities	Purchase of services by Commonwealth Government.
Social Housing Subsidy Program	To subsidise New South Wales for its recurrent costs of financing rental accommodation in the private and non government sectors for low to moderate income earners. The Commonwealth will meet its future payment commitments by providing a single payment in 2009-10 and ceasing future annual payments.		Requirement to match the Commonwealth Government funding dollar for dollar.	2006-07 and 2008-09	Inclusion	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for infrastructure							
Nation building program (formerly Auslink)	To assist national and regional economic and social development by the provision of funding aimed at improving the performance of land and rail infrastructure.			2006-07 and 2008-09	Roads including National Network Roads (NNRs) – Inclusion; Local roads and rail – Exclusion	<p>Maintenance of NNRs and off-NNRs – Impact (needs assessed in Roads);</p> <p>Construction of NNRs – Impact (needs assessed in Investment - half assessed using payment distribution and half assessed same as other road investments);</p> <p>Rail – Impact (increase State net financial worth);</p> <p>Local roads – No impact;</p> <p>Roads to recovery – No impact.</p>	<p>Local roads – Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.</p> <p>Roads to recovery – required by terms of reference.</p>

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for infrastructure (continued)							
Nation building plan for the future (Building Australia Fund)	Funding for nationally significant transport infrastructure investment that will provide the building blocks for Australia's long term economic, environmental and social prosperity. Regional areas will benefit from improved freight supply chains and export infrastructure, better connections between major towns and cities, and improved telecommunications.			2008-09	Not applicable	Construction of NNRs – Impact (needs assessed in Investment – half assessed using payment distribution and half assessed same as other road investments); Rail – Impact (increase State net financial worth); Other projects – Impact	
Kings Highway upgrade	Funding for upgrading the Kings Highway between Queanbeyan and Bungendore, New South Wales.	Payments for New South Wales and the ACT.		2008-09	Not applicable	No impact on relativities	Purchase of services by Commonwealth Government.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for infrastructure (continued)							
Regional and Local Community Infrastructure (was Community infrastructure program and Community infrastructure program — strategic)	The Commonwealth Government is consulting with councils to determine options for assisting the rebuilding effort in their communities after a major disaster. The program supports major investments in a range of regional and local community infrastructure projects and takes a strategic approach in responding to local priorities and needs.	A methodology which includes relative need, population and growth.		2008-09	Not applicable	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
East Kimberley development package	Funding to State Government, local governments and not-for-profit organisations to support economic development in the East Kimberley region through investment in social and common use infrastructure.	Payment for Western Australia only. Conditional on a joint assessment with the Western Australian Government of most effective infrastructure investments.	States match Commonwealth contribution.	2008-09	Not applicable	Payments for environment health measures, teacher training facilities and aged care – No impact on relativities Other payments – Impact on relativities	Payments for environment health measures, teacher training facilities and aged care – payments for Commonwealth or local government functions.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for infrastructure (continued)							
Interstate road transport	Payments of funds received through the Federal Interstate Registration Scheme that provides an alternative to State registration for vehicles engaged in interstate trade. The intention is to provide funds for the maintenance and upkeep of roads used by these vehicles.	Based on road use from ABS surveys, with the exception that under a Ministerial agreement of 1986, Australian Capital Territory, Tasmania and the Northern Territory receive a fixed 0.5% of funds collected for expenditure on road maintenance.	Not applicable	2006-07 and 2008-09	Motor tax revenue	Assessed as motor tax revenue	
Local community sporting infrastructure	Payments to New South Wales for local community sporting infrastructure.	Payment to New South Wales only.		2008-09	Not applicable	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Supplementary funding to SA councils for local roads	Supplementary funding to South Australia to address the State's current disadvantage under the current distribution of the untied local roads grants.	Payment to South Australia only.		2006-07 and 2008-09	Out of scope	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for infrastructure (continued)							
Nation Building program – local government	Payment to the prosperity of the economy and the wellbeing of all Australians by assisting local governments to manage their own futures, including providing essential services and developing effective planning initiatives.			2008-09	Not applicable	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Existing infrastructure payments not in <i>Budget Paper 3, 2009-2010</i>							
Petroleum Products Freight Subsidy Scheme	Payments to the States and the Northern Territory to enable them to subsidise the cost of transporting eligible petroleum products to remote areas of Australia.	AusIndustry approved claims from registered distributors. States made the payments and reimbursed by Commonwealth Government.		2006-07	Out of scope	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
National Partnership Payments for environment							
Caring for our Country	To integrate delivery of the previous natural resource management programs: the Natural Heritage Trust; the National Action Plan for Salinity and Water Quality; the National Landcare Program; the Environmental Stewardship Program; and the Working on Country Indigenous land and environmental program.	Payment to regional bodies through the States on a project basis.		2006-07 and 2008-09	Out of scope	No impact on relativities	Required by terms of reference.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for environment (continued)							
Eradication of Red Imported Fire Ant	Funding for the eradication of red imported fire ant from Queensland.	Payment to Queensland only.	States match dollar for dollar.	2006-07 and 2008-09	Exclusion	No impact on relativities	Payment relates to State expenses where needs could not be assessed.
Exotic Disease Preparedness	To support investigations of wildlife species in the maintenance and spread of emerging animal diseases and incursions of major exotic diseases.	On a project basis.	States match dollar for dollar.	2006-07 and 2008-09	Exclusion	No impact on relativities	Payment relates to State expenses where needs could not be assessed.
Plant Disease and Eradication	To assess plant health emergencies and development and implementation of appropriate response plans to mitigate impacts and eradication.		States match dollar for dollar.	2006-07 and 2008-09	Inclusion	Impact on relativities	
Great Artesian Basin Sustainability Initiative	To assist with the implementation of Great Artesian Basin Management Plan. Grants are made to States and Territories to assist bore rehabilitation. Supplementary incentives are also being made available for the replacement of open drains with piping.	Initial distribution of funds was determined for each Management Zones defined by hydro-geologic, bio-physical and industry characteristics. The available funds were partitioned up to each zone in proportion to the results of the need analysis.		2006-07 and 2008-09	Exclusion	Impact on relativities	
Renewable Remote Power Generation	To provide a rebate to the States for the installation of renewable energy generation technologies in areas of Australia currently reliant on diesel for electricity generation.	Based on Diesel Fuel Excise paid by the States for 'off-grid public generation'.	States to maintain their existing commitment for renewable energy.	2006-07 and 2008-09	Out of scope	Impact on relativities	

