



COMMONWEALTH GRANTS COMMISSION

DISCUSSION PAPER CGC 2003/2

TREATMENT OF COMMONWEALTH REVENUE PAYMENTS

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INTRODUCTION

1. The equalisation principle requires the Commission to equalise the States' capacities to provide services, taking account of their capacity to raise revenue from all sources. The Commission defines services comprehensively and includes virtually all the operating expenses of the State general government sector in its equalisation budget. It also includes funds received by the States that are available to finance those services, regardless of whether the funds come from State taxes and charges, untied grants or other revenue payments from the Commonwealth.

2. The Commission examines all Commonwealth payments to the States and makes explicit decisions about how it will treat them because of:

- (i) the comprehensive nature of equalisation; and
- (ii) Commonwealth payments are not necessarily distributed on an equalisation basis.

3. This discussion paper does not discuss the treatment of untied assistance (GST and Budget balancing assistance). It reviews the treatment of other revenue payments from the Commonwealth. These are referred to as Specific Purpose Payments (SPPs).

4. The paper discusses:

- (i) whether the existing guidelines for determining the method of treating SPPs are still adequate in the light of recent developments in Commonwealth-State financial arrangements;
- (ii) whether the Commission should change the coverage of the SPPs included in the assessments (for example to include capital payments); and
- (iii) the treatment to apply to each SPP.

THE 1999 REVIEW APPROACH

Coverage of other Commonwealth revenue payments

5. In the 1999 Review and subsequent updates, SPPs were defined broadly as:
 - (i) SPPs paid either to or through the States and used for recurrent purposes. These SPPs were listed in Commonwealth budget papers. It did not matter whether they were described as recurrent or capital payments¹ in those documents;
 - (ii) payments by Commonwealth agencies to the States for services that were normally the responsibility of State governments;
 - (iii) expenditure incurred by Commonwealth agencies in providing State-type services; and
 - (iv) Commonwealth subsidies to non-government organisations providing State-type services.
6. The Commission described payments in groups (ii), (iii) and (iv) as notional SPPs².
7. In the 2003 Update, a small number of Commonwealth programs were treated as notional SPPs. They were payments by the:
 - (i) Aboriginal and Torres Strait Islanders Commission (ATSIC) to the States or to non-government organisations for Aboriginal purposes;
 - (ii) Torres Strait Regional Authority (TSRA) to the States or to non-government organisations for Aboriginal purposes;
 - (iii) Department of Health for Aboriginal health purposes³; and
 - (iv) Australian Emergency Management Institute for emergency services.
8. SPPs regarded as outside the scope of Commission assessments included:
 - (i) payments for services normally provided by the Commonwealth or local governments; and
 - (ii) payments for capital purposes.

¹ The Commission treated some capital SPPs that were used for recurrent expenses by inclusion.

² In this paper, we also refer to these payments as Commonwealth Own Purpose Outlays (COPOs).

³ These payments include payments for the Primary Health Care Access Program.

Treatment of Specific Purpose Payments

9. In the 1999 Review, the Commission applied one of four treatments to each SPP.

10. ***Out of Scope.*** This treatment was used if the payment financed services that were not part of the equalisation budget. For example, a service normally provided by the Commonwealth.

11. Under this treatment, the Commission excluded the payment from its SPP standards and removed the expenditure financed by the SPP from its expenditure standards. Neither the payment nor the expenditure it financed were subject to equalisation.

12. ***Exclusion.*** This treatment was used if:

- (i) the payment was reimbursement for services provided for the Commonwealth;
- (ii) the payment was distributed consistently with the Commission's assessment of States' needs and it was simpler to exclude it;
- (iii) the payment was minor⁴ and it was simpler to exclude it rather than introduced additional disability factors into the relevant assessment; and
- (iv) the use of inclusion would impose a constraint on States budgets that was not allowed for in the relevant assessment.

13. Under this treatment, the Commission excluded the payment from its SPP standards and removed the expenditure financed by the SPP from its expenditure standards. The practical effect of exclusion and out of scope in State relativities was the same.

14. ***Inclusion.*** This treatment was used if the payment provided assistance for a function within the equalisation budget for which needs were assessed.

15. Under this treatment, the Commission included the payment in its SPP standards and the expenditure financed by the SPP in its expenditure standards. In this way, the expenditure financed from the payment was equalised in the relevant expenditure category and the payment was treated as revenue available to finance those services.

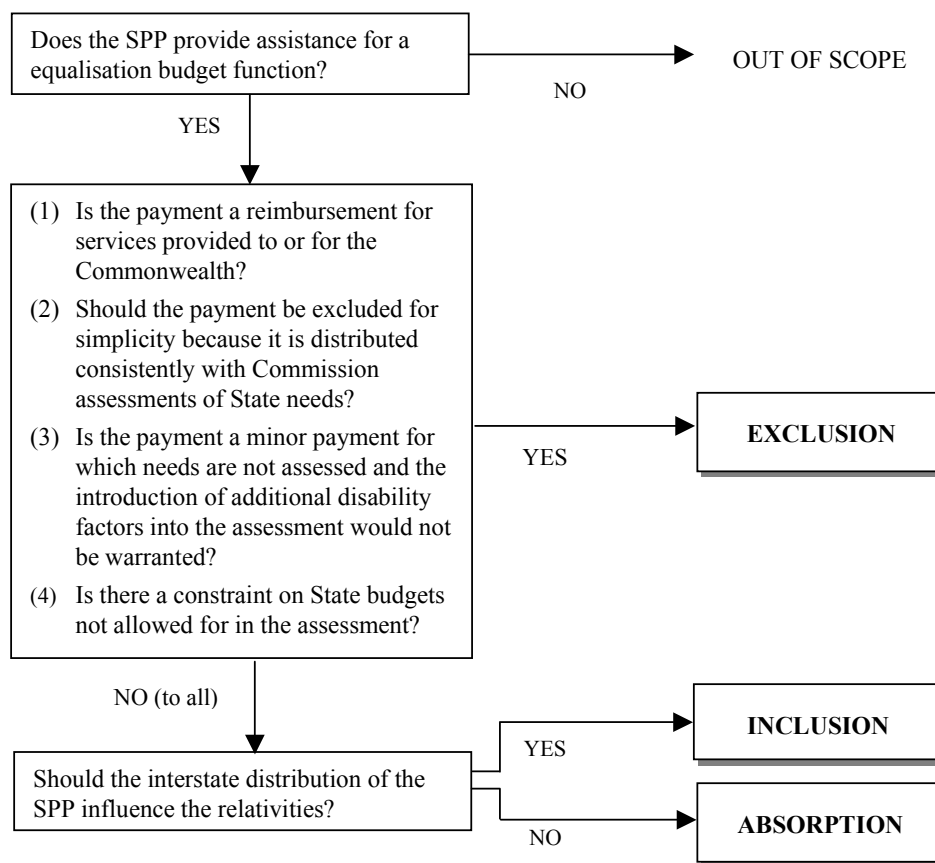
16. ***Absorption.*** Absorption was a subset of inclusion. In the 2003 Update, only two payments, Health Care Grants and Special Revenue Assistance to the ACT were treated by absorption. The Health Care Grants treatment was prescribed by the terms of reference. These payments were part of the pool to which relativities were applied.

⁴ For the purpose of testing whether an SPP is a minor payment, the upper limit was set at around \$5 per capita for any State receiving the payment.

17. Under this treatment, the Commission treated the payment as if it were general revenue assistance and included the expenditure financed by the SPP in its expenditure standards. The expenditure financed from the payment was equalised in the relevant expenditure standards while the payment was treated as revenue that would be allocated among States on the basis of relativities.

18. Figure 1 summarises the guidelines developed in the 1999 Review for deciding the treatment of Commonwealth revenue payments.

Figure 1 METHODS OF TREATMENT OF COMMONWEALTH REVENUE PAYMENTS



19. **Other treatments.** Some special treatments were used in particular cases:

- (i) where the Commonwealth was acting as a revenue collection agent of the States, the payment was treated as revenue. For example, the Interstate Roads Transport SPP was treated as Heavy Vehicle Registration Fees and Taxes revenue;

- (ii) where inclusion would lead to budget inflexibility or exclusion would impair equalisation, a payment might be partly included or partly excluded. For example, ATSIC payments to non-government organisations were reduced by one-third because one-third of the payment was assumed to finance the provision of above standard services; and
- (iii) where a Commonwealth revenue payment was associated with a function which was assessed by the equal per capita method (no impact on relativities) and included in the equalisation budget only for the sake of completeness. In this case, the exclusion treatment was used because it ensured no impact on relativities. There is no current example of this treatment.

20. Table 1 shows the total amounts of Commonwealth revenue payments paid in 2001-02 under each treatment.

Table 1 COMMONWEALTH REVENUE PAYMENTS^(a) 2001-02 – METHOD OF TREATMENT

	2001-02	2001-02
	\$m	%
Absorption	6 621.8	36.7
Inclusion	8 852.8	49.1
Exclusion	2 554.3	14.2
Total	18 028.8	100.0

(a) Excludes SPPs treated as State revenue but includes notional SPPs treated by absorption or inclusion.

21. Table 2 shows the per capita standard for Commonwealth revenue payments treated by inclusion in the years 1997-98 to 2001-02. It also shows each State's per capita receipts relative to that standard.

Table 2 COMMONWEALTH PAYMENTS TREATED BY INCLUSION – PER CAPITA STANDARD AND STATES’ RELATIVE RECEIPTS, 1997-98 TO 2001-02

Year	Standard Per Capita Receipts	Per Capita Receipts Relative to Standard ^(a)							
		NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	\$pc								
1997-98	329.84	0.9233	0.9339	0.9333	1.4026	1.0148	1.0377	1.0594	2.2279
1998-99	353.30	0.9519	0.9468	0.9431	1.2695	1.0106	1.0200	1.0577	2.1169
1999-2000	380.99	0.9125	0.9305	0.9352	1.4509	1.0131	1.0423	1.0204	2.2089
2000-01	423.98	0.9028	0.9180	0.9221	1.6026	1.0036	0.9805	1.0198	1.8470
2001-02	451.70	0.9142	0.9264	0.9466	1.4666	0.9987	0.9881	1.0181	2.1492

(a) Calculated as the State’s per capita receipts divided by standard per capita receipts.

Treatments required by the terms of reference

22. The terms of reference for recent inquiries have prescribed the treatment to apply to some SPPs, for example, treating Health Care Grants by absorption. In other cases, the Commonwealth instructed the Commission to treat an SPP in a way that did not affect per capita relativities. This was known as ‘quarantining’. For example, the Commission was asked to quarantine the Extension of the First Home Owners Grant program and the Roads to Recovery SPPs.

23. ***Quarantining.*** Quarantining was implemented using the exclusion method.

24. While the Commission considered quarantining to be a diminution of equalisation, it accepted that it was the prerogative of government to use quarantining as a way of achieving objectives other than equalisation. In the 1999 Review Report (Volume II, page 30) the Commission said that it would use quarantining only where instructed to do so by terms of reference.

Backcasting

25. Where there was a major change in Commonwealth-State arrangements, the conditions likely to apply in the application year could be significantly different from those applying in the assessment years. In these circumstances, the Commission might backcast the new arrangements into its assessments. It did this by adjusting the assessment year expenses and revenues to reflect what they would have been had the new arrangements been in place in those years. Backcasting produced relativities that potentially better reflected States’ requirements for Commonwealth assistance in the year of application.

26. Backcasting was limited to major changes in Commonwealth-State financial arrangements. For example, the 1998 Health Care Agreements.

ISSUES FOR THE 2004 REVIEW

27. States broadly supported the 1999 Review guidelines for deciding the treatment of other Commonwealth revenue payments. However, the Commission has considered modifications of the guidelines as they relate to:

- (i) the use of absorption;
- (ii) the treatment of capital grants; and
- (iii) the treatment of Commonwealth own purpose outlays.

Use of Absorption

28. Absorption was used in limited circumstances.

29. In the 2003 Update, only Health Care Grants and Special Revenue Assistance to the ACT were treated by absorption. The Health Care Grants treatment was required by the terms of reference. The guidelines said absorption could also be used in cases where the SPP had been discontinued but the States continued to fund the service. There were no examples of this in the 2003 Update.

30. If the SPP guidelines were applied to the Special Revenue Assistance to the ACT, the payment would be treated by exclusion. The corporate affairs component of the ACT payment is comparable to the Commonwealth payment to the States which was quarantined by previous terms of reference. The police component of the ACT payment reflects compensation for expenses incurred pursuant to Commonwealth policies.

31. Because of the limited use of absorption, Commission staff propose to recommend to the Commission:

- to remove absorption from the SPP guidelines;
- to treat Health Care Grants in accordance with instructions in the terms of reference; and
- to treat the Special Revenue Assistance to the ACT by exclusion.

32. Absorption would no longer be used in cases where an SPP ceases but States continued to provide the service. In these cases the treatment of the SPP would remain inclusion. The exception would be if the changed arrangements were considered sufficiently important to warrant the new arrangements being backcast.

Treatment of capital grants

33. In the 1999 Review, the Commission excluded capital payments from the equalisation budget⁵. It did so primarily because, under the cash accounting practices that usually applied at that time, capital revenues and expenditures were generally excluded from recurrent accounts of the States.

34. However, in *Discussion Paper CGC 2002/11, Capital Grants*, the Commission proposed including capital grants in the equalisation budget because:

- (i) capital grants have been included as operating revenue in State government accounts and in ABS Government Finance Statistics since the introduction of accrual budgeting; and
- (ii) capital grants are spent on functions for which needs are assessed.

35. Capital grants are available to meet needs assessed for depreciation. While there is a timing difference between the receipt of the grant and the depreciation of the asset funded by the grant, a capital grant can be used to finance part of a State's depreciation needs. States do not exclude from their asset registers, or show as zero, the value of an asset purchased with a capital grant.

36. Currently, the impact on each State's requirement for untied assistance arising from its above or below average receipts of capital grants is not reflected in Commission relativities.

37. CGC 2002/11 concluded that a change was required to:

- (i) recognise that capital grants are equivalent to operating revenues;
- (ii) recognise that capital grants relieve the State of the principal cost of capital expenditure as well as interest costs;
- (iii) treat capital grants consistently with recurrent SPPs; and
- (iv) ensure that there is no double-counting of needs in the Depreciation and Debt Charges assessments or needs met in the approach taken for SPPs.

38. Discussion paper CGC 2002/11 proposed that capital grants be treated in the same way as recurrent SPPs. That is, the guidelines should be used to determine the treatment of each capital grant.

39. The discussion paper sought State views on whether:

⁵ Some payments classified as capital in Commonwealth budget papers were included in the equalisation budget if they were used to finance recurrent activities.

- (i) it is appropriate to include the unadjusted value of the capital grants received in a particular year, or whether an amortised historical series would be required to overcome any problems of volatility; and
- (ii) any adjustments will be required to the Debt Charges assessment to avoid any double counting of needs already assumed to be met.

40. In its rejoinder submission, South Australia said that when exclusion was used it should be implemented in the same way for both recurrent and capital grants. That is, the capital grants and the expenditure they finance should both be removed from the equalisation budget.

