

FINAL BUDGET OUTCOME

1997-98

CIRCULATED BY
THE HONOURABLE PETER COSTELLO, M.P.,
TREASURER OF THE COMMONWEALTH OF AUSTRALIA, AND
THE HONOURABLE JOHN FAHEY, M.P.,
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FOR THE INFORMATION OF HONOURABLE MEMBERS

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NOTES

- (a) The following definitions are used in this publication:
- underlying outlays = total outlays - net advances;
 - net advances = net equity transactions + net policy lending; and
 - one billion is equal to one thousand million.
- (b) Figures in tables and generally in the text have been rounded. Discrepancies in tables between totals and sums of components are due to rounding:
- figures under \$100,000 are rounded to the nearest thousand;
 - figures \$100,000 and over are rounded to the nearest tenth of a million;
 - figures midway between rounding points are rounded up; and
 - the percentage changes in statistical tables are calculated using unrounded data.
- (c) For the budget balance, a negative sign indicates a deficit while no sign indicates a surplus. For Part III, however, the Australian Bureau of Statistics sign convention is used for presenting a deficit, where a negative sign indicates a surplus.
- (d) The following notations are used:

-	nil
..	not zero, but rounded to zero
na	not applicable (unless otherwise specified)
\$m	\$ million

- (e) References to the 'States' or 'each State' include the Territories, because from 1993-94 onwards, general purpose funding has been on the same basis for all jurisdictions. The Australian Capital Territory and the Northern Territory are referred to as 'the Territories'. The following abbreviations are used for the names of the States, where appropriate:

NSW	New South Wales
VIC / Vic	Victoria
QLD / Qld	Queensland
WA	Western Australia
SA	South Australia
TAS / Tas	Tasmania
ACT	Australian Capital Territory
NT	Northern Territory

PART I: INTRODUCTION

With the release of the Commonwealth Budget in May, it is not possible to include the actual outcome for the previous financial year in the budget documentation. As a consequence, and consistent with the *Charter of Budget Honesty Act 1998* (the Charter), this report presents and analyses the 1997-98 outcome for underlying outlays, revenue and the underlying balance for both the Commonwealth budget and Commonwealth general government sectors.

Part II provides information on June 1998 transactions and analyses the final outcome for 1997-98. Also included at Appendix 1 is the Commonwealth Government Statement of Financial Transactions (CFT) for June 1998.

Part III contains the Commonwealth Government Finance Statistics (GFS) for:

- the general government sector;
- the public trading enterprise (PTE) sector; and
- the consolidated non-financial public sector.

Part IV updates details for 1997-98 on Federal financial relations that were included in *1998-99 Budget Paper No. 3*.

Part V outlines the GFS concepts and discusses classification issues relating to Commonwealth statistics and budget concepts.

CLASSIFICATIONS

The following should be noted when using the statistical data presented in this document:

- the analysis in Part II is based on the function and economic type classifications used in the 1997-98 Budget;
- specific purpose payments in Part IV have been grouped in accordance with the classifications adopted for the 1998-99 Budget; and
- details of the differences in classifications between the 1997-98 and the 1998-99 Budgets are outlined in Statement 2 (pages 2-77 to 2-79) of *1998-99 Budget Paper No. 1*. Using the classifications adopted for the 1998-99 Budget would have resulted in a \$22 million decrease in total underlying outlays for 1997-98. Revenue was unaffected by classification changes.

PART II: COMMONWEALTH BUDGET OUTCOME 1997-98

Table 1 provides a comparison for 1997-98 of estimated and actual outlays, revenue and the balance.

Table 1: Budget Aggregates 1997-98 (a)

	1996-97 Outcome \$m	1997-98 Estimate at 1997-98 Budget \$m	1997-98 Estimate at 1998-99 Budget \$m	1997-98 Outcome \$m	Change on 1996-97 Outcome %	Change on 1998-99 Budget Estimate %
Revenue	131031	133351	135447	136966	4.5	1.1
<i>Per cent of GDP (%)</i>	25.4	24.5	24.9	25.2		
Underlying Outlays	135928	137204	136627	135803	-0.1	-0.6
<i>Per cent of GDP (%)</i>	26.3	25.3	25.2	25.0		
Underlying Balance	-4897	-3853	-1180	1163		
<i>Per cent of GDP (%)</i>	-0.9	-0.7	-0.2	0.2		
<i>Memorandum items:</i>						
Net advances	-7448	-10276	-13945	-15305	105.5	9.8
Headline balance	2551	6423	12765	16468		
<i>Per cent of GDP (%)</i>	0.5	1.2	2.3	3.0		

(a) All numbers are based on the economic type classifications used in the 1997-98 Budget.

BALANCE

In underlying terms, the budget outcome for 1997-98 was a surplus of \$1,163 million, or around 0.2 per cent of GDP, compared with a deficit of \$4,897 million recorded in 1996-97. This represents an improvement of 1.2 per cent of GDP. The underlying budget outcome for 1997-98 compares with an expected underlying deficit of \$1,180 million at the time of the 1998-99 Budget, a turnaround equivalent to 0.4 per cent of GDP.

Compared to the 1998-99 Budget time estimate for 1997-98, the better than expected underlying balance outcome reflected both stronger than expected revenue collections and lower than expected underlying outlays.

OUTLAYS

Underlying outlays in 1997-98 were \$135,803 million, 0.1 per cent below the outcome for 1996-97 and 0.6 per cent below the estimate at the time of the 1998-99 Budget. The 0.6 per cent decrease in outlays was mainly attributable to:

- lower outlays in the General Services function due to: additional rents (offset to outlays) generated as a result of changes in the timing of property sales; and the deferral of separation payments for excess staff;
- lower than forecast usage of medical services (both general population and veterans) and fewer veterans in residential aged care in the Health function. These reductions

are partly offset by higher than forecast outlays on non-veterans' aged care subsidies;

- a variation late in the year in average rates of payment for Disability Support Pensions in the Social Security and Welfare function, due to the effect of rate increases not being as great as anticipated;
- lower outlays in the Transport and Communications function as a result of: the proceeds of the sale of communication rights, for which provision was made in the Contingency Reserve at the time of the 1998-99 Budget; lower than anticipated grant payments for the Regional Telecommunications Infrastructure Fund Programme; and a deferral until 1998-99 of the payment to the South Australian Government for the extension of the Adelaide Airport runway; and
- reduced outlays in the Labour and Employment function, largely reflecting commitments entered into late in 1997-98 by Job Network Members and new apprenticeship agreements made late in 1997-98. The expenditure to meet these commitments will be made early in 1998-99.

The decrease in underlying outlays was partly offset by:

- a bring-forward of interest associated with early redemption of Commonwealth Government Securities on issue for New South Wales in the Public Debt Interest function (this interest payment was offset by a related interest revenue receipt from New South Wales).

REVENUE

Total revenue collections in 1997-98 were \$136,966 million, 4.5 per cent higher than the outcome for 1996-97 and 1.1 per cent above the 1998-99 Budget time estimate for 1997-98. The 1.1 per cent increase in revenue was mainly due to:

- stronger company tax collections mainly reflecting the impact of higher than expected payments from large early December balancing companies; and
- stronger individual tax collections mainly reflecting stronger provisional tax payments and a higher than expected balance of tax payable on assessment.

**COMMONWEALTH GOVERNMENT STATEMENT
OF FINANCIAL TRANSACTIONS 1997-98**

The following pages contain the Commonwealth Government Statement of Financial Transactions (CFT) which is required to be released under Section 54 of the *Financial Management and Accountability Act 1997*.

The cumulative underlying balance for 1997-98 compared to the previous two years is shown in Chart 1.