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership Payments for environment (continued)							
The Living Murray (was National Water Initiative — Living Murray)	To implement a package of water recovery and water use efficiency activities to address water over-allocation in the Murray Darling Basin and improve the health of the Murray Darling system	A partnership of the Australian, New South Wales, Victorian, South Australian and ACT Governments.		2006-07 and 2008-09	Inclusion	Impact on relativities	
Water for the Future	To support the sustainable rural water use and infrastructure program. In July 2008 the Commonwealth and State governments finalised the Agreement on Murray-Darling Basin Reform to secure a sustainable future for the Murray-Darling Basin. The Commonwealth has agreed in-principle to fund significant State-based water infrastructure.			2008-09	Not applicable	Impact on relativities	
Transfer of Commonwealth land to Victoria – Point Nepean	Payment as part of the transfer of the ownership of the Quarantine Station at Point Nepean from the Commonwealth to the Victorian Government - for ongoing management of the Station.	Payment to Victoria only.		2008-09	Not applicable	No impact on relativities	Payment relates to State expenses where needs could not be assessed.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
Existing payments for environment not listed in <i>Budget Paper 3, 2009-2010</i>							
Photovoltaic rebate program (PVRP)	To provide rebates to households and community groups who install photovoltaic equipment to make electricity from sunlight for domestic use.	Distribution of funds is based on draw-downs. The PVRP offers equitable access to consumers.		2006-07 and 2007-08	Out of scope	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Improving water information	Funding to the Bureau of Meteorology to improve the detail and scope of nationally available water information, which will allow the Bureau to forecast, analyse and publicly report on water resources. Some of this information is sourced from State agencies.	Not applicable.	Not applicable	2007-08	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
Regional assistance	To provide support to farm business enterprises to improve farm productivity, profitability and sustainability.		Per agreement between State and Commonwealth Governments	2006-07 and 2007-08	Inclusion	Impact on relativities	
Tasmanian forest package	To fund additional plantation establishment and productivity improvements to existing plantations and native forests, with the aim of ensuring long-term supply of sawlogs and veneer logs.	Payment to Tasmania only.		2006-07 and 2007-08	Out of scope	No impact on relativities	Required by terms of reference.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
Existing payments for environment not listed in <i>Budget Paper 3, 2009-2010</i> (continued)							
Agriculture advancing Australia — FarmBis	Financial assistance to primary producers and rural land managers to undertake business and natural resource management education and training activities.		The States match Commonwealth Government funding.	2006-07 and 2007-08	Inclusion	Impact on relativities	
Tasmanian water infrastructure	Payment to Tasmania for the construction of the Warner Creek Dam and the Northern Midlands Water Project. These projects aim to provide reliable sources of irrigation water in their respective regions.	Payment to Tasmania only.		2007-08	Out of scope	No impact on relativities	Terminated payment, 2009 Update treatment applied.
National Partnership payments for contingencies							
Exceptional circumstances assistance	Interest rate subsidies to eligible farmers and small business operators in a region experiencing a severe downturn due to a rare and severe climatic or other event.			2006-07 and 2008-09	Exclusion	No impact relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Equine influenza emergency response	Funding towards response costs associated with eradication of the equine influenza.			2007-08 and 2008-09	Exclusion	No impact relativities	Purchase of services by Commonwealth Government.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership payments for contingencies (continued)							
Native title	For expenditure under part 9 of the <i>Native Title Act 1993</i> . Funding is to assist States and Territories implement a consistent framework for dealing with native title issues and meeting compensation costs.			Nil payments all years.	Inclusion	Impact on relativities	