41. Tasmania argued that capital grants should not be included as revenue because they are already taken into account in the Debt Charges assessment.

42. Western Australia and the Northern Territory supported treating capital grants the same way as recurrent SPPs. They also supported the inclusion of the unadjusted value of capital grants in any year, rather than an amortised historical series.

43. Other States did not comment.

44. Apart from Tasmania, the States broadly supported the proposals in CGC 2002/11. Commission staff propose to recommend to the Commission to apply the same guidelines to capital SPPs as it applies to recurrent payments.

45. An example of a capital SPP that would be treated by inclusion under the existing guidelines is the payment for Government Schools. This grant provides supplementary assistance to State education authorities for the provision and upgrading of school facilities. As the recurrent services provided from such facilities are State services for which needs are assessed and operating costs of the facilities are included in the depreciation assessment, the payment will be included.

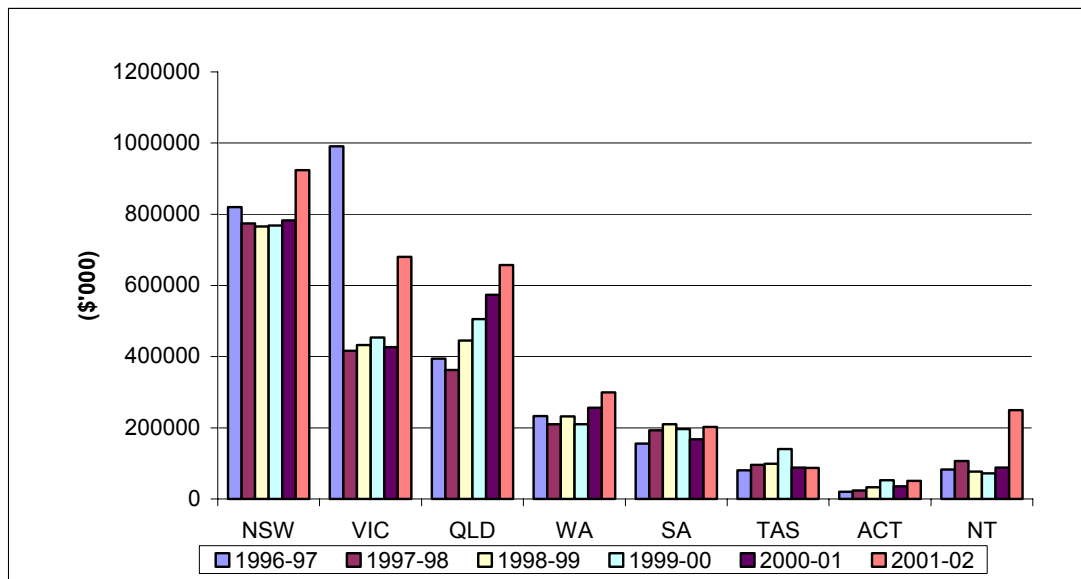
46. An example of a capital SPP that would be treated by exclusion is grants paid under the Non-government Schools program. This program provides supplementary assistance to non-government schools for the provision, maintenance and upgrading of school facilities. These payments would be excluded from the equalisation budget because the provision of infrastructure in non-government schools is not a State responsibility.

47. The Tasmanian argument that capital grants are taken into account in the debt charges is correct. They reduce the standardised net borrowings of States, which is used to determine standardised interest costs. However, the impact of capital grants in meeting part of the depreciation and maintenance costs would not be addressed if the grants continue to be excluded.

48. ***Should capital grants be included in the year they are received or should an amortised series be used?*** Figure 2 shows that capital SPPs fluctuate. Western Australia and the Northern Territory supported including capital SPPs in the year they are paid.

49. Commission staff are of the same view because it reflects the way States account for capital grants. In addition, the five year averaging process involved in the determination of relativities will dampen the impact of any annual volatility in payments in much the same way as it dampens volatility in other aspects of needs assessments. Commission staff propose to recommend to the Commission that capital SPPs be included in full in the year they are paid.

Figure 2 CAPITAL GRANTS 1996-97 TO 2001-02



Treatment of Commonwealth own purpose outlays⁶

50. In addition to providing funding to the States through untied assistance and specific purpose payments, the Commonwealth and its agencies also:

- (i) make payments to individuals;
- (ii) provide some State-type services;
- (iii) make payments to the States for the provision of State-type services; and
- (iv) make payments to non-government organisations for the provision of State-type services.

The Commission refers to the above Commonwealth expenses as ‘Commonwealth Own Purpose Outlays (COPOs)’.

51. In past reviews and updates, some of these transactions were brought into the equalisation process because the Commission considered that they were similar in nature to

⁶ The Commission’s definition of COPOs has a wider scope than that defined by the Department of Finance.

SPPs. COPOs provided the recipient State with a benefit which non-recipient States have to finance from other sources. It was appropriate to consider whether individual COPOs should be included. Figure 3 sets out, pictorially, how the Commission decided the treatment to apply to each COPO.

52. There are three broad types of COPOs:

- (i) those which have an indirect impact on State budgets — typically these are payments to individuals;
- (ii) those which have a direct impact on State budgets — payments to States; and
- (iii) those which are in between, the largest and most contentious group. It usually consists of payments to non-government organisations and direct provision of services by the Commonwealth.

Some COPOs may take the form of payments to State budgets in some States and payments to non-government bodies in others.

53. ***Payments to individuals.*** The Commonwealth subsidises the cost to individuals of medical and pharmaceutical and nursing home services through the payments for Medical Benefits, Pharmaceutical Benefits and Residential Care Subsidies⁷. These payments were treated as out of scope in the 1999 Review because payments to individuals were considered a Commonwealth responsibility. However, the disabilities assessed in the Hospitals and Community Health categories recognised that there are differences between regions in the availability of the private services that are supported by Commonwealth payments to individuals and this can affect the demand for State services in those areas. For example, fewer general practitioners can result in greater demand for hospital accident and emergency services.

54. Commission staff propose to continue to treat payments to individuals as out of scope because they are considered to be a Commonwealth responsibility. Disabilities may be built into the relevant categories to recognise the impact on demand for State services.

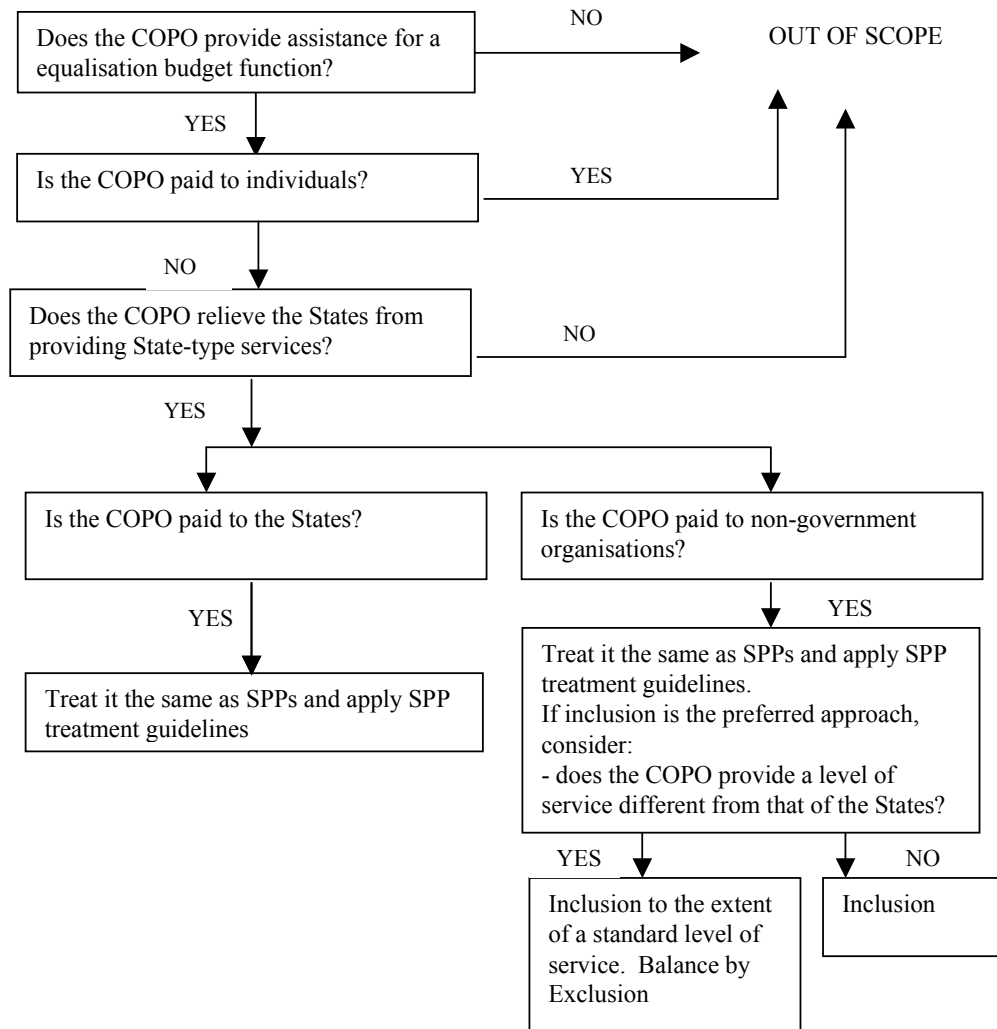
55. ***Payments to States.*** The Commonwealth and its agencies (for example, ATSIC) sometimes make payments to the States to help them fund the delivery of State-type services. In some cases, the payments were previously paid as SPPs.

56. The Commission has generally treated these types of payments by inclusion because they have most of the characteristics of SPPs. In particular, they have a direct impact on State budgets. They also usually arise from negotiations between the Commonwealth and State agencies in which it can be implied that the States have accepted the Commonwealth objective(s).

57. Commission staff propose to continue to treat these payments as SPPs.

⁷ Previously known as Nursing Home Benefits.

Figure 3 1999 REVIEW METHODS OF TREATMENT OF COMMONWEALTH OWN-PURPOSE OUTLAYS



58. ***Payments to non-government organisations and direct provision of services by the Commonwealth.*** The Commonwealth sometimes chooses to provide services that complement or substitute for services normally provided by States. For example, prior to transferring them to States, the Commonwealth provided services to community patients in repatriation hospitals.

59. The Commonwealth also funds non-government organisations to provide State-type services. For example, the Department of Health makes payments to Indigenous organisations for the provision of medical services to Indigenous people.

60. While these COPOs might fund services that States normally provide, they differ from SPPs as they do not have a direct impact on State budgets, and the

Commonwealth rather than the States decides the level of expenditure and where it is spent. However, the Indigenous Funding Inquiry did receive evidence that some States decide where they will spend their Indigenous health dollars after considering the regional allocation of Commonwealth funds.

61. In the 1999 Review, the Commission treated Commonwealth payments to non-government agencies by inclusion if they financed services similar to those included in its disability assessments. For example, the services provided by Indigenous community controlled health organisations were considered similar to those provided by State community health services. The differential costs of providing community health services to Indigenous people were reflected in the disability assessments.

62. In some cases, only part of the payment was included. This happened when the Commission decided the service financed by the payment was being provided at a standard above that provided by States or where there was an overlap between the services financed by the payment and those provided by the State. For example, the Commission excluded one third of the ATSI payments to non-government organisations because it considered that the payments were used to finance an above standard level of services.

63. *State views.* In its main submission, the Northern Territory argued that the Medicare and Pharmaceutical Benefits payments to individuals are similar to the Primary Health Care Access Program (PHCAP) payment and like that COPO, should be treated by inclusion.

64. In rejoinder submissions,

- (i) Queensland said COPOs such as the Community Development Employment Program (CDEP) and the National Aboriginal Health Strategy (NAHS) should not be included in the equalisation budget. These services did not substitute for State services because they would be discontinued if the COPO was discontinued.
- (ii) The Northern Territory supported exclusion for the CDEP and NAHS COPOs. It said on-cost amounts for CDEP were equivalent to the Work for the Dole program, which is a Commonwealth function and treated as out of scope. NAHS funding was directed at the most disadvantaged remote communities and it may not necessarily follow State priorities or policies. In some cases NAHS funding resulted in unnecessary costs.
- (iii) Tasmania and the ACT supported inclusion for COPOs spent on State-type services. The ACT argued that services delivered through the CDEP and NAHS programs were normally the responsibility of the States, and that the COPOs relieved States of spending in the relevant areas. Given the nature of NAHS and CDEP, States would have to increase funding to provide services to these communities if the COPOs were discontinued.

65. **Commonwealth views.** The Commonwealth argued COPOs could be treated as notional SPPs where:

- the COPO is paid directly into States' consolidated revenue funds and is explicitly intended to contribute towards State expenditures in functions covered by the Commission's equalisation budget;
- the COPO is paid to third parties whose sole source of funding is State and Commonwealth governments and whose expenditures relate to equalisation budget functions (for example, bodies involved in the delivery of State-like services to Indigenous communities); and
- the COPO gives rise to clearly identifiable and measurable spill-overs into the standardised demand for State services.

It acknowledged that most COPOs do not fall into any of these categories.

Should payments to non-government organisations and direct provision of services be treated by Inclusion?

66. The issues are:

- (i) how distinctions should be made between Commonwealth and State responsibilities; and
- (ii) whether constraints on the budget flexibility of the States are a relevant consideration when deciding the treatment of a payment.

67. ***Distinguishing Commonwealth and State responsibilities.*** The 1999 Review approach adopts a broad view of State responsibilities. Commonwealth funding that supports services similar to those provided by States is included in the Commission's assessments. That funding has an indirect effect on State budgets as it relieves them of the need to fund some services. Disabilities are assessed for differences in the demand for and costs of providing both the Commonwealth and State funded services.

68. Another option would be to consider as State responsibilities, only those services which have a direct impact on State budgets and where State governments play a major role in setting service delivery policies. Under this definition, SPPs would continue to be included because these payments are channelled through State budgets. Commonwealth payments to non-government bodies (such as those for CDEP, Indigenous community controlled health organisations and, in most cases, PHCAP) would be excluded.

69. ***Implication of constraints on State budget flexibility.*** *Information Paper CGC 2002/1, Guidelines For Implementing Horizontal Fiscal Equalisation* said that one of the three pillars of equalisation is capacity equalisation, which means:

there is no requirement for States to follow any particular policies on either side of their budgets – a feature that follows from the untied nature of the GST funds. (para 15.1)

70. The 1990 report on *Issues in Fiscal Equalisation*, also said:

The concept allows each State to retain the flexibility to pursue its own expenditure, revenue and other priorities. (para 4.13)

71. Treating Commonwealth payments to non-government service providers by inclusion may not lead to capacity equalisation because:

- (i) when the payments are made to non-government bodies, States have little, if any, influence on the Commonwealth policy — they can however change their own policies in response to it;
- (ii) the flexibility of States to pursue their own expenditure and revenue priorities could be constrained. For example, if a COPO were treated by inclusion, a State with an above average per capita share of it would receive a lower per capita share of untied assistance. However, the State's ability to adjust its expenditure on the service financed by the COPO could be constrained because the payment is actually made to a non-government body.

72. **Summary.** The decision on how to treat COPOs depends on whether State responsibility is defined narrowly to include only direct impacts on State budgets or more broadly to include indirect impacts.