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Commonwealth Government
Statement of Financial Transactions 1997-98
(\$ million)

	Budget estimate 1997-98	Month of June 1998	12 months to 30.06.98	12 months to 30.06.97
Underlying Outlays				
General Public Services				
Legislative and Executive Affairs	549	86.9	531.8	480.7
Financial and Fiscal Affairs	1779	239.6	1726.2	1804.0
Foreign Economic Aid	1758	238.3	1719.4	1717.9
General Research	1227	100.5	1225.3	1158.3
General Services	150 Cr	104.4 Cr	231.3 Cr	113.4
Government Superannuation Benefits	1689	123.0	1595.9	1419.5
Defence	10457	1197.5	10473.2	10054.5
Public Order and Safety	1139	91.1	999.2	1225.9
Education	10472	669.5	10756.4	10321.3
Health	20700	1800.8	20646.7	19195.9
Social Security and Welfare	50930	3992.7	50182.2	49597.9
Housing and Community Amenities	1255	128.6	1027.8	1137.7
Recreation and Culture	1320	106.0	1287.4	1374.9
Fuel and Energy	19	2.4	55.0	22.0
Agriculture, Forestry and Fishing	1957	187.7	1990.7	1903.0
Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction	1767	264.7	1649.0	1653.0
Transport and Communication	1475	193.9 Cr	1066.3	1652.3
Other Economic Affairs				
Tourism and Area Promotion	98	8.4	90.9	85.9
Labour and Employment Affairs	2672	279.4	2555.1	2944.7
Other Economic Affairs, nec	317	23.0	288.2	313.6
Other Purposes				
Public Debt Interest	8920	323.4	8400.5	9401.8
General Purpose Intergovernment Transactions	17821	1524.9	17842.0	18228.8
Natural Disaster Relief	33	40.9	76.3	20.3
Contingency Reserve	1247 Cr	-	-	-
Asset Sales	245	13.0	151.4 Cr	100.7
Total Underlying Outlays	137204	11143.7	135803.1	135928.2
Revenue				
Taxation Revenue				
Income Tax				
Individuals - Gross PAYE (a)	65639	5742.4	65705.5	61191.2
Gross Other Individuals (a) (b) (c)	11140	2235.3	12118.5	11820.3
Gross Prescribed Payments System (a) (d)	2570	235.3	2523.7	2249.8
Refunds (a) (e)	9589 Dr	219.4 Dr	9525.4 Dr	8808.3 Dr
Total Individuals	69760	7993.6	70822.3	66453.1
Companies (b)	18590	4688.2	19406.1	19173.1
Superannuation Funds (b)	2490	807.2	3093.4	2595.2
Withholding Tax	1230	79.4	1136.8	1080.3
Petroleum Resource Rent Tax	850	..	907.2	1308.2
Fringe Benefits Tax	3150	7.4	3168.0	3163.2
Total Income Tax	96070	13575.9	98533.8	93773.1
Indirect Tax				
Sales Tax	14170	1114.5	14084.8	13308.1
Excise Duty - Petroleum Products, Crude Oil & LPG	10840	1051.7	10911.1	10552.0
Other	2700	254.7	2662.8	2739.3
Customs Duty - Imports	3410	305.5	3637.0	3289.1
Total Indirect Tax	31120	2726.4	31295.7	29888.5
Other Taxes, Fees and Fines	2243	199.0	2387.3	2153.7
Total Taxation Revenue	129433	16501.3	132216.8	125815.3
Non-Tax Revenue				
Interest	999	492.8	1139.3	1126.5
Dividends and Other	2919	92.9	3609.8	4089.2
Total Non-Tax Revenue	3918	585.6	4749.1	5215.7
Total Revenue	133351	17086.9	136966.0	131031.0
Underlying Balance	3853 Dr	5943.2 Cr	1162.8 Cr	4897.2 Dr
<i>Memorandum items:</i>				
Net Advances	10276 Cr	8051.8 Cr	15304.9 Cr	7447.9 Cr
Headline Balance	6423 Cr	13994.9 Cr	16467.7 Cr	2550.7 Cr

	Budget estimate 1997-98	Month of June 1998	12 months to 30.06.98	12 months to 30.06.97
Financing Transactions				
Domestic Financing				
Treasury Bonds		2267.9 Dr	8111.7 Dr	1538.9
Treasury Adjustable Bonds		-	3697.6 Dr	900.0
Treasury Indexed Bonds		100.0	695.7	770.4
Treasury Notes		4550.5 Dr	2909.3 Dr	1815.5 Dr
Australian Savings Bonds		.. Dr	0.4 Dr	0.5 Dr
Use of Cash Balances		10754.0	3360.7	3026.4 Dr
Other Loans and Financing Transactions		18019.7 Dr	5018.4 Dr	678.9 Dr
Total Domestic Financing		13984.1 Dr	15681.0 Dr	2312.0 Dr
Overseas Financing		10.9 Dr	786.7 Dr	238.7 Dr
Total Financing Transactions	6423 Cr	13994.9 Dr	16467.7 Dr	2550.7 Dr

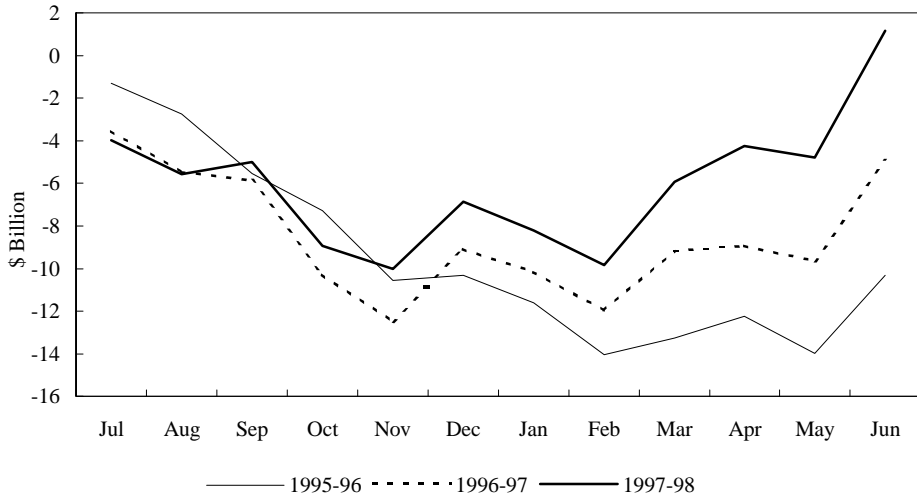
- (a) These figures include the Medicare levy.
 (b) Includes tax on realised capital gains.
 (c) Includes Child Support Trust Account receipts (estimated at \$454m in 1997-98).
 (d) Includes Reportable Payments System payments by individuals (estimated at \$1m in 1997-98).
 (e) Includes refunds of Child Support Trust Account receipts (estimated at \$10m in 1997-98).

Peter J. Boxall
 Secretary to the Department of Finance
 and Administration
 18 September 1998

John Fahey
 Minister for Finance
 and Administration

For further information contact the Department of Finance and Administration,
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Chart 1
Underlying Balances — Cumulative Monthly Pattern
(actual monthly balances)



— 1995-96 - - - - 1996-97 — 1997-98

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PART III: COMMONWEALTH GOVERNMENT FINANCE STATISTICS

Five statistical tables are presented on the following pages, showing:

- transactions by economic type for the Commonwealth general government, public trading enterprise (PTE) and consolidated non-financial public sectors;
- Commonwealth consolidated current and capital outlays by purpose; and
- the taxes, fees and fines received by the Commonwealth consolidated non-financial public sector.