Hepatitis C settlement fund	Contribution to the States' schemes for out-of-court settlement costs for eligible individuals who contracted Hepatitis C through the blood supply between 1985 and 1991.	Based on agreed settlements.		2006-07 and 2008-09	Out of scope	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Natural disaster relief	Funding under the Natural Disaster Relief and Recovery Arrangements, to partially reimburse the States for their expenditure on relief assistance following an eligible natural disaster.	Based on State claims.		2006-07 and 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
National Partnership payments to support other State services							
Disaster resilience Australia (replaced Bushfire mitigation program, natural disaster mitigation)	To strengthen efforts to combat man-made and natural threats and disasters across Australia. Grants are provided for projects developed to address disaster risks through disaster mitigation works which minimise the risks to communities.		Not applicable	2006-07 and 2008-09	Not applicable	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership payments to support other State services (continued)							
Legal aid	To provide funding to State Legal Aid Commission for the provision of legal assistance on the Commonwealth Government matters.			2006-07 and 2008-09	Out of scope	No impact on relativities	Purchase of services by Commonwealth Government.
Standard business reporting program	To simplify business-to-government reporting by making forms easier to understand, using accounting or record-keeping software to automatically pre-fill government forms and introduce a single secure way to interact online with participating agencies.			2007-08 and 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
Film and literature classification	Payments to States for participation in the national cooperative censorship scheme as per inter-governmental agreement signed in November 1995.		Not applicable	2006-07 and 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
Seamless national economy	To reduce unnecessary and inconsistent regulation across jurisdictions and to improve processes for regulation-making and review.			2008-09	Not applicable	No impact on relativities	Purchase of services by Commonwealth Government.
CrimTrac police reference system	Payments to State police agencies for their contribution toward a national information sharing solution through the CrimTrac Police Reference System.	A fixed amount determined by the Australasian Police Ministers' Council.	Reimbursement is capped at an agreed amount.	2006-07 and 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership payments to support other State services (continued)							
Improving policing in very remote areas	To address violence and child abuse in Indigenous communities by improving police services in very remote areas. Includes the construction of police stations, police housing, and funding for sniffer dog teams in the Northern Territory.	Based on assessment of needs.		2006-07 and 2008-09	Inclusion	Impact on relativities	
North East Tasmania micro-capital scheme	To provide business micro-capital to create sustainable jobs in the north-east regions of Tasmania.	Grants of up to \$50,000 are available to eligible applicants.		2008-09	Not applicable	Impact on relativities	
Sydney Cricket Ground — new grandstand	To improve facilities and increase the capacity of the new Victor Trumper Grandstand at the Sydney Cricket Ground.	Payment to New South Wales only.		2007-08 and 2008-09	Out of scope	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
National Partnership payments to support other State services (continued)							
Strengthening Tasmania	To strengthen Tasmania's economy and building a better community through various sporting and community facility upgrades and initiatives. One of the initiatives is the refurbishment of buildings in the Low Head Historic Precinct to promote increased visitation.	Payment to Tasmania only. In 2008-09, the payment of \$2.5 million was for projects in the Launceston City Council, the Burnie Council and the Devonport Council.		2006-07 and 2008-09	Inclusion	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Existing payments for Other State services not listed in <i>Budget Paper 3, 2009-2010</i>							
Sinking fund on State debt	Contributions to the Debt Retirement Reserve Trust Account on behalf of the six States and the Northern Territory in accordance with the Financial Agreement Act 1994.	The Commonwealth Government contributes 0.28 per cent of the net public debt of the States as at the preceding 30 June.		2006-07 and 2008-09	Exclusion	No impact on relativities	Required by terms of reference.
Compensation – companies regulation	Under the terms of the Corporations Agreement, the Commonwealth is obliged to compensation the six States and the Northern Territory for revenue forgone following the commencement of the national scheme for the regulation of companies and securities.			2006-07 and 2007-08	Out of scope	No impact on relativities	Required by terms of reference.