73. In Discussion Paper 2001/12 *Scope and Structure of the Equalisation budget*, the Commission indicated that it would include COPOs paid to State institutions or community organisations which are substitutes for State expenses. Commission staff intend to recommend to the Commission that it reconsider its approach.

74. While more comprehensive, including indirect impacts on State budgets has practical difficulties in implementation. Difficulties include deciding which indirect impacts should be included, obtaining the relevant data and deciding whether proper assessments could be developed. After considering these practicalities, Commission staff intend to recommend that the Commission restrict its assessments to revenues and expenses that have a direct impact on State budgets. COPOs paid to States would continue to be treated as notional SPPs.

75. A case by case analysis will be needed where a COPO is paid to States in some States and to non-government organisations in others. The analysis will determine the standard practice. If the standard practice is to pay the COPO to States, the COPO will be treated as a notional SPP and the SPP guidelines would be applied. If the standard practice is to pay the COPO to non-government organisations, it would be excluded. If necessary, disabilities may be assessed for some categories to recognise the differential impact on the demand for State services of COPOs paid to non-government organisations.

The absence of instructions on the treatment of SPPs

76. Terms of reference for the 1999 Review and subsequent Updates instructed the Commission to quarantine specific payments, including:

- Mental Health, National Health Development Fund and Critical and Urgent Treatment (CUT) Waiting List Initiative components of the Australian Health Care Agreements (ACHAs);
- National Competition Payments which commenced in July 1997;
- States' contributions to the Commonwealth's Deficit Reduction Strategy as agreed at the 1996 and 1997 Premiers' Conferences;
- 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;
- payments which are funded from the Natural Heritage Trust of Australia and the Regional Telecommunications Infrastructure Fund;
- payments for the Fringe Benefit Tax Transitional Grants for public and not-for-profit hospitals;
- payments for Building IT Strengths — Tasmanian 'Intelligent Island';
- payments for Connecting Tasmanian Schools;
- payments for the Extension of the First Home Owners Schemes; and
- payments for the Roads to Recovery Program.

77. The 2004 Review terms of reference do not instruct the Commission to quarantine these payments. This raises the question of how they should be treated in the 2004 Review. The options are:

- (i) to continue the previous treatment (quarantine); or
- (ii) treat them in accordance with the SPP guidelines.

78. During the November 2002 staff conference, Commission staff asked States to consider the issue in their rejoinder submissions. Tasmania responded, saying the Commission should continue the previous treatment because:

- (i) in the absence of a specific instruction to the contrary, the Commission should continue the practice that was in place when the terms of reference was drafted. Tasmania noted this was the approach the Commission adopted when the issue of the definition of HFE was debated at the October 2001 Priority Issues Conference; and

(ii) the Commission should not ignore the clear statements of intention included in Commonwealth-State agreements, for example:

- the agreements signed between the Commonwealth and all States in the cases of the National Competition Payments, Budget Balancing Assistance and the Mental Health Grants and National Health Development Fund components of the Health Care Agreements provide for those payments to be quarantined from the Commission's assessments; and
- a letter from the Prime Minister to the Tasmanian Premier saying the Intelligent Island and Connecting Tasmanian Schools payments would be quarantined from the Commission's assessments.

79. In April 2003, the Commission wrote to the Commonwealth Treasury seeking advice on how the Commission should treat these payments. The Commonwealth Treasury response advised that:

‘Given the unchanged nature of government policy on this issue and the previously issued terms of reference, the CGC should continue with the quarantining of all payments identified in previous terms of reference supplied to the CGC.’

80. The Treasury also advised that the omission of a specific reference to quarantining was not deliberate. After considering the Treasury's advice, the Commission wrote to the States proposing to quarantine, in the 2004 Review, those payments that were explicitly quarantined by terms of reference for previous inquiries. It also said that, unless instructed otherwise by terms of reference, the treatment of new SPPs will be determined by applying the SPP guidelines.

Non-compliance with SPP agreements

81. In its recent submission, the Commonwealth asked the Commission to consider how it might treat a case where a State has accepted an SPP and then chosen to forego part of an SPP by not complying with all of the conditions of the SPP agreement. The Commonwealth argued that it would be inappropriate for that State's decision to directly affect its per capita share of GST revenue. This would happen if the Commission followed its normal practice of deducting the actual amount of the SPP received by each State.

82. Inclusion treats an SPP as revenue available to meet States' aggregate expenditure needs. In the Commission's distribution model, States' requirements for financial assistance are calculated on the basis of standardised expenses and revenues and, as the last step prior to the calculation of relativities, the actual amounts of SPPs treated by Inclusion are deducted in full. The purpose of deducting SPPs is to ensure the needs financed by the SPPs are not also financed by GST revenue assistance. This approach reconciles, within the Commission's model, the two funding sources which are available to meet the needs assessed by the Commission — GST revenue and Commonwealth SPPs. In

doing so, the Commission does not standardise States' receipts of SPPs. It is not necessary to understand why an individual State receives a particular level of SPP, only that it does.

83. The Commonwealth proposes a different approach to SPPs, one which would involve the Commission interpreting State policies relating to SPPs. Where a State chose to forego part of an SPP, the Commonwealth proposes the Commission replace the State's actual receipt with a standardised receipt. The standardised receipt would be the amount the State would have received had it complied with all of the SPP's conditions.

84. The Commonwealth proposal would present the Commission with a number of assessment difficulties:

- (i) the Commission may not know when a State has chosen to forego part of an SPP. It would have to rely on the parties to inform it of such occurrences;
- (ii) it is not clear what the Commission should do if there is disagreement between the Commonwealth and the relevant State; and
- (iii) it is not clear how the Commission should interpret standard policy in such cases. What would it do if five States chose to forego part of their payment. Would that constitute standard practice? What if the five States were to forego a different proportion of their SPP, would it still be standard practice to forego part of the SPP? If so, what part of the SPP?

85. Commission staff are not aware of instances where States have not complied with SPP conditions and sanctions have been imposed. For all these reasons, Commission staff propose to recommend to the Commission that it:

- (i) continue its current approach of treating SPPs as revenue available to meet States' aggregate expenditure needs;
- (ii) only standardise the amount of an SPP provided to States where instructed to do so by terms of reference.

86. If an instruction were received to standardise the amount of an SPP, it would mean that the Commission would have to replace the amount actually received by the State with another amount. What that other amount should be is open for debate. Should it be:

- (i) the amount that would have been received by the State. The amount implied by the Commonwealth proposal which is based on the view that the standard policy was to adhere fully to the terms of the SPP agreement; or
- (ii) some arithmetic average of what all States received. Implying the standard policy is an average of the actions of all States, which reflects the Commission's usual approach to determining financial standards?

87. Staff invite comment from the parties on these issues.

Source of SPP data — impact of publishing accrued amounts in Commonwealth budget papers

88. The Commission sources its SPP data from the Commonwealth Final Budget Outcome publication. That source provides comparable and consistent data for all States. Since the distribution of included SPPs affects States' per capita relativities, it is important to have State data on a comparable basis.

89. Commission staff propose to recommend to the Commission that it continue to use the Commonwealth Final Budget Outcome as the source of SPP data.

SPP TREATMENT GUIDELINES FOR THE 2004 REVIEW

Treatment of COPOs

90. In the 2004 Review, COPOs will be treated in the following ways:

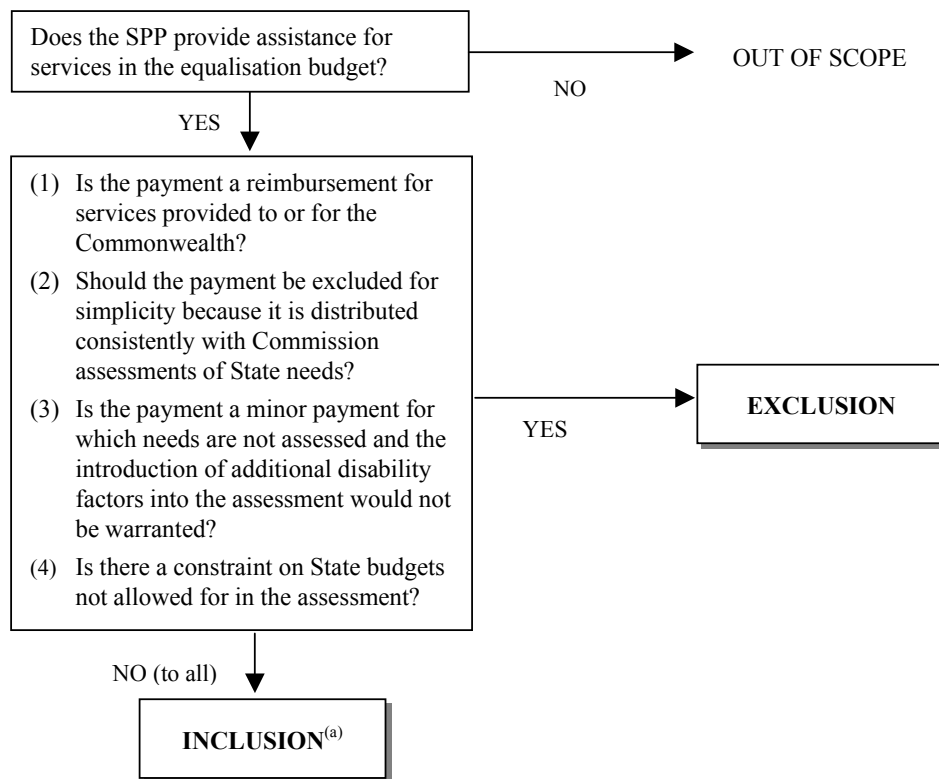
- (i) COPOs paid to States will be treated as notional SPPs;
- (ii) COPOs paid to individuals and non-government organisations will be excluded;
- (iii) COPOs paid to State agencies in some States and to non-government organisations in others will be considered on a case by case basis. If the standard practice is to pay the COPO to State agencies, the COPO will be treated as a notional SPP. If the standard practice is to pay the COPO to non-government organisations, the COPO would be excluded for all States.

91. If necessary, disabilities may be assessed for some categories to recognise the differential impact on the demand for State services of COPOs paid to non-government organisations.

Treatment of SPPs

92. Capital SPPs will be included in the 2004 Review. The Commission will use the guidelines in Figure 4 to decide the treatment of all SPPs. The only difference between Figure 4 and the current guidelines (Figure 1) is that absorption has been removed.

Figure 4 METHODS OF TREATMENT OF COMMONWEALTH REVENUE PAYMENTS IN 2004 REVIEW



(a) The expenditure financed by the SPP is included in the equalisation budget and needs assessed in the relevant category. The revenue from the SPP is treated as meeting part of the State's aggregate needs.

TREATMENT OF EACH COMMONWEALTH REVENUE PAYMENT IN THE 2004 REVIEW

93. This section indicates the treatment of each Commonwealth Revenue Payment, implied by the 2004 Review guidelines.

Previously included COPOs

94. As said earlier, Commission staff propose to exclude COPOs paid to non-government organisations in the 2004 Review. Where a COPO is paid to State agencies in some States and to non-government organisations in others, the COPO will also be excluded if the standard practice is to pay the COPO to non-government organisations.

95. Commission staff's proposed treatment for included COPOs is discussed below.

Payments by Aboriginal and Torres Strait Islander Commission (ATSIC)

96. ATSIC makes payments to the States and non-government organisations for the provision of services to Indigenous people. The bulk of payments are paid directly to non-government organisations. Table 3 shows the 2001-02 ATSIC payments treated by inclusion under the 1999 Review methods.

Table 3 PAYMENTS BY ATSIC TREATED BY INCLUSION, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Payments to States	0.0	0.0	0.0	0.3	0.0	0.0	0.0	7.1
Payments to non-government organisations	15.2	4.1	25.8	37.3	13.4	1.8	0.0	30.4

Source: Information provided by ATSIC

97. Under the 2004 Review proposals, only include ATSIC payments to the States will be considered as notional SPPs. If necessary, disabilities may be assessed for the relevant categories to recognise the differential impact on the demand for State services of ATSIC payments to non-government organisations. Attachment A sets out the proposed treatment in the 2004 Review for ATSIC payments to States.

Payments by Torres Strait Regional Authority (TSRA)

98. TSRA makes payments to non-government organisations in Queensland for the provision of services to the Indigenous people living in the Torres Strait. Table 4 shows, for 2001-02, TSRA payments treated by inclusion under the 1999 Review methods.

Table 4 PAYMENTS BY TSRA TREATED BY INCLUSION, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Payments to non-government organisations	0.0	0.0	7.0	0.0	0.0	0.0	0.0	0.0

Source: Information provided by TSRA

99. These payments do not directly affect Queensland's budget. Commission staff therefore propose they be excluded from the 2004 Review. If necessary, disabilities may be assessed for the relevant categories to recognise the differential impact on the demand for State services of TSRA payments to non-government organisations.

Payments by the Office of Aboriginal and Torres Strait Islander Health (OATSIH)

100. OATSIH makes payments for the provision of primary health care services to Indigenous people. Table 5 shows, for 2001-02, OATSIH payments treated by inclusion under the 1999 Review methods.

Table 5 PAYMENTS BY OATSIH TREATED BY INCLUSION, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Payments to States	0.1	0.1	2.3	1.7	0.0	0.0	0.0	2.5
Payments to local government	0.0	0.0	0.1	0.0	0.3	0.0	0.0	0.6
Payments to non-government organisations	20.9	11.1	23.9	27.0	16.6	2.7	1.4	27.3
Total	21.0	11.2	26.3	28.7	16.9	2.7	1.4	30.4

Source: Information provided by OATSIH

101. Under the 2004 Review proposals, only the payments to States will be treated by inclusion. Those payments directly affect the budgets of most States and finance expenditure on population and preventative health for which needs are assessed. The payments to non-government organisations and local government would be excluded because they do not have a direct impact on State budgets. If necessary, disabilities may be assessed for the relevant categories to recognise the differential impact on the demand for State services of OATSIH payments to non-government organisations.

Payments by Emergency Management Australia (EMA) for Emergency Services

102. Payments are made to the States for research projects on emergency management. Table 6 shows, for 2001-02, EMA payments treated by inclusion under the 1999 Review methods.

Table 6 PAYMENTS BY EMERGENCY MANAGEMENT AUSTRALIA, 2001-02

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Payments in 2001-02	2.1	1.5	2.0	1.0	1.3	0.5	0.3	0.0

Source: Information provided by EMA.

103. Under the 2004 Review proposals, these payments would continue to be treated by inclusion. They directly affect the budgets of most States and finance expenditure on emergency services for which needs are assessed.

Other COPOs paid to the States

104. Information on other COPOs paid to the States is scarce and difficult to source. The Commission sought this information from States. Tasmania and the Northern Territory provided information on the COPOs they receive. The only COPO large enough to consider including is the payment for National Action Plan for Salinity and Water Quality⁸.

Payments for National Action Plan for Salinity and Water Quality

105. In November 2000, a National Action Plan for Salinity and Water Quality (NAPSWQ) was endorsed at the COAG meeting. It involved a package of \$1.4 billion from the Commonwealth and States, to be allocated over a seven year period. At the launching of the plan, States were advised that the amounts that they were likely to receive were based on need — that is, the relative dry land salinity and water quality control difficulties faced by each State.