The tables fulfil reporting requirements under the revised Uniform Presentation Framework. The non-budget data used in these tables are preliminary and unaudited. The Australian Bureau of Statistics (ABS) sign convention is adopted, where a negative deficit represents a surplus. This is in contrast to the presentation of the budget balance elsewhere in this document where a negative balance represents a deficit.

Consistent with ABS practice, the current and capital deficits, in relation to the headline deficit, are separated in Tables 2 to 4. Transactions between the Commonwealth general government and PTE sectors are included in Tables 2 and 3 but are removed from Tables 4 to 6 as they are internal transactions within the Commonwealth non-financial public sector. Table 4 records the net operating surplus of the PTE sector as part of the revenue of the Commonwealth government sector. This is irrespective of whether that net operating surplus is actually remitted to the parent government.

Transactions between the Commonwealth non-financial public sector and the public financial enterprise (PFE) sector are included in all tables. These transactions include income transfers such as dividends paid to general government, net advances paid by general government to PFEs and taxes paid by PFEs. Any unremitted elements of PFE net operating surplus are not included in Table 4.

The ABS general government deficit adjusted for net advances shown in Table 2 differs from the budget sector underlying deficit used elsewhere in this document in the treatment of provisions. The ABS measure is adjusted for the increase in provisions (for superannuation payments to the PTE sector). The two measures also differ as a result of the different treatment of certain transactions noted in Part V.

Table 2: Economic Transactions of Commonwealth Government (\$m)
(General Government (a))

	1997-98
Outlays	
Current outlays	
Final consumption expenditure	26808
Interest payments	8563
Subsidies paid to public trading enterprises	458
Personal benefit payments	58005
Current grants	37289
Other transfer payments	2579
<i>Total current outlays</i>	<i>133701</i>
Capital outlays	
Expenditure on new fixed assets	864
<i>Plus</i> Expenditure on secondhand assets (net)	-1107
<i>Equals</i> Gross fixed capital expenditure	-243
Expenditure on land and intangible assets (net)	-281
Capital grants	2534
Advances paid (net)	-15154
Other capital outlays	4
<i>Total capital outlays</i>	<i>-13140</i>
Total outlays	120561
Total outlays (excluding net advances paid)	135715
Revenue	
Taxes, fees and fines	132212
Interest received from public trading enterprises	77
Interest received from other enterprises	1109
Other revenue	3607
Total revenue	137005
Financing and deficit measures	
Borrowing (net)	-16696
Increase in provisions (net)	-1257
Other financing transactions (net)	1509
Total financing	-16444
<i>Less</i> Increase in provisions (net)	-1257
<i>Equals</i> Deficit	-15187
Of which	
Current deficit	-2047
Capital deficit	-13140
<i>Less</i> Advances paid (net)	-15154
<i>Equals</i> Deficit adjusted for net advances	-34
Net debt	80621

(a) The general government sector is the combination of the budget and non-budget sectors (excluding PTEs and PFEs) after elimination of transactions internal to that sector and adjustments to the budget sector as outlined in Part V.

**Table 3: Economic Transactions of Commonwealth Government (\$m)
(Public Trading Enterprises)**

	1997-98
Outlays	
Current outlays	
Interest payments	974
Other current payments	3404
<i>Total current outlays</i>	4378
Capital outlays	
Expenditure on new fixed assets	4424
<i>Plus</i> Expenditure on secondhand assets (net)	-281
<i>Equals</i> Gross fixed capital expenditure	4142
Expenditure on land and intangible assets (net)	-89
Capital grants to other levels of government	..
Advances paid (net)	..
Other capital outlays	-597
<i>Total capital outlays</i>	3456
Total outlays	7834
Total outlays (excluding net advances paid)	7834
Revenue	
Sales of goods and services	26774
<i>Plus</i> Subsidies received	409
<i>Less</i> Operating expenditure	21720
<i>Equals</i> Net operating surplus	5463
Interest received	213
Capital grants received	4
Other revenue	44
Total revenue	5724
Financing and deficit measures	
Advances received (net)	49
Borrowing (net)	-54
Increase in provisions (net)	2860
Other financing transactions (net)	-745
Total financing	2110
<i>Less</i> Increase in provisions (net)	2860
<i>Equals</i> Deficit	-750
Of which	
Current deficit	-4202
Capital deficit	3453
<i>Less</i> Advances paid (net)	..
<i>Equals</i> Deficit adjusted for net advances	-750
Net Debt	8523

**Table 4: Economic Transactions of Commonwealth Government (\$m)
(Consolidated Government ^(a))**

	1997-98
Outlays	
Current outlays	
Final consumption expenditure	26808
Interest payments	9461
Subsidies paid to public trading enterprises	458
Personal benefit payments	58005
Current grants	37289
Other current payments	3616
<i>Total current outlays</i>	<i>135636</i>
Capital outlays	
Expenditure on new fixed assets	5288
<i>Plus</i> Expenditure on secondhand assets (net)	-1388
<i>Equals</i> Gross fixed capital expenditure	3899
Expenditure on land and intangible assets (net)	-371
Capital grants	2531
Advances paid (net)	-15203
Other capital outlays	-593
<i>Total capital outlays</i>	<i>-9737</i>
Total outlays	125899
Total outlays (excluding net advances paid)	141102
Revenue	
Taxes, fees and fines	131273
Net operating surplus of public trading enterprises	5463
Interest received	1322
Other revenue	2224
Total revenue	140283
Financing and deficit measures	
Borrowing (net)	-16750
Increase in provisions (net)	1603
Other financing transactions (net)	764
Total financing	-14384
<i>Less</i> Increase in provisions (net)	1603
<i>Equals</i> Deficit	-15986
Of which	
Current deficit	-6250
Capital deficit	-9737
<i>Less</i> Advances paid (net)	-15203
<i>Equals</i> Deficit adjusted for net advances	-783
Net Debt	89145

(a) The Consolidated Commonwealth Government sector is the combination of the general government and PTE sectors after elimination of transactions internal to that sector.

**Table 5: Outlays by Purpose of Commonwealth Government (\$m)
(Consolidated Government)**

	1997-98
Current outlays	
General public services	8065
Defence	9780
Public order and safety	960
Education	10265
Health	20617
Social security and welfare	49578
Housing and community amenities	20
Recreation and culture	1076
Fuel and energy	924
Agriculture, forestry and fishing	1837
Mining, manufacturing and construction	382
Transport and communications	2000
Other economic affairs	2757
Other purposes	27375
Total current outlays	135636
Capital outlays	
General public services	-624
Defence	10
Public order and safety	24
Education	1186
Health	63
Social security and welfare	246
Housing and community amenities	593
Recreation and culture	58
Fuel and energy	60
Agriculture, forestry and fishing	-507
Mining, manufacturing and construction	-30
Transport and communications	-7938
Other economic affairs	126
Other purposes	-3003
Total capital outlays	-9737

**Table 6: Taxes, Fees and Fines of Commonwealth Government (\$m)
(Consolidated Government)**

	1997-98
Taxes on income profits and capital gains	
Income and capital gains levied on individuals	70949
Income and capital gains levied on enterprises	22466
Other	1010
Total	94424
Taxes on employers payroll and labour force	3218
Taxes on property	6
Taxes on provision of goods and services	
Sales tax	14085
Excises and levies (a)	14179
Taxes on international trade	3643
Total	31907
Taxes on use of goods and performance of activities	457
Fees	1230
Fines	30
Total taxes, fees and fines	131273

(a) Primary production taxes are treated as excises in this table while they are treated as other taxes, fees and fines in other parts of this document.