Table 2B-4 Other payments (continued)

Payment	Program description	Interstate distribution	Conditions	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
Payments to support local government - Financial assistance grants							
Local government general purpose assistance	Untied funding to local governments through the States.	Interstate allocation is on a per capita basis.	Not applicable	2006-07 and 2008-09	Out of Scope	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
Untied local road grants	Untied assistance to local government authorities in place of specific purpose payments formerly passed on to local government by the States for expenditure on local roads.	Level of funding to each States originated from historical relative local road needs and indexed every year.	Not applicable	2006-07 and 2008-09	Out of Scope	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.

Source: Commonwealth of Australia *Final Budget Outcome* and information collected from other Commonwealth agencies.

Table 2B-5 Treatment of Commonwealth own-purpose expenses

Payment	Program description	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
COPE National partnership payments shown in <i>Federal Financial Relations 2009-10</i>, Budget Paper No. 3					
Health and hospital fund (part of Health)	Support infrastructure for three reform priorities: expand and modernise key public hospitals; deliver national consistent cancer services; and invest in translational medical research.	2008-09	Not applicable	Impact on relativities	
Indigenous economic participation (part of Community services)	Improve opportunities for Indigenous people to engage in private and public sector employment through a number of elements to decrease the gap for employment outcomes between Indigenous and non-Indigenous Australians.	2008-09	Not applicable	No impact on relativities	Payment relates to State expenses where needs could not be assessed.
Remote service delivery (part of Community services)	Implements a new service delivery strategy that clearly identifies service standards, roles and responsibilities for Indigenous Australians living in remote locations to close the gap.	2008-09	Not applicable	No impact on relativities	Payment for implementing unique policy.
Remote Indigenous housing (part of Affordable housing)	To facilitate significant reform in the provision of housing for Indigenous people in remote communities and to address overcrowding, homelessness, poor housing conditions and severe housing shortages in remote Indigenous communities.	2008-09	Not applicable	No impact on relativities	Purchase of services by Commonwealth Government.

Note: Payments (other than CHIP) to non-government organisations are outside the scope of the adjusted budget.

Table 2B-5 Treatment of Commonwealth own-purpose expenses (continued)

Commonwealth agency managing the program	Commonwealth payment	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
Payments not shown in <i>Federal Financial Relations 2009-10, Budget Paper No. 3</i>					
Environment, Water, Heritage and the Arts	Preservation and protection of Indigenous heritage	2006-07 and 2007-08	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
	Indigenous sports and recreation	2006-07 and 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
	Indigenous culture support	2006-07 to 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
	National arts and craft industry support	2006-07 to 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
	Maintenance of Indigenous language and records	2006-07 to 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
	Promotion of Indigenous Art	2006-07 and 2007-08	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
	Broadcasting Services	2006-07 to 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.

Note: Payments (other than for CHIP) to non-government organisations are outside the scope of the adjusted budget.