106. Expenditure on the plan was \$1.6 million in 2000-01. Payments made to the States under the NAPSWQ plan were excluded from the 2002 and 2003 Updates because the expenditure was low. However, expenditure is expected to increase rapidly over the next few years. The Commission has considered how the payments should be treated.

107. ***State views.*** Victoria suggested that the prevalence and severity of salinity should be assessed in the soil conservation component of the Services to Industry group of categories. It said actual annual levels of funding on all land care should be used to assess a physical environment factor.

108. New South Wales and Western Australia said the current distribution of funding under NAPSWQ adequately reflected the States' relative needs, and should be used as the basis for a needs assessment.

109. South Australia said if all soil conservation expenses were not assessed using NAPSWQ funding shares, then the NAPSWQ payments should be excluded.

110. Queensland and Tasmania opposed the use of Commonwealth criteria for the distribution of NAPSWQ funds as a basis for assessing disabilities.

111. The ACT questioned why the Commission planned to recognise salinity problems when funding is already provided by the Commonwealth through the NAPSWQ. It opposed the use of affected areas as the basis for a needs assessment. If affected areas were used as the basis of a needs assessment, the resultant factors should be heavily discounted.

112. The Northern Territory opposed the assessment of any disability for salinity, arguing that the expenses involved were too heavily influenced by policy.

⁸ *Commonwealth Budget Paper No 3 2003-04* shows that this payment will be paid as SPPs in 2003-04.

113. The NAPSWQ payments directly affect State budgets and supplement State funding for expenditure on salinity control. Differential needs will be assessed for the salinity control expenses. Commission staff therefore propose to recommend the Commission treat the NAPSWQ payments by inclusion.

Treatment of Specific Purpose Payments

114. The treatment accorded to each SPP published in Commonwealth budget papers is provided in Attachment B (recurrent SPPs) and Attachment C (capital SPPs). The attachments provide a brief description of each payment, its basis of distribution, Commission staff’s proposed treatment in the 2004 Review compared with the 2003 Update and reasons for the treatment where it is not inclusion. Information on the Commonwealth programs was sourced from the SPP catalogue provided by the Department of Finance and Commonwealth budget papers.

115. Commission staff has applied the SPP guidelines when considering the proposed treatment.

116. ***Federation Fund.*** To commemorate the Centenary of Federation, the Commonwealth provided funding totalling \$1 billion to assist projects of national significance. Those payments were made for many purposes with the aim of contributing ‘to the enrichment of Australia’s cultural heritage and infrastructure’.

117. The funds were dispersed to a large number of Commonwealth, State and local government bodies and to many community organisations. Of the \$1 billion, \$748 million was spent as Commonwealth own purpose outlays. These were paid to Commonwealth agencies, direct to local government agencies and to community organisations. The remaining \$252 million was paid as SPPs to or through the States. Payments in the form of SPPs include:

Payment	Recipient	Amount
Queensland Institute of Medical Research	QLD	\$20.0m
Development of the Tuggeranong Homestead	ACT	\$0.675m
Centennial Moore Park Trust	NSW	\$10.0m
National Wine Centre	SA	\$12.0m
Alice Springs to Darwin Railway	NT	\$100.0m
ABT Railway	TAS	\$20.45m
Caboorture Motorway and Beaudesert Shire Railway	QLD	\$45.0m
Bridges over Murray River at Echuca, Robinvalue and Corowa	NSW/VIC	\$44.0m

118. There are two options for dealing with these transactions:

- treat the total expenditure from the fund as a Commonwealth responsibility (to commemorate the centenary of Federation)

regardless of the specific means through which the funds were spent or the specific services they financed; or

- examine each payment and treat it according to the guidelines for the scope of the equalisation budget and the treatment of SPPs.

119. Commission staff consider that commemorating nationhood is a Commonwealth function. In addition, the Commonwealth made the final decisions on which programs would be funded. It is likely that many of the projects would not have proceeded without Commonwealth money. For these reasons, Commission staff propose to recommend to the Commission that the total expenditure from the Federation Fund be treated as out of scope. Commission staff invite comment from the parties on the treatment of this fund.

120. *Sinking fund on State debt.* In the 1993 Review, the Commonwealth instructed the Commission to quarantine this payment. In the 1999 Review, the Commission continued to treat this payment (and the related part of the Debt Redemption Assistance payment) as out of scope because they were capital transactions. In this review, capital payments are being included for the first time. Applying the guidelines to these payments leads Commission staff to recommend to the Commission that it treat these payments by inclusion. Commission staff invite comment from the parties on the treatment of this payment.

Program	Program Description				
<i>Promotion of Cultural Authority</i>					
Preservation and Protection of Indigenous Heritage	To achieve greater recognition, preservation, promotion and protection of the heritage and environment of Aboriginal and Torres Strait Islander people and to promote the exercise of associated rights.				
		2001-02 Amount(\$m)	Treatment in U2003	Proposed Treatment in R2004	Reasons for Treatment in R2004 if Not Inclusion
		0.255	Out of Scope	Out of Scope	Commonwealth function
Preservation of Culture	The production and promotion of Indigenous art and culture, in order to provide both cultural and economic benefits to individuals and communities as well as protect the intellectual property rights in Indigenous culture				
		2001-02 Amount(\$m)	Treatment in U2003	Proposed Treatment in R2004	Reasons for Treatment in R2004 if Not Inclusion
		0.109	Out of Scope	Out of Scope	Commonwealth function
Access to Family Tracing	Funding for Aboriginal and Torres Strait Islander organisations to assist Indigenous families separated as a result of past policies and practices of Australian governments.				
		2001-02 Amount(\$m)	Treatment in U2003	Proposed Treatment in R2004	Reasons for Treatment in R2004 if Not Inclusion
		0.834	Out of Scope	Out of Scope	Commonwealth function
<i>Advancement of Indigenous Rights</i>					
Advancement of Rights Land /Sea	To provide advice to the Minister for Immigration and Multicultural Affairs on the administration of Commonwealth land rights legislation and promotion of Indigenous land needs including encouraging States and Territories to legislate land rights.				
		2001-02 Amount(\$m)	Treatment in U2003	Proposed Treatment in R2004	Reasons for Treatment in R2004 if Not Inclusion
		0.954	Out of Scope	Out of Scope	Commonwealth function

Program	Program Description				
Public Information	Provision of media liaison, speech writing, publishing, television and video production, radio production, displays, response to public requests for information, briefing of delegations and community groups on Indigenous issues school visits and development services.				
	2001-02 Amount(\$m)	Treatment in U2003	Proposed Treatment in R2004	Reasons for Treatment in R2004 if Not Inclusion	Related Category
	0.010	Out of Scope	Out of Scope	Commonwealth function	
<i>Improvements to Social and Physical Wellbeing</i>					
Community Housing and Infrastructure Program	To maximise the provision of Indigenous housing and infrastructure. The program encompasses a range of activities that include: construction and acquisition and maintenance of houses for rental; provision of good quality water and power supply, sewerage services and other housing related infrastructure.				
	2001-02 Amount(\$m)	Treatment in U2003	Proposed Treatment in R2004	Reasons for Treatment in R2004 if Not Inclusion	Related Category
	Capital 33.957	Out of Scope	Inclusion for full amount		Housing
	Recurrent 7.528	Inclusion			
Sporting Opportunity for Indigenous People	Promotes active participation of Aboriginal and Torres Strait Islander people in sport and creation, skills development through established accreditation programs and access to sport and recreation facilities in Indigenous communities.				
	2001-02 Amount(\$m)	Treatment in U2003	Proposed Treatment in R2004	Reasons for Treatment in R2004 if Not Inclusion	Related Category
	0.015	Out of Scope	Out of Scope	Commonwealth function	

Program	Program Description				
Legal Aid	Funding for twenty five Aboriginal and Torres Strait Islander Legal Services that offer legal advice and representation at ninety one sites through Australia.				
	2001-02 Amount(\$m)	Treatment in U2003	Proposed Treatment in R2004	Reasons for Treatment in R2004 if Not Inclusion	Related Category
	0.192	Out of Scope	Out of Scope	Commonwealth function	
Prevention, Diversion and Rehabilitation	Provides support for diversionary, preventative, education and rehabilitation projects to help reduce Indigenous peoples' adverse contact with the legal system.				
	2001-02 Amount(\$m)	Treatment in U2003	Proposed Treatment in R2004	Reasons for Treatment in R2004 if Not Inclusion	Related Category
	0.007	Out of Scope	Out of Scope	Commonwealth function	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
PUBLIC ORDER AND SAFETY									
Legal aid	To provide funding to State legal aid commission for the provision of legal assistance on Commonwealth matters.	Distributed according to needs planning model on an analysis of relevant demographics, and risk and cost factors.	Specified service levels and units are included in the Agreements.	1998-99 to 2002-03	\$71.0m	Out of Scope (Commonwealth matter)	Out of Scope	Commonwealth matter	
29 Confiscated Assets Trust Fund	Payments to a State where there has been a significant contribution to the investigation which led to conviction and consequent forfeiture of proceeds of crime to the Commonwealth	The amounts shared reflect the Commonwealth Attorney-General's view of the degree or the importance of the participation by the various agencies.	The program is unilateral and is not dependent upon reciprocity or matching.	1998-99	\$0.9m (1998-99)	State Revenue (Commonwealth acts as revenue collection agency)	State Revenue	Commonwealth acts as revenue collection agency.	Police User Charges
Gun Buyback Scheme	To compensate eligible gun owners for the surrender of their weapons and to fund fully the administrative, public relations and education costs associated with the Firearms Buyback Scheme.	Funding is provided to States on a reimbursement basis	No matching conditions.	1998-99	\$65.9m (1998-99)	Exclusion (States act as Commonwealth agents)	Exclusion	States act as Commonwealth agents	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Film and Literature Classifications	Payments to States for participation in the new national cooperative censorship scheme as per the inter-governmental agreement signed on 28 November 1995.	In first year of operation all jurisdictions received same base amount and adjusted by CPI movement in later years.	N/A	1998-99 to 2002-03	\$0.7m	Exclusion (minor payment)	Exclusion	Minor payment where the introduction of additional factors into the assessment would not be warranted	
Human Rights Co-operative Arrangements with the States	To provide one point of contact for advice on and handling of complaints under both Federal and State legislation, facilitate efficient handling of complaints and share the experience of the Commonwealth and State instrumentalities.	N/A	N/A	1998-99	\$0.9m (1998-99)	Exclusion (minor payment)	Exclusion	Minor payment where the introduction of additional factors into the assessment would not be warranted	
Commonwealth Heads of Government Meeting – payment to Queensland Police	Payment to Queensland Police for security arrangements relating to the Commonwealth Heads of Government Meeting Brisbane 2002.	Payment to Queensland only.	N/A	2000-01 to 2001-02	\$10.0m	Out of Scope (Commonwealth matter)	Out of Scope	Commonwealth matter	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
EDUCATION									
Advanced English for Migrants Program	To provide advanced English as a Second Language training to help job seekers obtain employment and overcome barriers to vocational education and training. Courses are provided through TAFE or by other providers approved by TAFE.	Determined with reference to the Other Than Mainly English Speaking Countries population shares identified in the ABS census figures.	No matching conditions.	1998-99 to 2000-01	\$2.2m (2000-01)	Inclusion	Inclusion		Vocational Education and Training
Government Schools	To provide supplementary assistance to State education authorities through per capita general recurrent grants which can be applied to staff salaries, teacher professional development, curriculum development and maintenance and general operation provisions.	Calculated on per student basis and adjusted based on movements in Average Government School Recurrent Costs (AGSRC).	No matching conditions.	1998-99 to 2002-03	\$1371.6m	Inclusion	Inclusion		Govt Primary Secondary Education Govt Secondary School Education

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Non-government Schools (Payment through the States)	To provide supplementary assistance to non-government schools and systems through per capita general recurrent grants which can be applied to staff salaries, teacher professional development, curriculum development and maintenance and general operation provisions.	Funding to non-government schools depends on number of eligible students enrolled in non-government schools, their distribution among schools with varying funding levels and adjusted based on movements in Average Government School Recurrent Costs. Establishment grants are available in respect of newly commencing schools. From 2001, funding are available to distance education student in non-government schools.	No input conditions. General Recurrent funds are payable in accordance with the objectives of the program and in the particular year for which funds have been allocated.	1998-99 to 2002-03	\$3397.0m	Inclusion	Exclusion (subject to review when final non-government schools assessment is decided)	States act as Commonwealth agent (the payment is for on passing to non-government schools)	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Vocational Education and Training Funding Act	To provide a nationally identifiable and consistent Vocational Education and Training system. The funds are paid to Australian National Training Authority (ANTA) for allocation to the States.	The recurrent funding allocations are based on ANTA's recommendations in the annual 'Directors and Recourse Allocation' report to the Ministerial Council each year. The allocations are based on a population share (mix of historical and current).	Each State and Territory will receive per capita funding if it gives a commitment to increase the number of new apprentices (in-training). Additional Commonwealth funding for 2001 to 2003 is available for allocation among States on a per capita basis under the new ANTA Agreement. A State will receive its share in each year only if it gives a commitment to provide additional State-sourced funding matching the additional Commonwealth funding in that year.	1998-99 to 2002-03	\$996.5m	Inclusion	Inclusion		Vocational Education and Training

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Targeted Programs – Government Schools and Joint Initiatives (Joint School Programs – Government Schools)	To provide assistance to 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.	N/A	No input conditions. Funds may be used at the discretion of the education authority.	1998-99 to 2002-03	\$323.1m	Inclusion	Inclusion		Govt Primary Secondary Education Govt Secondary School Education
Targeted Programs – Non-govt Schools (Joint School Programs – Non-govt Schools). (Payment through States)	To provide assistance to non-government schools and systems for the improvement of literacy, numeracy and education outcomes for educationally disadvantaged students, to promote the study of other languages, and to assist in the transition from school to work.	N/A	No input conditions. Funds may be used at the discretion of the education authority.	1998-99 to 2002-03	\$165.7m	Inclusion	Exclusion (subject to review when final non-government schools assessment is decided)	States act as Commonwealth agent (the payment is for on passing to non-government schools)	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Indigenous Education Strategic Initiatives Program – Government	To provide supplementary recurrent 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.	N/A	No input conditions. Recipients shall use their best endeavours to reach performance targets annually.	1998-99 to 2002-03	\$126.5m	Inclusion	Inclusion		Govt Primary Secondary Education Govt Secondary School Education Preschools Vocational Education and Training
Indigenous Education Strategic Initiatives Program – Non-Government (payment through the States)	To provide supplementary recurrent funding to non-government 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.	N/A	No input conditions. Recipients shall use their best endeavours to reach performance targets annually.	1998-99 to 2002-03	\$59.7m	Inclusion	Exclusion (subject to review when final non-govt schools assessment is decided)	States act as Commonwealth agent (the payment is for on passing to non-government education providers)	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
HEALTH									
Blood Transfusion Services	To provide funds for the Australian Red Cross Service towards its recurrent costs in providing a national blood transfusion services.	Per annum each State and Territory provides an estimate (operating and capital grants) that they propose to pay the Aust Red Cross, this is used to determine the Commonwealth contribution.	Commonwealth pays 40% of operating costs, the Red Cross contribute a small amount and State/Territory paying the balance.	1998-99 to 2002-03	\$72.8m.	Inclusion	Inclusion		Inpatient Services
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) and is made to give effect to specific health policy objectives. Payments are made on the basis of how many services are provided in the years. The Commonwealth Minister or Delegate approved the organisations that are to receive grants for the provision of specific approved health services.	Program is based on a financial year basis.	1998-99 to 2002-03	\$5.2m	Exclusion (allocation reflects needs)	Exclusion	States act as Commonwealth agents	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Health Care Grants	Grants to the States under the Australian Health Care Agreement to assist with 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 and are subject to a determination by Minister of Health and Aged Care.	No matching requirements, however States and Territories are required to at least maintain a level of public patient services.	1998-99 to 2002-03	\$6630.7m	Absorption (required by terms of reference)	As required by terms of reference		
National Health Development Fund	Grants under the Australian Health Care Agreement to assist States to improve the performance of the health system.	Allocations for each State and Territory are calculated in accordance with the Australian Health Care Agreement and are subject to a determination by Minister of Health and Aged Care.	N/A	1998-99 to 2002-03	\$48.5m	Exclusion (quarantined by terms of reference)	Exclusion	As required by previous terms of reference	
Magnetic Resonance Imaging (MRI)	To provide a funding alternative to Medicare benefits where fee-for-service was inappropriate by contributing towards the recurrent costs of MRI units in selected public hospitals.	N/A	N/A	1998-99	\$5.0m (1998-99)	Inclusion	Inclusion		Inpatient Services Non-inpatient and Community Health Services