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PART IV: FEDERAL FINANCIAL RELATIONS

This part provides information concerning general purpose payments, revenue replacement payments, state fiscal contributions and specific purpose payments to the States in 1997-98. The Commonwealth's 1997-98 Loan Council Allocation outcome is also presented. The information supplements material provided last May in *Budget Paper No. 3, Federal Financial Relations, 1998-99* and is presented in the same format.

GENERAL REVENUE ASSISTANCE

In 1997-98, general revenue assistance to the States comprised financial assistance grants (FAGs), national competition payments (NCPs) and special revenue assistance (SRA). In contrast to most specific purpose payments, general revenue assistance is not required to be spent by the States in a specified area.

As shown in Table 7, FAGs totalled \$15,990.9 million in 1997-98. This is marginally less than estimated at the time of the 1998-99 Budget due to a lower than expected CPI outcome.

Table 7: Level of Financial Assistance Grants, 1997-98 (\$m)

(1)	1997-98 base FAGs (a)	15,828.4
(2)	Plus adjustment for CPI (b)	-16.5
(3)	Plus per capita terms adjustment (c)	178.9
(4)	Equals 1997-98 FAGs	15,990.9

- (a) The amount set by the *States Grants (General Purposes) Act 1994* (the Act) as base assistance for 1997-98.
(b) The adjustment is based on an index factor calculated by dividing the sum of CPI index numbers for four quarters to the March quarter 1998 (480.2) by the sum of CPI index numbers for the four quarters to the March quarter 1997 (480.7).
(c) This adjustment is based on an index factor calculated by dividing the estimated total population of 18,627,980 at 31 December 1997 by the estimated population of 18,419,575 at 31 December 1996.

Table 8 shows the distribution of FAGs for 1997-98. This distribution differs from the estimates shown in *1998-99 Budget Paper No. 3* reflecting two factors:

- the determination of population as at 31 December 1996 and 31 December 1997 made by the Statistician on 9 June 1998 differed from the population estimates used at the time of the 1998-99 Budget; and
- the final determination of unquarantined hospital funding grants (HFGs) for 1997-98 made by the Minister for Health and Family Services also differed from the 1998-99 Budget time estimates of unquarantined HFGs.

Table 8: Financial Assistance Grants to the States, 1997-98

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
(1) Population as at 31 December 1997 (000's) (a)	6306.3	4627.3	3430.4	1811.1	1482.9	471.8	309.0	189.2	18628.0
(2) Per capita relativities (b)	0.87819	0.87835	1.03737	0.99589	1.19100	1.54974	0.88435	4.89353	na
(3) Weighted populations (000's) - (1) times (2)	5538.2	4064.4	3558.6	1803.7	1766.1	731.2	273.3	925.8	18661.1
(4) Share of each State in weighted population (per cent) (c)	29.7	21.8	19.1	9.7	9.5	3.9	1.5	5.0	100.0
(5) FAGs and HFGs distributed according to (4) (\$m)	5972.6	4383.2	3837.7	1945.2	1904.6	788.5	294.7	998.4	20124.9
(6) Unquarantined HFGs (\$m) (d)	1426.7	1044.1	738.4	377.1	353.6	108.1	57.8	28.2	4134.1
(7) Total FAGs - (5) less (6) (\$m) (e)	4545.9	3339.1	3099.3	1568.0	1551.0	680.4	236.9	970.2	15990.9

(a) The population as at 31 December 1997 was determined by the Australian Statistician in accordance with the Act.

(b) The per capita relativities adopted at the 1997 Premiers' Conference were applied in 1997-98 in accordance with the Act.

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

(d) Unquarantined hospital funding grants (HFGs) - that is, total HFGs less the incentives package, the bonus pools, Medicare benefit adjustments and the other health services component.

(e) The table shows the gross level of FAGs to the States. The actual payments made to some States were reduced by the amount of their fiscal contribution to the Commonwealth.

Details of NCPs in 1997-98 are shown in Table 9. NCPs are distributed between the States on an equal per capita basis and payment of them is subject to satisfactory progress in the implementation of National Competition Policy reforms.

Table 9: National Competition Payments, 1997-98 (\$m)

NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
72.2	52.9	39.2	20.7	17.0	5.4	3.5	2.2	213.1

Payments of SRA in 1997-98 are shown in Table 10. In 1997-98, New South Wales and Victoria received SRA payments associated with the Medicare Agreements. SRA payments to the Australian Capital Territory for transitional allowances (in relation to health, education and policing) and special fiscal needs were in line with the recommendations made by the Commonwealth Grants Commission.

Table 10: Special Revenue Assistance, 1997-98 (\$m)

	Medicare Guarantee Payments		Transitional Allowances and Special Fiscal Needs	Total
	Pool funded	Non Pool funded	Non Pool funded	
NSW	154.2	35.8	-	190.0
VIC	216.2	25.9	-	242.1
QLD	-	-	-	-
WA	-	-	-	-
SA	-	-	-	-
TAS	-	-	-	-
ACT	-	-	34.5	34.5
NT	-	-	-	-
Total	370.4	61.7	34.5	466.6

In accordance with arrangements agreed at the 1996 Premiers' Conference, untied funds previously paid to the States as identified road grants were absorbed into the FAGs pool in 1997-98. Table 11 shows the equivalent amount of each State's FAGs in 1997-98.

Table 11: Addition to FAGs from the Absorption of Untied Identified Road Grants, 1997-98 (\$m)

NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
114.9	84.4	73.9	37.4	36.7	15.2	5.7	19.2	387.3

REVENUE REPLACEMENT PAYMENTS

The arrangements governing revenue replacement payments (RRPs) are set out in *1998-99 Budget Paper No. 3*. All revenues collected by the Commonwealth under the 'safety net' arrangements are returned to the States (less administrative costs) as RRP. The level of RRP was around \$113.7 million higher than estimated at the time of the 1998-99 Budget, primarily due to higher than expected collections associated with tobacco products. Details of RRP made to the States in 1997-98 are set out in Table 12.

Table 12: Revenue Replacement Payments to the States, 1997-98 (a)

			NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Tobacco	Share	(Per cent)	0.32492	0.21803	0.19065	0.11100	0.08988	0.03226	0.01456	0.01870	
	Amount	(\$m)	811.3	544.4	476.0	277.2	224.4	80.5	36.4	46.7	2496.9
Petroleum	Share	(Per cent)	0.30039	0.20153	0.19593	0.17118	0.07549	0.02453	0.01291	0.01804	
	Amount	(\$m)	586.0	393.1	382.2	333.9	147.3	47.9	25.2	35.2	1950.8
Alcohol	Share	(Per cent)	0.33796	0.22332	0.19314	0.11147	0.07857	0.02415	0.01569	0.01569	
	Amount	(\$m)	260.3	172.0	148.7	85.8	60.5	18.6	12.1	12.1	770.1
Total		(\$m)	1657.5	1109.5	1007.0	696.9	432.2	147.0	73.6	94.0	5217.8

(a) Payments include a deduction for administration costs incurred by the Commonwealth of \$3,714,400 for tobacco products, \$113,400 for petroleum products and \$1,051,513 for alcohol products.

STATE FISCAL CONTRIBUTIONS

In accordance with arrangements agreed at the 1997 Premiers' Conference, the States made a contribution of \$626.6 million to the Commonwealth's deficit reduction programme in 1997-98. Table 13 shows the contribution from each State and the method of payment.

Table 13: State Fiscal Contributions, 1997-98

	\$m	Method of payment
NSW	216.7	Direct payment
VIC	159.0	Direct payment
QLD	117.9	Offset to CSHA (a)
WA	62.2	Deduction from financial assistance grants
SA	50.9	Part direct payment (\$30.9m) and part offset to CSHA (\$20m) (a)
TAS	8.1	Deduction from financial assistance grants
ACT	5.3	Offset to CSHA (a)
NT	6.5	Offset to CSHA (a)
Total	626.6	

(a) Payments provided under the Commonwealth-State Housing Agreement.