Table 2B-5 Treatment of Commonwealth own-purpose expenses (continued)

Commonwealth agency managing the program	Commonwealth payment	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
Families, Housing, Community Services and Indigenous Affairs	Community housing and infrastructure (CHIP) Payments to Government and Non-government organisations	2006-07 to 2008-09	Inclusion	Impact on relativities	
	CHIP — National Aboriginal health strategy	2006-07 and 2007-08	Exclusion	No impact on relativities	Required by terms of reference.
	CHIP — Fixing houses for better health	2006-07 to 2008-09	Inclusion	Impact on relativities	
	CHIP — Municipal services	2006-07 to 2008-09	Exclusion	No impact on relativities	Payment to a third party – States act as an intermediary and the payment does not reduce or increase State needs.
	CHIP — Task of opportunity	2006-07 to 2008-09	Inclusion	Impact on relativities	
	Indigenous women	2006-07 to 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
	Indigenous community strategic investment	2006-07 to 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
	Family violence partnerships (various payments)	2006-07 to 2008-09	Inclusion	Impact on relativities	
	Improving policing in very remote areas	2007-08 and 2008-09	Inclusion	Impact on relativities	

Note: Payments (other than CHIP) to non-government organisations are outside the scope of the adjusted budget.

Table 2B-5 Treatment of Commonwealth own-purpose expenses (continued)

Commonwealth agency managing the program	Commonwealth payment	Year of payment in R2010	Treatment in U2009	Treatment in R2010	Reason for 'No impact' or change from U2009
Attorney General	NT Aboriginal Interpreter Service	2006-07 to 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
	Prevention, Diversion and Rehabilitation	2006-07 to 2008-09	Exclusion	No impact on relativities	Purchase of services by Commonwealth Government.
Health and Ageing	Indigenous health and substance abuse	2006-07 to 2008-09	Inclusion	Impact on relativities	
Emergency Management Australia	Emergency services	2006-07 to 2008-09	Inclusion	Impact on relativities	
	Mersey Hospital in Tasmania	2007-08 to 2008-09		Commonwealth expenses on Mersey Hospital not treated as Commonwealth revenue payment but added to Tasmania's inpatient expenses.	Required by terms of reference.
	Northern Territory Emergency Response	2006-07 to 2008-09	Exclusion	No impact on relativities	Required by terms of reference.

Source: Commonwealth of Australia *Final Budget* Outcomes and information collected from other Commonwealth agencies.

Table 2B-6 Payments commencing 2009-10 and 2010-11

Payment	Program description	Year of commencement	Treatment in 2010
Preventive health	To address the rising prevalence of lifestyle-related chronic diseases.	2009-10	Treatment determined in future updates. No backcasting in R2010.
Commonwealth dental health program	To reduce public dental waiting list.	2009-10	Treatment determined in future updates. No backcasting in R2010.
Education investment fund	Funding for projects that create or develop significant infrastructure in higher education institutions, research institutions and vocational education and training providers. The fund is one of the three Nation-building funds established along with Building Australia Fund and Health and Hospitals Fund.	2009-10	Treatment determined in future updates. No backcasting in R2010.
Better TAFE facilities	To improve infrastructure in TAFE facilities. These payments are part of the overall \$500 million being invested under the Teaching and Learning Capital Fund for VET as part of the Nation Building Package.	2009-10	Treatment determined in future updates. No backcasting in R2010.
Infrastructure employment projects	Funding for new, extensions to or refurbishment of existing community infrastructure, including social, cultural, tourism and recreational infrastructure; road, rail and local government-owned airport-related infrastructure; and environmental initiatives.	2009-10	Treatment determined in future updates. No backcasting in R2010.
Environmental management of the former Rum Jungle mine site	Assistance to the Northern Territory to support the on-going management of the former Rum Jungle mine site. Includes funding to support the environmental management and monitoring of the site; and assist with the development of site management and rehabilitation strategies in partnership with the site's traditional owners and industry.	2009-10	Treatment determined in future updates. No backcasting in R2010.
Restoration of Albert Hall, Canberra	To assist the ACT Government in its restoration the Albert Hall of Canberra.	2009-10	Treatment determined in future updates. No backcasting in R2010.
Indigenous communications program	Funding in collaboration with the States for new or expanded public internet access and delivery of computer training in up to 120 remote Indigenous communities that have limited or no public access internet facilities.	2009-10	Treatment determined in future updates. No backcasting in R2010.
Digital regions initiative	To co-fund innovative digital enablement projects to support improved education, health and emergency services in regional, rural and remote communities.	2009-10	Treatment determined in future updates. No backcasting in R2010.

Source: Commonwealth of Australia *Final Budget Outcome* and information collected from other Commonwealth agencies.