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Highly Specialised Drugs	To provide access to certain drugs under the Pharmaceutical Benefits Scheme which, because of special need in clinical administration or monitoring, cannot safely be provided through community pharmacies and must be supplied through hospitals to outpatients.	The Commonwealth funds all usage of highly specialised drugs by hospital outpatients.	States and Territories provide funding to in-patient usage of specialised high cost medicine and Commonwealth subsidises access for outpatients.	1998-99 to 2002-03	\$303.7m	Exclusion (States act as Commonwealth agents)	Out of Scope	Commonwealth responsibility	
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 and Territory population distributions with ACT and NT receiving a minimum percentage of the overall funding allocation.	States match the Commonwealth contribution on a dollar for dollar basis.	1998-99 to 2002-03	\$2.2m	Inclusion	Inclusion		Population and Preventative Health

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
National Public Health	Payments to the States, under the new broad banded arrangements for public health, for subsidies for health promotion and disease prevention. Agreement has five categories: Public Health Outcome Funding Agreement (PHOTAs), COAG Diversion Initiative, the (NGO) Non Government Treatment Grants (NSW only) for funding to NGOs for the purpose of expanding and upgrading existing NGO treatment services, Hepatitis C Education and Prevention Budget Initiative and COAG Illicit Drug Diversion Package.	PHOTAs based on a resource allocation formula, COAG Diversion and Illicit Drugs and Hepatitis C are based on weighted predicted population estimates each year. NSW is the only jurisdiction that received NGO treatment grant funds, outside of the PHOFA.	No matching requirements.	1998-99 to 2002-03	\$170.0m	Inclusion	Inclusion		Population and Preventative Health

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
University Departments of Rural Health	To provide operational support to the rural and remote based education and training units which are linked to the medical schools of universities	N/A	N/A	1998-99	\$9.1m (1998-99)	Out of Scope (Commonwealth function)	Out of Scope	Commonwealth function	
40 National Youth Suicide Strategy	To assist States to involve the broader community in development of prevention programs through supporting rural youth counselling services and providing training for professionals workers.	N/A	N/A	1998-99	\$2.6m (1998-99)	Exclusion (Minor payment)	Exclusion	Minor payment where the introduction of additional factors into the assessment would not be warranted.	
Essential Vaccines	To provide funds for essential vaccines for immunisation under the Public Health Outcome Funding Agreements and for selected new vaccines recommended by the National Health and Medical Research Council for inclusion in the Standard Vaccination Schedule.	Fund to States and Territories is based on a resource allocation formula of population across jurisdictions, together with other relevant health indicators and determinants includes socio-economic status, mortality rates, remoteness and program specific usage factors.	Although no incentive procedures are currently in place the present PHOFAs include provisions for their adoption following the review now in progress of vaccine leakage and wastage in the National Immunisation Program.	1998-99 to 2002-03	\$85.1m	Inclusion	Inclusion		Population and Preventative Health

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Repatriation General Hospitals	To provide funds for payments of a non-treatment nature eg staff transfer costs such as accrued leave credits, income maintenance, superannuation differential, etc to State governments in accordance with agreements reached on integration of repatriation general hospitals. .	Payments to each State (NSW, Vic SA and Tas) are provided under a separate Commonwealth-State arrangement.	States to provide list of personnel before payment is made. Commonwealth reimburses the State for the difference between what the former Commonwealth Employees were entitled to and the equivalent for State employees where the State entitlement is lower.	1998-99 to 2002-03	\$5.2m	Exclusion (allocation reflects needs)	Exclusion	States act as Commonwealth agents	
Fringe Benefit Tax transitional grants for public and not-for-profit hospitals	The FBT cap to apply to public and not-for-profit hospitals will be \$17 000 of grossed up taxable value per employee. To assist with the transition to this cap grants are to be provided to public and not-for-profit hospitals from 2000-01, reducing to zero in 2003-04.	Based on information provided to the Department of Health and Aged Care by each jurisdiction and assessed by Australian Taxation Office.	Distribution and frequency will be determined on information provided to the Department of Health and Aged Care by each jurisdiction and assessed by Australian Taxation Office.	2000-01 to 2002-03	\$72.1m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
SOCIAL SECURITY AND WELFARE									
Aged Care Assessment	To conduct holistic assessments of frail aged clients to determine their care needs and to refer them to appropriate residential or community care services. This program has two components Aged Care Assessment Teams (ACATs) and Psycho geriatric Care Units (PCUs)	ACATs – take into account the number of Aboriginal and Torres Strait Islanders aged 50 to 69 and population dispersion weighted for rural and remote factors. PCUs - The States and NT Governments submit proposals.	Funding is directed towards costs of salaries of assessment staff, overheads and some operating costs. States and NT provide some funding to cover accommodations and infrastructure services eg pays and personnel.	1998-99 to 2002-03	\$39.9m	Inclusion	Inclusion		Aged and Disabled Welfare
Home and Community Care	Funds are provided on a matched basis 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.	Distribution is being reviewed, with the view of moving away from historic program based allocation.	The Commonwealth provides approximately 60% of funding and the States the remainder.	1998-99 to 2002-03	\$611.5m	Inclusion	Inclusion		Aged and Disabled Services

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Disabilities Services	Under the terms of the renegotiated Commonwealth-State Disability Agreement 1997, the Commonwealth continues to provide funds to the States to assist in the provision of accommodation support and other services for people with disabilities.	Percentage split NSW: 33.0 Vic: 22.2 QLD: 19.4 WA: 7.7 SA: 11.8 Tas: 3.6 NT: 1.0 ACT: 1.3	No matching requirements although there is an expectation that State expenditure be maintained in real terms. Recent bilateral Agreements contained a condition requiring States to provide significant additional funds which at least met the level of new Commonwealth funding.	1998-99 to 2002-03	\$503.4m	Inclusion	Inclusion		Aged and Disabled Services
Children's Services	To ensure access to affordable, quality childcare in programs administered by State governments on behalf of the Commonwealth.	As negotiated with each State/Territory Government for Occasional Care Neighbourhood Model. Balance of Support for Child Care is generally dependent upon the numbers and amounts of grants in respect of individual services in each State.	Commonwealth contributions paid up-front with State Governments providing the remainder. Conditions for neighbourhood model occasional care places was not specified.	1998-99 to 2002-03	\$12.1m	Exclusion (States act as Commonwealth agents)	Exclusion	States act as Commonwealth agents	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Supported Accommodation Assistance Program (SAAP)	This is a jointly funded Commonwealth-State program to assist people who are homeless and in crisis. The States are responsible for the day-to-day administration of the program while the Commonwealth is responsible for national aspects including strategic planning, data, evaluation and reviews. Services are primarily provided by community organisations and local governments under contracts to State government welfare departments.	Distribution of total funding largely historically based on amalgamation of Commonwealth and Government recurrent funding on support services for the homeless in 1985. Subsequent additional funding allocated on a population per capita basis with an adjustment for Tasmania and the Territories.	Continuation of joint Commonwealth (60%) and State (40%) base grant and indexed by CPI.	1998-99 to 2002-03	\$162.3m	Inclusion	Inclusion		Homelessness and General Welfare

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
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.	This Agreement is non-discretionary and demand driven and is to provide supervision and welfare support to minors as expressed in a MOU and cost share agreement.	1998-99 to 2002-03	\$0.3m.	Exclusion (minor payment)	Exclusion	Minor payments where the introduction of additional factors into the assessment would not be warranted	
Exceptional Circumstances (EC) Administration	To support the administrative costs of the State rural assistance authorities, including the issuing of EC certificates under the <i>Farm Household Support Act 1992</i> to eligible farmers to access the exceptional circumstances relief payment (ECRP).	Distribution is related simply to the existence of EC areas (if any) and Rural Partnership Programs (RPPs) in individual States.	N/A	1998-99 to 1999-2000	\$0.8m (1999-2000)	Exclusion (minor payment)	Exclusion	Minor payments where the introduction of additional factors into the assessment would not be warranted	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Extension of Fringe Benefits	To compensate the States for extra costs resulting from the liberalisation of access to the Commonwealth's Pensioner Concession card in 1993. In return the States agree to provide a core group of concessions for utilities, municipal and water rates, public transport and motor vehicle registration to all holders.	The split between the States and Territories is based on the percentage of total pensioners in each State/Territory, agreed in 1993.	States/Territories are obligated to confirm annually, that they will continue to provide the core group of concessions to PCC holders with no discrimination between full and part-rate pensioners.	1998-99 to 2002-03	\$170.9m	Inclusion	Inclusion		Homelessness and General Welfare; Economic Activities group of categories.

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
National Illicit Drugs Strategy	Funding to State and Territory Governments to provide services to families where the young person is suffering from the effect of illicit drug use. In most cases, the governments will purchase services from community based organisations.	Based on a funding model including a range of weighting factors.	The Commonwealth solely funds the initiative. States manage the program.	2000-01 to 2002-03	\$1.2m	Inclusion	Inclusion		Population and Preventative Health
Native Title	Funding to assist States and Territories implement a consistent framework for dealing with native title issues and meeting native title compensation costs.	Reimbursement of administration costs to the States after receiving a valid request from the States in respect of a compensation amount.	Effective from date of agreement (none yet), but covers compensation payments made in the past and administrative costs, if any, from 1994.	2002-03	N/A	N/A	Inclusion for the full amount		Various expenditure categories

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Victorian Gas Emergency Assistance Fund	Assistance to small businesses, individuals and community organisations to ameliorate the consequences of the interruption to Victoria's gas supplies.	Payment to Victoria only.	N/A	1998-99	\$8.3m (1998-99)	Exclusion (allocation reflects needs)	Exclusion	States act as Commonwealth agents	
Transition to Independent Living Allowance	Provides a one-off payment for young people leaving supported care, to defray up-front State supported costs associated with setting themselves up in independent living arrangements.	MOU is yet to be developed and signed for each State and Territory.	Details have yet to be negotiated.	2002-03	\$0.9m (2002-03)	N/A	Exclusion	Minor payments where the introduction of additional factors into the assessment would not be warranted	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
	Concessions for Commonwealth Seniors Health Card Holders (CSHC)			2002-03	\$39.7m (2002-03)		Inclusion		Homelessness and General Welfare; Economic Activities group of categories.
	State Seniors Card Reciprocal Transport Concessions.			2002-03	\$5.2m (2002-03)		Inclusion		Urban Transit; Non-urban Transport