LOCAL GOVERNMENT GENERAL PURPOSE ASSISTANCE

Table 14 provides details of Commonwealth payments to local government authorities in 1997-98 for each of the six States and the Northern Territory, and an analogous payment made to the Australian Capital Territory.

The arrangements governing general purpose assistance for local government are set out in *1998-99 Budget Paper No. 3*. In 1997-98, local government general purpose assistance was increased on the basis of an annual escalation factor determined by the Treasurer. The factor reflects the 1997-98 Budget decision that general purpose assistance to local government should be increased in line with the CPI in 1997-98. A preliminary factor of 0.8 per cent was determined in May 1997 and a final factor of -0.1 per cent was determined in June 1998, reflecting a lower than expected CPI outcome. This has resulted in an overpayment to local government of around \$10.5 million in 1997-98 for which there will be an adjustment in 1998-99, as provided for under the *Local Government (Financial Assistance) Act 1995*.

Table 14: General Purpose Assistance for Local Government, 1997-98 (\$m)

	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
Financial Assistance Grants	282.8	207.6	152.9	80.8	66.9	21.5	14.0	8.4	834.8
Identified Road Funding	107.5	76.4	69.4	56.6	20.4	19.6	11.9	8.7	370.4
Total General Purpose Assistance (a)	390.2	284.0	222.3	137.4	87.3	41.1	25.9	17.1	1205.2

(a) Total general purpose assistance was the actual payment that the State received on behalf of local governments in 1997-98. It is equal to the estimated entitlement for 1997-98, adjusted for an overpayment from 1996-97.

SPECIFIC PURPOSE PAYMENTS

Table 15 provides details of Commonwealth specific purpose payments to the States in 1997-98, together with details of repayments and interest on advances. The majority of these advances were funded from borrowings made on behalf of the States under the State Governments' Loan Council programme.

Details are classified as follows:

- specific purpose payments:
 - current;
 - capital;
- repayments of advances (including repayments to the Debt Sinking Funds);
- advances made in 1997-98; and
- interest on Commonwealth advances.

Specific purpose payments are classified on a function basis, which aggregates outlays directed towards like objectives and purposes. Specific purpose payments are further divided into those paid 'to' the States and those judged to be paid 'through' the States to other groups. Programmes in the latter group are indicated within the table by (*) and separate totals for 'to' and 'through' are provided in the summary at the end of the table.

All items that appeared in Table A2 in *1998-99 Budget Paper No. 3* are shown in these tables, including those with nil entries.

Details of Commonwealth specific purpose payments paid to local government authorities among the States in 1997-98 are provided in Table 16.

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000)

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
SPECIFIC PURPOSE PAYMENTS - CURRENT PURPOSES									
<i>Public Order and Safety</i>									
Legal Aid	31,142	32,966	575	8,287	9,382	3,721	3,167	2,437	91,678
Confiscated Assets Trust Fund	-	-	-	-	-	-	-	-	-
Gun Buyback Scheme	40,000	13,702	20,000	10,600	-	2,800	1,200	500	88,802
Film and Literature Classifications	75	75	75	74	74	75	74	74	597
Human Rights: Co-operative Arrangements with the States	-	369	-	257	286	-	-	-	912
<i>Public Order and Safety - Total</i>	71,217	47,112	20,650	19,219	9,742	6,596	4,441	3,011	181,989
<i>Education</i>									
Advanced English for Migrants Program	2,041	1,637	203	435	367	63	36	48	4,830
Government Schools	353,829	242,350	197,854	110,594	78,863	30,370	18,538	12,555	1,044,953
* Non-Government Schools	659,802	538,487	365,369	202,998	150,964	44,146	48,036	18,642	2,028,443
Targeted and Joint Programmes - Government Schools	89,338	63,547	38,057	24,281	22,154	7,018	3,418	5,421	253,234
* Targeted Programmes - Non-Government Schools	43,759	38,732	15,327	9,404	8,688	1,764	2,003	1,111	120,787
Indigenous Education Strategic Initiatives Programme - Government	19,890	6,348	15,611	11,788	8,965	1,907	547	16,174	81,230
* Indigenous Education Strategic Initiatives Programme - Non-Government	10,322	1,387	7,465	8,138	1,724	500	457	7,621	37,615
<i>Education - Total</i>	1,178,980	892,488	639,886	367,639	271,724	85,767	73,035	61,573	3,571,092
<i>Health</i>									
Blood Transfusion Services	16,075	12,189	8,205	5,386	4,983	1,249	908	505	49,500
Transfer Pathology Laboratories	8,733	4,506	16,904	-	-	1,957	-	-	32,100
Artificial Limbs Scheme	5,347	2,445	1,932	1,500	1,007	565	294	131	13,220
Australian Bone Marrow Donor Registry	239	163	137	67	56	30	-	-	692
Health Program Grants	-	4,107	-	10,745	30,065	-	3,026	696	48,639
Hospital Funding/Base Medicare	1,426,703	1,044,104	738,410	377,129	353,628	108,084	57,820	28,195	4,134,074
Other Medicare	182,436	70,823	200,173	151,746	152,628	38,644	25,864	59,334	881,649

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000) continued

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Health (continued)</i>									
Medicare Related Payments	1,473	2,946	-	-	730	-	-	-	5,149
Magnetic Resonance Imaging	5,507	4,434	3,099	2,222	2,265	1,111	1,021	-	19,659
Medical Specialty Centres	242	177	125	64	60	18	10	5	701
Repatriation General Hospitals	1,595	1,990	-	-	289	376	-	-	4,250
Highly Specialised Drugs	75,015	51,927	31,857	11,723	13,539	3,455	3,540	2,011	193,066
Aged Care Assessment	3,688	2,858	1,807	1,467	1,479	661	64	344	12,368
Home and Community Care	24,175	36,868	20,135	16,492	11,892	4,264	800	183	114,809
Youth Health Services	707	523	367	190	173	54	48	48	2,109
National Public Health (a)	40,149	26,440	18,211	9,914	9,315	4,080	2,489	3,190	113,787
University Departments of Rural Health	1,500	-	2,048	1,500	1,000	-	-	-	6,048
John Flynn Medical Student Scholarships	222	204	138	73	98	30	-	-	764
National Youth Suicide Strategy	776	497	714	243	155	116	-	85	2,586
Essential Vaccines	9,620	6,982	5,110	2,756	2,190	745	373	500	28,276
<i>Health - Total</i>	1,804,200	1,274,182	1,049,371	593,217	585,552	165,439	96,257	95,228	5,663,446
<i>Social Security and Welfare</i>									
Aged Care Assessment	9,341	6,963	4,408	2,737	2,467	828	193	475	27,413
Home and Community Care	124,025	97,122	54,721	30,964	31,386	8,774	3,940	2,702	353,635
Disabilities Services	104,292	68,593	62,241	22,005	40,382	12,398	3,932	3,023	316,867
Children's Services	2,454	5,888	989	805	21,346	346	154	202	32,183
Supported Accommodation Assistance	43,833	29,309	18,718	9,870	12,884	5,804	3,740	3,110	127,268
Rural Domestic Violence - Referral	-	30	-	73	113	89	-	83	388
Unattached Humanitarian Minors	-	61	17	18	16	-	-	-	112
Exceptional Circumstances Administration	160	15	150	-	7	5	-	-	337
Extension of Fringe Benefits	50,467	36,078	25,192	12,685	14,353	4,610	1,024	703	145,112
Domestic Violence - Support for Families	-	-	-	-	-	-	-	-	-
<i>Social Security and Welfare - Total</i>	334,573	244,060	166,436	79,156	122,955	32,854	12,984	10,297	1,003,315