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
HOUSING AND COMMUNITY AMENITIES									
Assistance for Housing	The <i>State Grants (Housing) Act 1971</i> provides for payments in lieu of Commonwealth housing assistance to offset the cost of interest on funds borrowed by the States at that time for public housing.	Total amount payable to each State is in accordance with the Act, as specified in the percentages laid down in Section 5(3) of the Act.	N/A	1998-99 to 2001-02	\$2.8m	Inclusion	Inclusion		Housing
Assistance for Water and Sewerage	To compensate the ACT Government for additional costs resulting from the national capital planning influences on the provision of water and sewerage services.	The level of funding is in accordance with the CGC's Third Report on ACT Finances in 1988 and adjusted annually for inflation.	N/A	1998-99 to 2002-03	\$8.5m	Exclusion (allocation reflects needs)	Exclusion	State acts as Commonwealth agent, needs are not assessed	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Tasmanian Regional Forest Agreement	To fund the implementation of new intensive forest management initiatives, including hardwood plantation establishment and thinning programs.	Payment to Tasmania only.		1998-99 to 1999-2000	\$1.6m (1999-2000)	Out of Scope (Forestry is a PTE category where only the impact on State budget is assessed)	Out of Scope	Only the net impact of Forestry on State budget is assessed	
Natural Heritage Trust of Australia – Bushcare	To reserve the long term decline in the quality and extent of Australia’s native vegetation cover by the year 2001.	Annual bid for funding and following Ministerial approval, funding is released by Financial Agreements. Agencies in each State and Territory are responsible on disbursement to recipients.	The State is required to match funding dollar for dollar. Projects must comply with a range of general Natural Heritage Trust requirements.	1998-99 to 2001-02	\$58.0m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Heritage Trust of Australia – Coasts and Clean Seas Initiative	To help achieve the repair of Australia’s aquatic environment and assist in the conservation and sustainable use of resources in freshwater, estuarine and marine environments.	National competitive process.	Coasts and Clean Seas – proponents are required to provide matching contributions. Coast Care – States contribute the total funding.	1998-99 to 2001-02	\$19.1m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Natural Heritage Trust of Australia – National Rivercare Program	To ensure progress towards the sustainable management, rehabilitation and conservation of rivers outside the Murray-Darling Basin and to improve the health of these river systems.	Distribution is based on assessments of projects against program priorities.	Matching of funded requested from the program..	1998-99 to 2001-02	\$1.8m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Heritage Trust of Australia – Endangered Species Program	To protect and conserve Australia’s threatened species and ecological communities so they can survive, flourish and retain their potential for evolutionary development in the wild.	National program and projects are assessed against the Objectives of the program and other related national plans.	States are required to match funding dollar for dollar.	1998-99 to 2001-02	\$4.6m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Heritage Trust of Australia – National Feral Animal Control Program	To ensure effective management of the impact of feral animals on the natural environment and on primary production.	Interstate distribution is broadly lined to State and Commonwealth ‘Partnership Agreements’ and national priorities.	States are required to match funding dollar for dollar.	1998-99 to 2001-02	\$1.7m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Natural Heritage Trust of Australia – Air Pollution in Major Cities	To reduce the impact of air pollution in urban areas and, in doing so, to contribute to the development of sustainable urban environments.	Funds are provided on the basis of achieving planned milestones.	N/A	1998-99 to 2001-02	\$1.8m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
53 Natural Heritage Trust of Australia - Oceans Policy	To set in place a framework for integrated and ecosystem based planning and management for Australia's marine environment.	Paid under the Natural Heritage Trust Program. Funds are provided on the basis of achieving planned milestones.	Conditions may be placed on approved projects on a case by case basis (on request of the Environment Minister).	2000-01 to 2001-02	\$3.2m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Newcastle Structural Adjustment Fund	To generate substantial private sector employment growth within the Hunter region, which has been adversely affected by BHP's decision to close down its steel division.	State contracts with recipients on terms and conditions agreed between the Commonwealth and the recipient. Full decision-making rests with the Commonwealth.	At least 50% of funding must come from sources other than the NSW and Commonwealth governments' funding allocations for Newcastle.	2000-01	\$0.7m (2000-01)	Exclusion (States act as Commonwealth agents)	Exclusion	States act as Commonwealth agents.	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
RECREATION AND CULTURE									
Natural Heritage Trust of Australia – National Wetlands Program	To promote the conservation, repair and wise use of wetlands across Australia.	As per Partnership Agreements with each State/Territory	Conditions may be placed on approved projects on a case by case basis (on request of the Environment Minister). Requires matching eligible contributions from proponent and partner organisations.	1998-99 to 2001-02	\$0.9m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Heritage Trust of Australia – National Reserve System	To assist with the establishment and maintenance of a comprehensive, adequate and representative system of reserves.	Based on applications received and approved on individual application.	States are required to match Commonwealth funding at the rate of one third States, two thirds Commonwealth.	1998-99 to 2001-02	\$1.5m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Heritage Trust of Australia – World Heritage Area Management and Upkeep	To meet Australia’s national and international obligations to protect, conserve and present Australia’s world heritage properties.	Varies from year to year, and is the result of competitive nature of the program.	Bilateral Agreements identify the Commonwealth-State contribution to projects. No formal matching or maintenance conditions apply.	1998-99 to 2001-02	\$8.3m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Management of World Heritage Properties	To meet Australia's obligations under the World Heritage Convention and to implement improved management arrangements to protect and present the Tasmanian Wilderness World Heritage Area.	Payment to Tasmania only.	The funding Agreement identifies Commonwealth and State annual contributions for each of the four financial years covered by the Agreement.	1998-99 to 2001-02	\$5.3m	Exclusion (a Commonwealth responsibility)	Exclusion	States act as Commonwealth agents	
Payments to the Sydney Organising Committee for the Olympic Games (SOCOG) for games related services	To assist SOCOG to satisfy its requirements for a range of Commonwealth and other services, facilities and equipment to assist with the staging of the Olympic Games.	Payment to NSW Treasury which passed the funds to the Olympic Coordination Authority which passed them to Sydney Organising Committee for the Olympics.	No matching requirements.	1999-2000 to 2000-01	\$60.2m (2000-01)	Exclusion (allocation reflects needs)	Exclusion	States act as Commonwealth agents.	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Upgrade Tasmanian Sporting Facilities	As part of the 1998 election campaign the Coalition promised funding for the upgrading of York Park in Launceston and Bellerive Oval in Hobart.	Payment to Tasmania only.		1998-99	\$10m (1998-99)	Out of Scope (capital)	Inclusion		Depreciation
Inveresk Woodchopping Stadium	Provision of funding to provide a new Inveresk Woodchopping Stadium.	Payment to Tasmania only.		1998-99	\$0.06m (1998-99)	Exclusion (minor payment)	Exclusion	Minor payments where the introduction of additional factors into the assessment would not be warranted.	
Contemporary Music Package – State Pilots	Pilot projects for South Australia and Tasmania to fund a package of initiatives that will result in ongoing benefits for the contemporary music industry to enhance its long term viability.	Payments to South Australia and Tasmania.		1998-99 to 2000-01	\$0.4m (2000-01)	Exclusion (minor payment)	Exclusion	Minor payments where the introduction of additional factors into the assessment would not be warranted.	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Brisbane Goodwill Games 2001	To support the 2001 Goodwill Games volunteer program and to assist in meeting the costs of an anti-doping program.	Payment to Queensland only.	N/A	2000-01	\$5.0m (2000-01)	Exclusion (allocation reflects need)	Exclusion	Allocation reflects needs	
Melbourne Commonwealth Games 2006	Provide funding to the Victorian Government to assist in the upgrading of the Melbourne Cricket Ground, one of the major facilities to be used during the Commonwealth Games.	Funding to be provided over two years as agreed milestones are achieved.	Commonwealth contribution to the Capital works represent less than a quarter of the expected costs and the balance will be met by the Victorian Government.	New in 2003-04 and paid in 2003-04 and 2004-05	N/A	N/A	Exclusion	States act as Commonwealth agents	

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
AGRICULTURE, FORESTRY AND FISHING									
Natural Heritage Trust of Australia – National Weeds Strategy	To develop and implement a national co-operative approach to managing the impact of environmental weeds on Australia’s flora and fauna and to implement strategic control plans for major noxious weed species identified as being of national ecological and economic importance.	Projects are assessed against the objectives of the program and other related national plans.	State is required to match funding dollar for dollar. There is also a range of specifications on what items can be funded under the NHT.	1998-99 to 2001-02	\$4.4m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Natural Heritage Trust of Australia – National Landcare Program	To develop and implement resource management practices which enhance our soil, water and biological resources and which are efficient, sustainable, equitable, and consistent with the principles of ecologically sustainable management.	State and Commonwealth agreement at commencement of program with yearly adjustments based on NRM priorities.	Payments to the States will be in accordance with a signed Financial Agreement, with specific outputs, outcomes and reports.	1998-99 to 2001-02	\$13.8m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Heritage Trust of Australia – Farm Forestry Program	To encourage the incorporation of commercial tree growing and management into farming systems for the purpose of wood and non-wood production, increasing agricultural productivity and sustainable natural resource management.	Funds distribution is based on State and Commonwealth assessment of projects against program priorities.	Payments to the States will be in accordance with a signed Financial Agreement, with specific outputs, outcomes and reports.	1998-99 to 2001-02	\$6.5m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Natural Heritage Trust of Australia – Murray Darling 2001	Contribute to the rehabilitation of the Murray-Darling Basin, with the view to achieving a sustainable future in the Basin, its natural systems and its communities.	The Murray Darling 2001 program is an agreed formula based approach, official annual allocation to State/Territories is 85% with 15% Targeted component to priority regions. Fish Rehabilitation funding on competitive assessments with each funding round.	Financial assistance consistent with the objectives of NHT and a Partnership Agreement. Fish Rehabilitation require a progress report upon completion of each milestone.	1998-99 to 2001-02	\$18.1m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Tasmania Wheat Freight - Shipping	To assist cereal processor users and consumers for the cost of shipping wheat to Tasmania (limited to the shipping across Bass Strait). (To help Tasmania to adjust to changes in wheat marketing which have occurred since 1989 and to the new tax regime from July 2000.)	Payment to Tasmania (\$1.2m each year)		1998-99 to 2002-03	\$1.2m	Out of Scope (Commonwealth function)	Out of Scope	Commonwealth function.	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Bovine Brucellosis and Tuberculosis	To fund the Brucellosis and Tuberculosis Eradication Campaign	N/A	N/A	1998-99	\$3.6m (1998-99)	Inclusion	Inclusion		Primary Industry
Exotic Disease Preparedness Program	Supports investigations into the role of wildlife species in the maintenance and spread of emerging animal diseases and incursions of major exotic diseases of animals.	Depends on projects received from various States and judgements about their quality and relevance.	Dollar for dollar input from the States.	1998-99 to 2002-03	\$0.3m	Exclusion (Minor payment)	Exclusion	Minor payments where the introduction of additional factors into the assessment would not be warranted	
National Landcare Program	Aims to achieve efficient, sustainable and equitable management of natural resources in Australia. Payments mainly assist community landcare group activities and projects which support community landcare, although some State agency projects are also supported.	Agreement at commencement of program, with yearly adjustments based on National Resources Management priorities.	Projects shall be agreed on a case by case basis, taking into account of the potential for contributions from all beneficiaries. States are responsible for achieving outcomes for each project.	1998-99 to 2002-03	\$42.4m	Exclusion (forerunner of Natural Heritage Trust program which was quarantined by terms of reference)	Exclusion	Forerunner of Natural Heritage Trust program which was quarantined by previous terms of reference	

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Farm Business Improvement Program (FarmBis)	Provides a framework for promoting a positive approach to change and builds on the farm sector's culture of continual improvement to help farmers improve the productivity, profitability and sustainability of their business	Before the commencement of the program, States were asked what funds they would commit to the program. The Commonwealth then matched their commitment on a 50:50 basis.	Commonwealth/State Agreements require matching on a 50:50 funding basis in the Northern Territory and all States except WA. (The Commonwealth/WA agreement utilises WA Rural Adjustment Scheme reserves at a Commonwealth to WA ratio of 90:10.). Through these agreements, \$5.224m of Natural Heritage Trust funding is committed for 2000-01, the last year of the current program.	1999-2000 to 2001-02	-\$0.024m (2001-02) \$13.7m (2000-01)	Exclusion (allocation reflects needs)	Inclusion		Primary Industry

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Farm Assistance	To facilitate structural adjustment in the rural sector which contributes to the enhanced viability of farm business enterprises within the Central North East South Australia region through the preparation of business plans; increased farm productivity; grasshopper and locusts control; facilitating redevelopment of properties and research into alternative farming methods.	The amount to be provided for the Projects by the Commonwealth and South Australia will be limited to a total of \$4.05 million over the term of the Agreement comprising up to: \$2 million provided by the Commonwealth; and \$2.05 million provided by South Australia	South Australia to match Commonwealth payment.	2000-01 to 2001-02	\$1.0m	Inclusion	Inclusion		Primary Industry

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
West 2001 Plus	The program has 2 objectives: (a) to contribute to a competitive, viable and self-sustaining Western Division of NSW to enhance the economic performance of Landholders and improve the management of the natural resource base; and (b) to contribute to robust, equitable and prosperous communities.	Payment to New South Wales only.	Commonwealth contributes 50 per cent of the funding	200-01 to 2001-02	\$0.8m	Exclusion (Successor of Rural Adjustment Scheme which was treated by exclusion)	Inclusion		Primary Industry

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Plant Disease and Eradication	N/A	Payment to Victoria, Queensland and South Australia.	N/A	2001-02	\$5.6m	Exclusion (allocation reflects needs)	Inclusion		Primary Industry
Rural Adjustment Scheme (RAS)	To provide support to farm business enterprises to improve farm productivity, profitability and sustainability, and to eligible farm business enterprises where incomes have been adversely affected by exceptional circumstances such as extreme drought. Farmers in financial difficulty, but without prospects for long-term profitability, are assisted to exit from the farm sector.	Distribution among the States is related simply to the existence of Exceptional Circumstances (EC) areas (if any) and Rural Partnership Programs (RPP) in individual States.	Exceptional Circumstances certificates are demand driven and is intended to place viable farms in a better position to recover - subsidies of up to 50% of the farmer's interest cost are available (90% funded by Commonwealth and 10% by States). For RPPs a specified limit of funding is provided in each Commonwealth-State Agreement for specified organisations.	1998-99 to 2002-03	\$17.2m	Exclusion (States act as Cwlth agents)	Exclusion	States act as Commonwealth agents	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Queensland Trawling Industry Restructure Package	In August 2002 a \$10 million commitment towards a restructuring package for the East Coast Trawl Fishery. The package included a structural adjustment scheme that would compensate operators for surrender of their fishing licence packages and provide fair and equitable treatment for industry and in particular for small, family run operations.	Payments to Queensland only	The Queensland Government matches the grants dollar for dollar.	2000-01	\$10.0m	Exclusion (A Commonwealth initiative to permanently remove fishers from within the Great Barrier Reef Marine Park)	Exclusion	The State acts as Commonwealth agent	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Natural Heritage Trust of Australia – National River Health Program	To guide and monitor activities to reverse the degradation of Australia's inland waters.	As per partnership agreements with State and Territories	States and Territories are required to match funding dollar for dollar, with individual grant agreements stipulating timeframes, project specific outputs and other mandatory performance information.	1998-99 to 2001-02	\$13.9m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Heritage Trust of Australia – Waterwatch Australia	To coordinate and support networks of community members who are working towards the goal of healthy waterways.	As per partnership agreements with State and Territories	Matching contributions for State agency projects must be consistent with the cost-sharing arrangement specified in the per partnership agreements in each State and Territory.	1998-99 to 2001-02	\$2.6m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Natural Heritage Trust of Australia – Waste Management Awareness	To promote benefits and practicalities entailed in effective waste management and recycling, with the emphasis on community based activities.	The project involves field trails in several States coordinated by the Institute of Horticulture in Victoria.	\$110 000 is being provided from the States (total Commonwealth funding is \$240 000)	1998-99 to 2001-02	\$0.4m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
68 Natural Heritage Trust of Australia – Fisheries Action Program	To help achieve and repair of Australian aquatic environment and assist in the conservation and sustainable use of fish resources in fresh water, estuarine and marine environments.	Formula based on length of coastline, length of rivers, population and project merit.	Payments made to the State will be in accordance with a signed Financial Agreement, with specific outputs, outcomes and reports.	1998-99 to 2000-01	\$2.1m (2000-01)	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Heritage Trust of Australia – National Land and Water Resources Audit	To provide assessment of land, vegetation and water resources that will assist in the sustainable development of those resources.			1998-99	\$0.5m (1998-99)	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Natural Heritage Trust of Australia – FarmBis – Advanced Property Management Planning	To increase farmers participation in learning activities which will enhance the profitability, competitiveness and sustainability of their business enterprises.		Matching on a 50:50 funding basis in the Northern Territory and all States except Western Australia (Commonwealth 90: State 10)	1998-99 to 2000-01	\$5.2m (2000-01)	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Heritage Trust of Australia – Riverworks Tasmania	To carry out remediation work to improve the environment and where appropriate, the general amenity of Tasmanian river systems by removing and reducing sources of pollution.			2001-02	\$0.4m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Great Artesian Basin Sustainability Initiative	To assist with the implementation of Great Artesian Basin Management Plan. Grants will be made to States and Territories to assist bore rehabilitation. Supplementary incentives will also be made available for the replacement of open drains with piping.	Initial distribution of funds across the Basin was determined for each Management Zones defined by hydro-geologic, bio-physical and industry characteristics. The available funds were then partitioned up to each zone in proportion to the results of the need analysis.		1999-2000 to 2000-01	\$4.5m (2000-01)	Exclusion (minor payments)	Exclusion	Minor payments where the introduction of additional factors into the assessment would not be warranted	
Citrus Industry Market Diversification	To provide assistance to facilitate adjustment within, and improve the international competitiveness and long term growth prospects for the Australian Citrus industry. This program was previously included in the Rural Adjustment Scheme.	Application for funding by various industry and State government bodies considered on the basis of merit and industry-wide benefit rather than geographical location.	No matching requirement	2000-01	\$0.2m (2000-01)	Exclusion	Inclusion		

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Forest Industry Structural Adjustment Package	To assist the native forest timber industry become more efficient, sustainable and internationally competitive. It also provides structural adjustment assistance to eligible forest industry workers and businesses who have been adversely affected by the Regional Forest Agreement process.	A MOU has been signed with each of the States with whom a joint FISAP is operating. The MOU specifies the amount of funding for individual States and the amount contributed by States.	Payments are subject to decisions made by advisory committees made up of representatives from State and Commonwealth and reflect milestones in Contracts or Agreements.	1999-2000 to 2002-03	\$14.1m	Out of Scope (Forestry is a PTE category where only the impact on State budget is assessed)	Out of Scope	Only the net impact of Forestry on State budget is assessed	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
72 Skillings Farmers for the Future	To integrate and enhance the existing successful FarmBis and Property Management Planning Programs and incorporate the wild catch fishing industry. It will facilitate farmer self reliance and promote a positive approach to change and a culture of continuous improvement by providing financial assistance to improve skills in business and resource management.	Before the commencement of the program State/NT were asked what funds they would commit to the program. The Commonwealth then matched their commitment on a 50:50 basis.	Each State/NT has an agreement for set amounts over the three years of the program.	2001-02 to 2002-03	\$15.9m	Inclusion	Inclusion		Primary Industry
War Service Land Settlement Scheme	To reimburse SA for the operation and maintenance of the Loxton Irrigation Scheme, to meet Commonwealth obligations.	The major element of the funding is in South Australia as it relates to the Loxton Irrigation Scheme.	\$10.5m committed refurbishment of the Loxton Irrigation Scheme, with full responsibility for the scheme transferred to South Australia.	1999-2000 to 2002-03	\$2.6m	Out of Scope (Commonwealth obligation)	Out of Scope	Commonwealth Responsibility	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Eradication of Red Imported Fire Ant	To provide funding for the eradication of Red Imported Fire Ant infestations detected in Australia.	Commonwealth and State/Territory governments provide funding on agreed basis of expenditure.	Commonwealth to contribute 50% on cost sharing formula.	2001-02 to 2002-03	\$15.5m	Exclusion (allocation reflects needs)	Exclusion	Allocation reflects needs.	
MINING AND MINERAL RESOURCES (OTHER THAN FUELS), MANUFACTURING AND CONSTRUCTIONS									
73 Regional Minerals Program	To implement two key recommendations made in the final Regional Development Plan of the Western Tasmanian Regional Minerals Program which is designed to encourage investment and exploration opportunities in Western Tasmania.	Payment to Tasmania only.	No matching requirement.	1999-2000 to 2000-01	\$4.0m (2000-01)	Exclusion (minor payment)	Inclusion		Mining, Fuel and Energy
Enterprise Development Program	To improve the performance and efficiency of small to medium sized firms through assistance in business planning and other enterprise improvement initiatives			1998-99 to 2000-01	\$1.1m (2000-01)	Exclusion (minor payment)	Inclusion		Manufacturing and Other Industry

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Textiles, Clothing and Footwear Development (payment through the States)	To assist textiles, clothing and footwear firms to continue industry restructuring by encouraging the adoption of quality management initiatives and closer relationships with suppliers	N/A	N/A	1998-99 to 1999-2000	\$2.7m (1998-99)	Exclusion (minor payment)	Exclusion	States act as Commonwealth agent (the payment is for on passing to non-government organisations)	
National Business Information Service	To improve the capacity of the Business Information Service and reduce business red tape through joint initiatives with State and Territory Governments. To enhance the online service delivery of business licensing by the State.	State/Territory share is dependent on workload in each jurisdiction and share of national business information users.	2000-01 allocation represents payments set out in MOU as well as expenditure on two joint projects.	2001-02	\$0.005m	Exclusion (minor payment)	Inclusion		Manufacturing and Other Industry

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
TRANSPORT AND COMMUNICATION									
Interstate Road Transport	Payments to the States of funds received through the Federal Interstate Registration Scheme that provides an alternative to State registration for vehicles engaged in inter-State trade. The intention is to provide funds for the maintenance and upkeep of roads used by these vehicles. Also includes payments of amounts equal to penalties arising from prosecutions under the Act.	Funding is allocated according to a formula based on road usage from ABS surveys (with the exception that under a Ministerial agreement of 1986, ACT, Tas and NT receive a fixed 0.5% of funds collected for expenditure on road maintenance.	N/A	1997-98 to 2002-03	\$33.9m	State Revenue	State Revenue	Commonwealth acts as collection agent.	Heavy Vehicle Registration Fees and Taxes

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
AN – payments for Regional Assistance (payments through the States)	To support measures which will create jobs through economic development of the regions most adversely affected by the sale of the assets of Australian National Railways Commission (AN).			1998-99	\$0.2m (1998-99)	Exclusion (minor payment)	Exclusion	States act as Commonwealth agent (the payment is for on passing to non-government organisations)	
Petroleum Products Freight Subsidy Scheme	The <i>States Grants (Petroleum Products) Act 1965</i> provides for grants to be made to the States and the Northern Territory to enable them to subsidise the cost of transporting eligible petroleum products to remote areas of Australia.	Amount is set by the Commonwealth and is normally indexed each year.	Each State/NT are provided with an initial pool of funds to pay subsidies to distributors. These amounts are topped up throughout the year as claims are paid.	1998-99 to 2002-03	\$3.6m	Exclusion (minor payment)	Exclusion	Minor payments where the introduction of additional factors into the assessment would not be warranted	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Roads to Recovery – Unincorporated Areas	Funding for the construction, upgrade and maintenance of roads in Christmas and Cocos (Keeling) Islands and unincorporated areas of SA, NSW and Vic not governed by local government authorities.	Commonwealth responsible for providing funding on agreed basis, with bilateral agreements with individual States. States deliver the service.	State road expenditure to be maintained.	2001-02 to 2002-03	\$2.0m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Gold Coast Light Rail	One-off contribution towards a feasibility study into a light rail system from Helensvale to Broadbeach on the Gold Coast.	Payments to Queensland only.		2002-03	\$0.7m (2002-03)	N/A	Inclusion		Urban Transit

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
OTHER PURPOSES									
Training for Aboriginal Program	To support the initial employment and training of Indigenous Australians within State public services.			1998-99	\$1.6m (1998-99)	Inclusion	Inclusion		Vocational and Education Training
78 Debt Redemption Assistance	To compensate the States and NT under <i>the Financial Agreement Act 1994</i> for the additional interest cost of replacing maturing Commonwealth debt with their own borrowings and for the lower Commonwealth sinking fund contributions, which have resulted from the debt redemption arrangements.	Distribution is based on maturing debt levels and debt outstanding for each of the States and NT.	N/A	1998-99 to 2002-03	\$34.4m	Interest Cost – Inclusion; Contribution to Sinking Fund – Out of Scope (capital)	Interest Cost – Inclusion; Contribution to Sinking Fund – Out of Scope	Inclusion	Interest cost – Debt Charges

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Financial Assistance Grants for Local Govt - General Assistance (payment through the States)	To enable councils to provide a wider range of services to promote equity by providing councils which suffer high costs and/or poor revenue sources a greater share of the grant through the States.	Interstate allocation is on a per capita basis.	N/A	1998-99 to 2002-03	\$965.8m	Out of Scope (local government function)	Out of Scope	Local government function	
Financial Assistance Grants for Local Govt – Untied Local Roads Grants (payment through the States)	To provide 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.	N/A	1998-99 to 2002-03	\$428.6m	Out of Scope (local government function)	Out of Scope	Local government function	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Compensation - Companies Regulation	Under the terms of the Corporate Agreement, the Commonwealth is obliged to compensate the six States and the Northern Territory for revenue forgone following the commencement of the national scheme for the regulation of companies and securities.	Monthly instalments to the States and NT in accordance with percentages set out in the Agreement.	N/A	1997-98 to 2002-03	\$147.6m	Exclusion (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Disaster Relief	Reimbursement of part of the expenditure incurred by the States on personal hardship and distress payments made to persons adversely affected by natural disaster.	Is 'demand driven' based on the level and frequency of State/Territory claims.	Requirement to match Commonwealth funding dollar for dollar, or for State sourced expenditure to be maintained in real terms.	1998-99 to 2002-03	\$34.6m	Exclusion (allocation reflects needs)	Exclusion	Allocation reflects needs	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
81 Natural Disaster Risk Management Studies (a sub-program of Natural Disaster Relief Agreement) (payment through the States)	To encourage States to undertake worthwhile risk assessment and/or risk treatment studies to identify, analyse and evaluate the risks from natural disasters. Also to stimulate the introduction by States of preventative strategies and measures to reduce those unacceptable risks identified by any studies.		Commonwealth funds of up to \$3m per annum are available for approved studies. Match funding by State and Local Government, to a total funding pool of \$9m per annum.	2001-02	\$2.3m	Exclusion (minor payment)	Exclusion	Allocation reflects needs	
Exmouth Cyclone Relief	Funding for assistance to individuals in Exmouth WA whose property was severely damaged by cyclone Vance.			1999-2000	\$1.4m	Out of Scope (Commonwealth function)	Out of Scope	Commonwealth function	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Royalties	There are two components for this payment: 1) reimbursement to the Western Australian Government for royalties under the <i>Petroleum (Submerged Lands) Act 1967 (PSLA)</i> and for the cost of Barrow Island Resource Royalty; and 2) payment to the Northern Territory Government in lieu of uranium royalties from the Ranger project.	Payment to WA and NT are made only after receipt of royalty payment by the producers.	1) Royalties in excess of 4% are passed to WA. 2) 1.25% of net sales processed are paid to NT.	1998-99 to 2002-03	\$418.5M	WA: Exclusion for payment under Section 130 of the <i>Petroleum (Submerged Lands) Act 1967</i> and Inclusion for other components. NT: Inclusion	Exclusion for WA payment under Section 130 of the <i>Petroleum (Submerged Lands) Act 1967</i> ; State Revenue for other components	Exclusion for the payment to Western Australia under Section 130 of the <i>Petroleum (Submerged Lands) Act 1967</i> because this is a compensation for the State's complying with contract conditions relating to natural gas sales.	Mining revenue

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CURRENT PURPOSES (continued)

Attachment B

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
ACT National Capital Influences	To meet the additional municipal type costs the ACT bears flowing from Canberra's role as the national capital. Funding amount is based upon the findings of the Commonwealth Grants Commission in its Second and Third Reports on Financing the ACT.	Payment to ACT only.	N/A.	1998-99 to 2002-03	\$21.1m	Out of Scope (Commonwealth function)	Out of Scope	Commonwealth function	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES

Attachment C

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
EDUCATION									
Government Schools	To provide supplementary assistance to State education authorities for the provision, maintenance and upgrading of school facilities, which can include, amongst other things, land or building purchases, capital works or the provision of equipment.	Capital grants to government schools are provided as block grants and funds for each State are allocated on the basis of total school enrolments.	50% of funds has to be allocated in a year towards facilities for existing school students.	1998-99 to 2002-03	\$232.1m	Out of Scope	Inclusion		Depreciation
Non-government Schools (Payment through the States)	To provide supplementary assistance to non-government schools and systems as well as hostels for rural students, for the provision, maintenance and upgrading of school facilities, which can include, amongst other things, land or building purchases, capital works or the provision of equipment.	Capital grants are committed on a project by project basis. Payments are made according to a schedule approved by the Minister each program year.	50% of funds has to be allocated in a triennium towards facilities for existing school students.	1998-99 to 2002-03	\$91.7m	Out of Scope	Exclusion (subject to review when final assessment is decided)	States act as Commonwealth agent (the payment is for on passing to non-government schools)	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

Attachment C

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Indigenous Education Strategic Initiatives Program – Non-government (Payment through the States)	To provide supplementary capital funding to education providers in the pre-school, school and vocational education and training sectors, as well as project based funding aimed at improving indigenous education outcomes.	N/A	No input conditions. Recipients use their best endeavours to reach performance targets annually.	1998-99 to 2001-02	\$3.7m	Out of Scope	Exclusion (subject to review when final assessment is decided)	States act as Commonwealth agent (the payment is for on passing to non-government schools)	
HEALTH									
Blood Transfusion Services	To provide funds for the Australian Red Cross Society towards the costs of its approved capital program in providing a national blood transfusion services.	Every year each State and Territory provides an estimate (operating and capital grants) that they propose to pay the Aust Red Cross towards running the Services, this is used to determine the Commonwealth contribution.	The capital component is a 50/50 split between the Commonwealth and State/Territory. Payment is made once capital work has been completed or progress payment is due.	1998-99 to 2002-03	\$7.9m	Out of Scope	Inclusion		Depreciation

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

Attachment C

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Federation Fund – Queensland Institute of Medical Research	A one-off injection to the Queensland Institute of Medical Research for the construction, development and fit-out of a Comprehensive Cancer Research Centre.	Payment to Queensland only.	Queensland government provided \$20 million and a site at the Royal Brisbane Hospital.	2000-01 to 2001-02	\$10.0m	Out of Scope	Out of Scope	Federation Fund is a Commonwealth responsibility	
SOCIAL SECURITY AND WELFARE									
Home and Community Care	Funds are provided on a matched basis for the provision of appropriate community care services to help the frail aged people and people with disability live independently in their homes as long as possible.	Distribution is being reviewed, with the view of moving away from historic program based allocation.	The Commonwealth provides approximately 60% of funding and the States the remainder.	1998-99 to 2002-03	\$4.1m	Inclusion as payment for recurrent purposes	Inclusion		Aged and Disabled Welfare
Children's Services	To contribute to the cost of establishing additional new child care places.	N/A	N/A	1998-99	\$0.5m (1998-99)	Exclusion	Exclusion	States act as Commonwealth agents.	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

Attachment C

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Crisis Accommodation Assistance (An identified program under CSHA)	To provide funds to the States under the Commonwealth-State Housing Agreement (CSHA) for the purchase, construction, renovation, maintenance and lease of dwellings to provide accommodation for use under the Supported Accommodation Assistance Program.	Funding is distributed on a per capita basis.	State matching funds are determined as a set proportion of CSHA Base Funding. There is no specific matching requirement for the Crisis Accommodation Program.	1999-2000 to 2002-03	\$39.7m	Inclusion of a standard proportion for all States as recurrent.	Inclusion		Depreciation
HOUSING AND COMMUNITY AMENITIES									
NT Indigenous Health Infrastructure	N/A	Payment to Northern Territory only	N/A	1998-99	\$10.0m (1998-99)	Out of Scope	Inclusion		Depreciation

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

Attachment C

Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Housing Assistance for Indigenous People (An identified program under CSHA)	To assist the Indigenous people for low to moderate income earners to have access to affordable, appropriate and secure rental accommodation, including public and community-owned rental housing. States can use the grants for construction, upgrades and house maintenance and other related housing function such as asset management and maintenance training for Indigenous housing workers.	The distribution of new funds (from 2002-03) is based on Indigenous housing needs in rural and remote areas.	State matching funds are determined as a set proportion of CSHA Base Funding.	1999-2000 to 2002-03	\$91.0m	Inclusion of a standard proportion for all States as recurrent.	Inclusion		Housing