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000) continued

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Housing and Community Amenities</i>									
Assistance for Housing	1,848	1,348	424	627	941	314	-	-	5,500
National Landcare - Urban Water	400	-	-	-	-	-	-	-	400
Assistance for Water and Sewerage	-	-	-	-	-	-	7,878	-	7,878
Environmental Restoration	-	-	-	-	-	-	-	152	152
Remote Sensing of Landcover	151	-	340	34	62	20	27	50	684
* Newcastle Assistance Package	10,000	-	-	-	-	-	-	-	10,000
Tasmanian Regional Forest Agreement	-	-	-	-	-	5,400	-	-	5,400
Natural Heritage Trust of Australia - National Vegetation	3,684	2,235	3,840	4,605	1,966	1,959	86	863	19,237
Natural Heritage Trust of Australia - Coasts and Clean Seas Initiative	512	468	493	-	287	277	-	-	2,036
Natural Heritage Trust of Australia - National Rivercare Programme	1,266	1,127	1,828	2,016	840	1,486	211	458	9,232
Natural Heritage Trust of Australia - Endangered Species Programme	-	-	-	-	-	-	-	-	-
Natural Heritage Trust of Australia - National Feral Animal Control Strategy	-	-	-	-	-	-	-	-	-
<i>Housing and Community Amenities - Total</i>	17,861	5,176	6,924	7,281	4,095	9,456	8,202	1,524	60,520
<i>Recreation and Culture</i>									
Natural Heritage Trust of Australia - National Wetlands Programme	-	93	73	101	144	105	-	-	516
Natural Heritage Trust of Australia - National Reserve System Programme	93	-	458	32	183	-	-	-	766
Natural Heritage Trust of Australia - World Heritage Area Management and Upkeep	1,708	-	4,431	714	362	2,000	-	-	9,216
Management of World Heritage Properties	2,000	-	2,697	-	-	5,342	-	-	10,039
<i>Recreation and Culture - Total</i>	3,801	93	7,659	847	690	7,447	-	-	20,537

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000) continued

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Agriculture, Forestry and Fishing</i>									
Natural Heritage Trust of Australia - National Weeds Strategy	-	-	400	-	-	-	-	-	400
Natural Heritage Trust of Australia - National Landcare Programme	4,501	4,717	6,183	4,569	3,996	1,795	250	1,701	27,712
Natural Heritage Trust of Australia - Farm Forestry Programme	566	654	363	370	167	198	51	58	2,428
Natural Heritage Trust of Australia - Murray Darling 2001	-	-	-	-	-	-	-	-	-
Tasmanian Wheat Freight Subsidy	-	-	-	-	-	1,200	-	-	1,200
Bovine Brucellosis and Tuberculosis	185	130	1,285	433	33	23	-	3,791	5,881
Exotic Disease Eradication	173	-	27	-	-	-	-	50	250
Forestry Development	6,230	-	-	-	-	10	-	-	6,240
Rural Adjustment Scheme	22,286	20,101	30,092	-	6,220	2,716	-	491	81,906
National Landcare Program	7,832	3,596	4,980	9,701	4,196	1,670	41	1,850	33,866
<i>Agriculture, Forestry and Fishing - Total</i>	41,773	29,199	43,332	15,073	14,611	7,613	341	7,942	159,884
<i>Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction</i>									
Enterprise Development Program	5,829	4,177	3,639	955	1,909	821	941	185	18,457
Enterprise Networking Program	-	-	57	-	-	-	-	-	57
Technology Support Centres Program	660	277	1,608	-	436	276	410	160	3,827
* Textiles, Clothing & Footwear Development	725	895	293	142	282	85	29	-	2,450
<i>Mining and Mineral Resources, other than Fuels; Manufacturing; and Construction - Total</i>	7,214	5,349	5,596	1,097	2,627	1,183	1,380	345	24,791
<i>Transport and Communication</i>									
Interstate Road Transport	8,175	4,757	1,684	704	2,260	89	89	89	17,845
Compensation Payments in respect of the Bass Strait Passenger Service	-	-	-	-	-	51	-	-	51
* AN - Payments for regional assistance	-	-	-	-	9,270	330	-	-	9,600
* Petroleum Products Freight Subsidy Scheme	220	-	2,210	71	192	-	-	991	3,684
<i>Transport and Communication - Total</i>	8,395	4,757	3,894	775	11,722	470	89	1,080	31,180

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000) continued

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Total Other Economic Affairs</i>									
Access Programme	851	1,298	1,134	599	265	119	68	130	4,464
Training for Aboriginals Programme - State Governments	1,770	-	470	131	907	383	-	12	3,673
<i>Total Other Economic Affairs - Total</i>	2,621	1,298	1,604	730	1,172	501	68	142	8,136
<i>Other Purposes</i>									
Debt Redemption Assistance	25,396	5,698	4,731	8,241	6,942	7,355	-	3,903	62,266
* Financial Assistance Grants for Local Government									
- Financial Assistance Grants	282,776	207,590	152,893	80,779	66,907	21,486	13,980	8,378	834,788
- Identified Local Road Grants	107,471	76,367	69,403	56,638	20,357	19,630	11,878	8,677	370,420
Compensation - Companies Regulation	44,047	38,506	21,685	13,348	9,928	3,075	-	1,962	132,551
Natural Disaster Relief	32	4	6,142	-	-	-	-	-	6,177
Royalties	-	-	-	215,928	-	-	-	2,382	218,310
ACT National Capital Influences	-	-	-	-	-	-	19,596	-	19,596
<i>Other Purposes - Total</i>	459,721	328,165	254,854	374,933	104,134	51,546	45,453	25,302	1,644,109
TOTAL CURRENT	3,930,354	2,831,878	2,200,207	1,459,969	1,129,023	368,874	242,249	206,445	12,368,999
SPECIFIC PURPOSE PAYMENTS - CAPITAL PURPOSES									
<i>Education</i>									
Government Schools	72,862	49,526	39,074	21,531	23,772	6,065	3,853	2,645	219,328
* Non-Government Schools	28,875	24,108	14,049	7,581	6,088	2,200	1,982	687	85,570
* Indigenous Education Strategic Initiatives Programme	1,717	273	3,667	2,021	144	230	-	1,858	9,910
<i>Education - Total</i>	103,454	73,907	56,790	31,134	30,004	8,495	5,835	5,190	314,809
<i>Health</i>									
Home and Community Care	44	-	1,188	-	32	-	155	-	1,419
Blood Transfusion Services	1,866	1,629	1,107	451	444	126	21	57	5,700
<i>Health - Total</i>	1,910	1,629	2,296	451	476	126	175	57	7,119

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000) continued

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Social Security and Welfare</i>									
Home and Community Care	1,943	-	4,431	-	83	8	-	-	6,466
Children's Services	-	1,710	2,143	-	162	-	-	-	4,015
Crisis Accommodation Assistance	13,433	9,861	7,263	3,837	3,178	1,021	664	398	39,655
<i>Social Security and Welfare - Total</i>	15,376	11,571	13,838	3,837	3,423	1,029	664	398	50,136
<i>Housing and Community Amenities</i>									
NT Indigenous Health Infrastructure	-	-	-	-	-	-	-	10,000	10,000
Housing Assistance for Indigenous People	17,777	3,638	25,227	15,862	8,342	696	-	19,458	91,000
Community Housing	21,676	15,913	11,720	6,192	5,129	1,647	1,071	642	63,990
Commonwealth-State Housing Agreement Block Assistance/Base Funding (b)	259,265	190,333	22,321	74,058	41,351	23,628	12,615	7,167	630,738
Social Housing Subsidy Program	1,624	-	-	-	-	-	125	-	1,749
Natural Heritage Trust of Australia - Tasmanian Environment Remediation Programme	-	-	-	-	-	2,391	-	-	2,391
National Landcare - Urban Water	3,148	-	-	-	-	-	-	61	3,209
Orielton Lagoon - Tasmania	-	-	-	-	-	725	-	-	725
<i>Housing and Community Amenities - Total</i>	303,490	209,884	59,268	96,112	54,822	29,087	13,811	37,328	803,802
<i>Recreation and Culture</i>									
National Estate Grants Programme	42	42	42	42	42	42	7	20	277
Queensland Sugar Coast Environment Rescue Package	-	-	78	-	-	-	-	-	78
<i>Recreation and Culture - Total</i>	42	42	119	42	42	42	7	20	355
<i>Agriculture, Forestry and Fishing</i>									
Natural Heritage Trust of Australia - Murray Darling 2001	9,045	11,826	1,890	-	3,587	-	-	-	26,348
Natural Heritage Trust of Australia - National Landcare Programme	850	480	-	-	150	-	-	24	1,504
Sugar	-	-	2,787	-	-	-	-	-	2,787
National Landcare Program	2,868	4,368	2,100	347	4,274	-	-	-	13,956
Tasmanian Regional Forest Agreement	-	-	-	-	-	22,010	-	-	22,010
<i>Agriculture, Forestry and Fishing - Total</i>	12,762	16,674	6,777	347	8,011	22,010	-	24	66,605

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000) continued

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Transport and Communication</i>									
Road Programs	320,370	94,551	177,152	72,271	90,414	27,483	2,457	30,210	814,908
Road Safety Blackspots - States	12,080	7,791	7,088	4,094	3,000	555	455	560	35,623
Adelaide Airport Runway	-	-	-	-	-	-	-	-	-
* Payment to Tasmania for Track Upgrading	-	-	-	-	-	1,386	-	-	1,386
Payment to South Australia for remediation of land at Islington	-	-	-	-	-	-	-	-	-
Railyards	-	-	-	-	1,750	-	-	-	1,750
<i>Transport and Communication - Total</i>	332,450	102,342	184,240	76,365	95,164	29,424	2,912	30,770	853,667
<i>Total Other Economic Affairs</i>									
Tasmanian Regional Forest Agreement	-	-	-	-	-	1,000	-	-	1,000
Inveresk Redevelopment	-	-	-	-	-	3,436	-	-	3,436
<i>Total Other Economic Affairs - Total</i>	-	-	-	-	-	4,436	-	-	4,436
<i>Other Purposes</i>									
Sinking Fund on State Debt	4,958	194	1,185	1,193	1,226	1,210	-	429	10,395
Natural Disaster Relief	-	-	37,805	-	-	-	-	28,993	66,798
* Katherine Region Redevelopment Programme	-	-	-	-	-	-	-	3,334	3,334
<i>Other Purposes - Total</i>	4,958	194	38,991	1,193	1,226	1,210	-	32,756	80,528
TOTAL CAPITAL	774,442	416,242	362,318	209,479	193,168	95,860	23,404	106,544	2,181,457

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000) continued

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
REPAYMENTS									
Payments to Debt Sinking Funds	20,008	783	4,783	4,815	4,948	4,885	-	1,731	41,952
Supplementary Contributions	1,465,982	-	46,275	104,003	80,988	86,092	-	36,180	1,819,520
Total	1,485,990	783	51,058	108,819	85,936	90,977	-	37,911	1,861,472
Repayments of Commonwealth Government Loans									
ACT Debt Repayments	-	-	-	-	-	-	7,062	-	7,062
Loan Council - Housing Nominations	4,060	4,066	1,494	2,590	2,431	1,089	-	1,352	17,081
Repayment of Commonwealth Government Loans - Total	4,060	4,066	1,494	2,590	2,431	1,089	7,062	1,352	24,142
Defence									
Housing for Servicemen	502	333	-	107	-	-	-	-	942
Community Facilities - Townsville	-	-	851	-	-	-	-	-	851
Defence - Total	502	333	851	107	-	-	-	-	1,793
Housing and Community Amenities									
Commonwealth-State Housing Agreement Block Assistance	25,572	21,201	6,910	6,594	7,410	2,841	-	375	70,903
Other Housing	-	-	-	-	-	-	4,769	1,949	6,718
Urban Water Supply and Treatment	-	-	-	77	207	-	-	-	284
NT - Water and Sewerage Assistance	-	-	-	-	-	-	-	136	136
Growth Centres	171	-	-	-	-	-	-	-	171
Urban Rehabilitation	-	205	-	-	-	-	-	-	205
Sewerage	1,536	-	384	25,569	-	-	-	-	27,490
Community Facilities - Townsville	-	-	24	-	-	-	-	-	24
Captains Flat (Abatement of Pollution) Agreement	46	-	-	-	-	-	-	-	46
Housing and Community Amenities - Total	27,325	21,407	7,318	32,240	7,617	2,841	4,769	2,459	105,977

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000) continued

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Agriculture, Forestry and Fishing</i>									
Dairy Adjustment Programme	38	-	160	-	-	-	-	-	198
Bovine Brucellosis and Tuberculosis	-	-	14	-	-	-	-	62	76
Rural Adjustment Scheme	3,456	168	2,770	57	33	-	-	219	6,703
Rural Reconstruction	99	-	-	-	-	-	-	-	99
War Service Land Settlement Scheme	356	380	-	-	-	-	-	-	736
Brigalow Lands Development Scheme	-	-	341	-	-	-	-	-	341
Irrigation and Other Water Projects	-	-	-	159	-	-	-	-	159
Dartmouth Dam	2,043	-	-	-	-	-	-	-	2,043
Softwood Forestry	16,280	-	29,934	268	-	-	-	-	46,481
<i>Agriculture, Forestry and Fishing - Total</i>	22,272	548	33,219	484	33	-	-	281	56,836
<i>Transport and Communication</i>									
Railway Projects	2,376	96	3,968	1,124	-	-	-	-	7,564
<i>Transport and Communication - Total</i>	2,376	96	3,968	1,124	-	-	-	-	7,564
<i>Other Purposes</i>									
Natural Disaster Relief	2,300	242	1,341	-	-	334	-	8	4,225
<i>Other Purposes - Total</i>	2,300	242	1,341	-	-	334	-	8	4,225
TOTAL REPAYMENTS	1,544,826	27,474	99,248	145,362	96,016	95,241	11,831	42,010	2,062,009
ADVANCES									
<i>Other Purposes</i>									
Natural Disaster Relief	-	-	-	-	-	-	-	2,141	2,141
TOTAL ADVANCES	-	-	-	-	-	-	-	2,141	2,141

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000) continued

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
INTEREST									
Interest on Loan Council and NT Government Borrowings	381,377	4,288	19,845	50,008	43,586	48,461	-	18,849	566,414
Total	381,377	4,288	19,845	50,008	43,586	48,461	-	18,849	566,414
<i>Interest on Commonwealth Government Loans</i>									
ACT Government Debt	-	-	-	-	-	-	8,532	-	8,532
Housing Nominations	22,652	22,013	8,173	14,000	13,689	6,018	-	7,851	94,395
Interest on Commonwealth Government Loans - Total	22,652	22,013	8,173	14,000	13,689	6,018	8,532	7,851	102,927
<i>Defence</i>									
Housing for Servicemen	2,611	942	-	324	-	-	-	-	3,877
Defence - Total	2,611	942	-	324	-	-	-	-	3,877
<i>Housing and Community Amenities</i>									
Commonwealth-State Housing Agreement Loans	51,064	39,785	14,124	13,522	20,615	6,779	-	1,608	147,499
Other Housing	-	-	-	-	-	-	11,846	4,644	16,490
Urban Water Supply and Treatment	-	-	-	39	1,283	-	-	-	1,323
NT - Water and Sewerage Assistance	-	-	-	-	-	-	-	671	671
Growth Centres	193	-	-	-	-	-	-	-	193
Urban Rehabilitation	-	109	-	-	-	-	-	-	109
Sewerage	6,871	-	1,777	1,839	-	-	-	-	10,487
Community Facilities - Townsville	-	-	22	-	-	-	-	-	22
Captains Flat (Abatement of Pollution) Agreement	15	-	-	-	-	-	-	-	15
Housing and Community Amenities - Total	58,144	39,894	15,924	15,400	21,899	6,779	11,846	6,923	176,809