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Community Housing (An identified program under CSHA)	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.	Funding is distributed on a per capita basis.	State matching funds are determined as a set proportion of CSHA Base Funding.	1999-2000 to 2002-03	\$64.0m	Inclusion of a standard proportion for all States as recurrent.	Inclusion		Housing
Commonwealth -State Housing Agreement (CSHA) Block Assistance / Base Funding	To provide funds to the States primarily for the provision of public rental housing for low to moderate income households. Base funding has two components: 1) housing assistance such as public and community housing, home purchase assistance and private rental assistance; 2) GST compensation.	Base Funding is distributed across states and territories on a modified per capita basis. GST Compensation is distributed on a basis determined by the States.	States matching Commonwealth base funding and contribute almost \$1.5 billion over the four years of the 1999 CSHA by way of grants.	1999-2000 to 2002-03	\$833.6m	Inclusion of a standard proportion for all States as recurrent	Inclusion		Housing

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Social Housing Subsidy Program	Provides matching funds to States for up to twenty years to subsidise the recurrent costs of financial rental accommodation for low to moderate income earners. Funds are committed to NSW and the ACT and funding to other States was removed in the 1996-97 Budget.	Funding is used for the expansion of community housing opportunities in NSW and a private rental leasing scheme in ACT.	Requirement to match Commonwealth funding dollar for dollar.	1998-99 to 2002-03	\$2.1m	Inclusion as payments for recurrent purposes	Inclusion		Housing
Federation Fund – Development of the Tuggeranong Homestead	The project aims to conserve and restore the culturally significant elements of the Tuggeranong Homestead complex.	Payment to the ACT only.	N/A	1999-00 to 2000-01	\$0.2m (2000-01)	Out of Scope	Out of Scope	Commonwealth responsibility	
Federation Fund – Centennial Moore Park Trust	To fund the capital improvement plan on Federation Drive, Federation Landscape, Federation Valley and the Avenues of Trees.	Payments to NSW only.	Over three years, \$10 million was provided by Commonwealth and \$1.5 million by grantee.	1999-2000 to 2001-02	\$0.1m	Out of Scope	Out of Scope	Commonwealth responsibility	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Tasmanian Regional Forest Agreement	Funding for the implementation of new intensive forest management initiatives, including hardwood plantation establishment and thinning programs.	Payments to Tasmania only.	N/A	1998-99 to 1999-00	\$0.3m (1999-2000)	Out of Scope	Out of Scope	Only the net impact of forestry on State budget is assessed	
Federal Flood Mitigation Program (payment through the States)	Provides funding to the States and Territories to assist in addressing the problem of repeated flooding in rural towns and regional centres. A joint program between Commonwealth, State and local government.	States are given a notional allocation, the percentage split of annual funding was determined at the commencement of the program on the basis of flood risk and damage assessments for each State.	States matching Commonwealth funding. States also agree to maintain existing expenditure on flood mitigation works and measures.	1999-2000 to 2002-03	\$7.0m	Inclusion	Exclusion	States act as Commonwealth agent (the payment is for on passing)	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Additional First Home Owners Scheme (payment through the States)	The Commonwealth is funding an additional First Home Owners Scheme grant for eligible owners contracting between 9 March 2001 and 30 June 2002 to buy or build a new home. The grant is for \$7000 for contracts 9 March and 31 December 2001 and \$3000 for contracts from 1 January and 30 June 2002.	Based on number of eligible new home owners	The Commonwealth fully funds State payment of grants.	2001-02 to 2002-03	\$337.4m	Out of Scope (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Lismore Levee Program (payment through the States)	One off payment to accelerate the construction of the Lismore flood levee to redirect flood waters and prevent damage to homes and businesses.	Payment to New South Wales only	N/A	2001-02	\$4.0m	Out of Scope	Exclusion	States act as Commonwealth agent (the payment is for on passing)	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
RECREATION AND CULTURE									
Sugar Coast Environment Rescue Package	To protect identified critical habitat of the Mahogany Glider. Funds are used for acquisition of land, negotiated cooperative management agreements, and limited incentives to encourage voluntary conservation agreements.	Payment to Queensland only.	Commonwealth and Queensland each provide \$8 million towards the program.	1998-99 to 2000-01	\$0.1m	Inclusion as payments for recurrent purposes	Inclusion		National Parks and Wildlife Services
Natural Heritage Trust of Australia – National Reserve System	To assist with the establishment and maintenance of a comprehensive, adequate and representative system of reserves. States and other groups submit application for funds for the purchase, covenanting or management assistance for areas that contribute to developing a reserve system.	The distribution is based on applications approved.	The States are required to match funding dollars, at the rate of one third for States, two thirds for Commonwealth. There is also a range of specifications on what items can be funded under the Natural Heritage Trust.	1999-2000 to 2000-01	\$14.4m	Out of Scope (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
FUEL AND ENERGY									
Photovoltaic Rebate Program (PVRP) (Payment through the States)	To provide rebates to households and community groups who install photovoltaic equipment to make electricity from sunlight for domestic use. This was conceived to offset new taxation costs on previously tax-exempt components of Photovoltaic System.	Distribution of funds is based on draw-downs. The PVRP offers equitable access to consumers across Australia.	N/A	2001-02 to 2002-03	\$8.7m	Out of Scope	Out of Scope	Only the net impact of electricity authority on State budget is assessed.	
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 'public generation'.	N/A	2000-01 to 2002-03	\$9.6m	Out of Scope	Inclusion		Electricity and Gas

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
AGRICULTURE, FORESTRY AND FISHING									
Natural Heritage Trust of Australia – Murray Darling 2001	Contribute to the rehabilitation of the Murray-Darling Basin, with the view to achieving a sustainable future in the Basin, its natural systems and its communities.	Under the Program (except for the Fish Rehabilitation component) there is an agreed formula-based approach to the official annual allocations to the States/Territory under the 85% threshold component of the program.	N/A	1999-2000 to 2001-02	\$11.5m	Out of Scope (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Natural Heritage Trust of Australia – National Landcare Program	To develop and implement resource management practices which enhance our soil, water and biological resources and which are efficient, sustainable, equitable, and consistent with the principles of ecologically sustainable development.	State and Commonwealth agreement at commencement of program, with yearly adjustments based on Natural Resources Management priorities.	N/A	1999-2000 to 2001-02	\$9.9m	Out of Scope (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Sugar	To enhance the economic performance of the Australian sugar industry by providing funding for infrastructure projects in order to promote investment and growth.	Distributed on a project basis.	N/A	1998-99 to 1999-2000	\$0.9m (1999-2000)	Out of Scope	Inclusion		Primary Industry
Federation Fund - National Wine Centre	To construct a National Wine Centre in Adelaide.	Payment to South Australia only	N/A	1999-2000	\$12.0m (1999-2000)	Out of Scope	Out of Scope	Commonwealth responsibility	
Great Artesian Basin Sustainability Initiative	To promote and facilitate the establishment of sustainable on-going groundwater management systems for the Great Artesian Basin through strategic investments in groundwater infrastructure renewal and related activities in natural resource management	An Objective <i>needs analysis</i> assessed the decline in artesian pressures, the potential for pressure recovery by reduced water waste, the net community value of such pressure recovery, and the likely potential additional demands for water in each Zone. The available funds were then partitioned up to each Zone in proportion to the results of the need analysis.		2001-02	\$5.4m	Out of Scope	Out of Scope	Only the net impact of water authorities on State budget is assessed	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
TRANSPORT AND COMMUNICATION									
Building IT Strengths – Tasmania ‘Intelligent Island’	Building of existing Tasmanian government initiatives to further develop an internationally competitive IT & T sector, the Commonwealth provides \$40 million towards redeveloping Tasmania as an ‘Intelligent Island’.	The Intelligent Island Program is a Social Bonus Program resulting from the second partial sale of Telstra. Payment to Tasmania only.	The Commonwealth has committed \$40 million over 5 years. The Grant funds are to be transferred from the Commonwealth to a Trust Fund established by the Tasmanian Government for the purpose of the Program	1999-2000 to 2001-02	\$20.0m	Out of Scope (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	
Connecting Tasmanian Schools	To contribute towards establishing local area and wide area networks, linking Tasmanian schools to enhance the use of information technology and the internet in Tasmanian classrooms. The program also provides additional computers and support equipment for the State government and non-government schools.	The Connecting Tasmanian Schools Program is a Social Bonus Program resulting from the second partial sale of Telstra. Payment to Tasmania only.		1999-2000	\$15.0m (1999-2000)	Out of Scope (quarantined by terms of reference)	Exclusion	Quarantined by previous terms of reference	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Alice Springs to Darwin Railway	The Commonwealth has agreed to provide up to an additional \$91.4 million towards the construction of an Alice Springs to Darwin rail link. This is in addition to the \$100 million to be provided under the Federation Funds – Projects – Northern Territory.	All funds expended in Northern Territory	To provide up to \$191.4m (comprised of \$91.4m for this program and \$100m of Federation Funds) towards the construction of a railway between Alice Springs and Darwin.	2001-02 to 2002-03	\$65.0m	Out of Scope	Out of Scope	Only net impact of trading enterprises on State budget is assessed.	
Adelaide Airport Runway	To reimburse South Australia, from the proceeds of the sale of Adelaide Airport, for the cost of works associated with the extension of the Adelaide Airport runway.	Payment to South Australia only.		1999-2000	\$19.6m (1999-2000)	Out of Scope	Exclusion	States act as Commonwealth agents	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Road Program	The Commonwealth funds the National Highway System and contributes to the capital cost of declared Roads of National Importance. Funds are appropriated under the <i>Australian Land Transport Development Act 1988</i> and administered through a reserved money fund.	Funding allocations to the States are determined on the estimated cash flow requirements for approved projects as set out in the program of works approved by the Minister. Allocations between the States are not fixed, they will vary each year, as projects are completed.	Funding contribution by State governments as negotiated on a case by case basis for Roads of National Importance projects. Commonwealth fully fund the construction and maintenance of National Highways. Commonwealth funding for Roads of National Importance is limited to projects jointly funded with the States.	1998-99 to 2002-03	\$1.1m	Out of Scope	Out of Scope	Commonwealth function	
Road Safety Blackspots – States	Funding is available for the treatment of road sites where casualty crashes are occurring. State Transport agencies manage programs of works. Funds are appropriated under the <i>Australian Land Transport Development Act 1988</i> and administered through a reserved money fund.	Funding to the States is determined by a formula based on each State's proportion of population and casualty crashes. Funding is available on public roads with a proven history of crashes, regardless of ownership or control except for National Highways and Roads of National Importance.	N/A	1998-99 to 2002-03	\$48.7m	Out of Scope	Inclusion		Roads

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Federation Funds Projects – Northern Territory	Alice Springs to Darwin - the Commonwealth has agreed to contribute \$100 million from its Centenary of Federation Fund towards the construction of an Alice Springs to Darwin rail link, matching \$100 million committed by both the NT and SA.	All funds expended in Northern Territory	Payment of the Grant Moneys was subject to written confirmation by the Governments of the Northern Territory and South Australia confirming their financial commitment to the Project.	2001-02	\$100.0m	Out of Scope	Out of Scope	Commonwealth responsibility	
Federation Funds Projects – Tasmania	ABT Railway - the Commonwealth has agreed to contribute \$20.45 million from its Centenary of Federation Fund for the re-establishment of the ABT Railway between Queenstown and Strahan on Tasmania's West Coast.	All funds expended in Tasmania	The Tasmanian Government has an obligation to secure funding for the project above and beyond the Commonwealth's \$20.45m.	1999-2000 to 2001-02	\$0.8m	Out of Scope	Out of Scope	Commonwealth responsibility	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Federation Funds Projects – Queensland	The Commonwealth has agreed to contribute \$40 million from its Centenary of Federation Fund towards the widening of the Caboolture Motorway and \$5 million towards heritage aspects of the Beaudesert Shire Railway project.	All funds expended in Queensland	Beaudesert — Beaudesert Shire Railway Support Group Inc responsible for managing the project; Caboolture — Qld Main Roads responsible for administration	2001-02 to 2002-03	\$3.0m	Out of Scope	Out of Scope	Commonwealth responsibility	
Federation Funds Projects – New South Wales/ Victoria	The Commonwealth has agreed to fund \$22 million each to both Vic and NSW for the replacement of three key crossing of the Murray River and Echuca, Robinvale and Corowa.	NSW manages the construction of the Corowa (\$12m) and Robinvale (\$17m) bridges. Victoria manages construction of the Echuca Bridge (\$15m).	NSW and VIC are required to fund the cost of the bridges and associated road works, over and above the Commonwealth contribution.	1999-2000 to 2002-03	\$0.5m (2000-01)	Out of Scope	Out of Scope	Commonwealth responsibility	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Payment to Tasmania for Track Upgrading (payment through the States)	To provide funding to Tasmania to upgrade its rail infrastructure. The selection of projects for funding was on the basis of their expected contribution to the enhancement of rail operations in the State, including rail's competitive position.	Payment to Tasmania only. Tasmanian Department of Infrastructure responsible for managing the delivery of the project.		1998-99 to 2000-01	\$1.0m (2000-01)	Out of Scope	Exclusion	States act as Commonwealth agent (the payment is for on passing)	
TOURISM									
Tasmanian Regional Forest Agreement	Payments to the Tasmanian Government under the Regional Forests Agreement for the provision of high quality visitor interpretation facilities.	Payment to Tasmania only.		1998-99 to 2000-01	\$1.0m (2000-01)	Out of Scope	Out of Scope	Only the net impact of forestry on State budget is assessed	

SPECIFIC PURPOSE PAYMENTS SHOWN IN COMMONWEALTH BUDGET PAPER NO. 3 – CAPITAL PURPOSES (continued)

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Payment	Program Description	Interstate Distribution	Conditions	Year of Payment in 2004 Review	Amount paid in 2001-02	Treatment in 2003 Update	Treatment in 2004 Review	Reason for Treatment in 2004 Review if not Inclusion	Related Expenditure Category
Inveresk Redevelopment	Payments to Tasmania for the development of redundant 16 hectare contaminated site into a tourism, cultural and recreational precinct.	Payment to Tasmania only.		1998-99	\$1.7m (1998-99)	Out of Scope	Inclusion		Culture and Recreation
OTHER PURPOSES									
103 Sinking Fund on State Debt	Contributions to the Debt Retirement Reserve Trust Account on behalf of the six States and the NT in accordance with the Financial Agreement Act 1994.	The Commonwealth contribution payable to each of the States and the NT each financial year is at the rate of 0.28 percent of the net public debt of each State and the NT as at the preceding 30 June.	States and the NT are required to make additional contribution to permit them to redeem the Government Securities	NT: 2001 Vic: 2/2004 Qld : 4/2005 Other States: July 2005	\$1.9m	Out of Scope	Out of Scope	Inclusion	
Natural Disaster Relief	Reimbursement under a funding formula of part expenditure incurred by the States to restore/replace public assets damaged by natural disasters.	Individual State and Territory Governments are responsible, within their respective jurisdictions, for the overall funding and coordination of disaster relief and disaster mitigation works.	Provides funding assistance to States and Territories aimed at alleviating the financial burden associated with provision of natural disaster relief and infrastructure restoration.	Ongoing program	\$35.6m	Out of Scope	Out of Scope	Commonwealth function	