Table 15: Specific Purpose Payments to the States, Repayments of Advances, Advances and Interest Payments, 1997-98 (\$'000) continued

<i>Function</i> Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<i>Agriculture, Forestry and Fishing</i>									
Dairy Adjustment Programme	4	-	25	-	-	-	-	-	29
Bovine Brucellosis and Tuberculosis	-	-	-	-	-	-	-
Rural Adjustment Scheme	1,260	-	1,043	-	-	-	-	118	2,422
Rural Reconstruction	4	-	-	-	-	-	-	-	4
War Service Land Settlement Scheme	236	250	-	-	-	-	-	-	485
Brigalow Land Development Scheme	-	-	140	-	-	-	-	-	140
Irrigation and Other Water Projects	-	-	-	7	-	-	-	-	7
Dartmouth Dam	231	-	-	-	-	-	-	-	231
Softwood Forestry	2,103	-	3,896	67	-	-	-	-	6,065
<i>Agriculture, Forestry and Fishing - Total</i>	3,838	250	5,104	74	-	-	-	118	9,383
<i>Transport and Communication</i>									
Railway Projects	363	68	809	599	-	-	-	-	1,839
<i>Transport and Communication - Total</i>	363	68	809	599	-	-	-	-	1,839
<i>Other Purposes</i>									
Natural Disaster Relief	248	-	101	-	-	12	-	-	362
<i>Other Purposes - Total</i>	248	-	101	-	-	12	-	-	362
TOTAL INTEREST	469,232	67,455	49,955	80,405	79,173	61,271	20,378	33,741	861,611
SUMMARY OF SPECIFIC PURPOSE PAYMENTS									
Total Specific Purpose Payments	4,704,797	3,248,120	2,562,525	1,669,448	1,322,191	464,734	265,653	312,988	14,550,455
Total 'To'	3,559,131	2,360,282	1,931,849	1,301,675	1,057,575	372,977	187,290	261,689	11,032,468
Total 'Through'	1,145,666	887,838	630,676	367,773	264,615	91,757	78,363	51,300	3,517,988

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

- (a) Funds totalling \$744,700, intended for WA in 1997-98, were in the DH&FS Collector's Receipts Account at 30 June 1998 and brought to account in 1998-99. For exposition purposes, the amount has been included in the total for WA.
- (b) The amount shown is less the amount some States chose to use as part of their State Fiscal Contributions.

Table 16: Specific Purpose Payments Direct to Local Government Authorities, 1997-98 (\$'000)

Payment Title	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
DIRECT PAYMENTS - CURRENT									
Aged Care Services	11,895	13,715	1,910	5,154	3,123	541	-	-	36,337
Disability Services	205	798	469	-	-	-	-	-	1,473
Children's Services	51,420	59,093	12,813	10,794	1,003	7,649	-	834	143,605
Training for Aboriginals Programme - Local Governments	5	18	897	22	-	3	-	-	944
Local Government - Development Program	542	157	141	248	136	219	-	522	1,965
Wingello Fire Victims Appeal Fund	10	-	-	-	-	-	-	-	10
TOTAL CURRENT	64,077	73,780	16,231	16,217	4,261	8,411	-	1,356	184,334
DIRECT PAYMENTS - CAPITAL									
Aged Care Services	84	477	2,572	303	198	369	-	-	4,004
Children's Services	512	821	80	164	49	172	-	22	1,820
Drainage Repair - Fairfield/Bankstown	634	-	-	-	-	-	-	-	634
TOTAL CAPITAL	1,230	1,298	2,652	467	247	541	-	22	6,458
TOTAL DIRECT PAYMENTS	65,307	75,078	18,883	16,685	4,509	8,952	-	1,378	190,792

COMMONWEALTH PAYMENTS TO STATES AND TERRITORIES

Table 17 shows total Commonwealth payments to the States in 1997-98.

Table 17: Total Commonwealth Payments to the States, 1997-98 (\$m)

		NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
\$ million										
(1)	General Revenue Assistance	4808.1	3634.2	3138.6	1588.8	1568.0	685.8	274.9	972.4	16670.6
(2)	Total Specific Purpose Payments	4704.8	3248.1	2680.4	1669.4	1342.2	464.7	271.0	319.5	14700.2
	- Specific Purpose Payments 'to' the States (a)	3559.1	2360.3	2049.7	1301.7	1077.6	373.0	192.6	268.2	11182.2
	- Specific Purpose Payments 'through' the States (b)	1145.7	887.8	630.7	367.8	264.6	91.8	78.4	51.3	3518.0
(3)	Gross Payments to the States (1) + (2)	9512.9	6882.3	5818.9	3258.2	2910.2	1150.6	545.9	1291.9	31370.8
(4)	State Fiscal Contributions	216.7	159.0	117.9	62.2	50.9	8.1	5.3	6.5	626.6
(5)	Total Payments (3) - (4)	9296.2	6723.3	5701.1	3196.0	2859.3	1142.4	540.6	1285.4	30744.2

(a) Data excludes SPPs direct to local government authorities and deductions for State fiscal contributions from CSHA payments.

(b) Payments 'through' are payments which are made to the States to be passed on to local government, other bodies and individuals.

COMMONWEALTH LOAN COUNCIL ALLOCATION

Under the Loan Council arrangements, the Commonwealth and each State and Territory nominates a Loan Council Allocation (LCA) comprising its estimated general government deficit/surplus, public trading enterprise (PTE) sector net financing requirement and certain memorandum items. These nominations are considered by Loan Council having regard to each jurisdiction's fiscal position and reasonable infrastructure requirements, as well as to the macroeconomic implications of the aggregate figure. LCAs are on a headline rather than an underlying basis as they seek to measure a government's call on financial markets.

The Commonwealth nominated an LCA surplus for 1997-98 of \$4.4 billion on a no policy change basis, and this was endorsed by Loan Council at its meeting in March 1997. Each jurisdiction is required to take into account its Loan Council approved LCA in formulating its budget. In May 1997 (Chapter IV of *Budget Paper No. 3 1997-98*), the Commonwealth estimated a budget time LCA surplus of \$5.5 billion, incorporating the then estimated headline budget surplus of \$6.4 billion.

In December 1997, a revised LCA estimate was provided in Table 24 of the *Mid-Year Economic and Fiscal Outlook 1997-98* (MYEFO). This showed a surplus of \$10.5 billion, incorporating a revised estimate for the headline budget surplus of \$11.8 billion. The improved budget and LCA estimates in the MYEFO mainly reflected additional proceeds from the one-third sale of Telstra. The MYEFO indicated that, as a result of this improvement, the Commonwealth expected to exceed the lower bound of the 2 per cent of revenue tolerance limit that applies on either side of its budget time LCA estimate. Where a jurisdiction expects to exceed the upper or lower bound of the tolerance limit, it is obliged to provide an explanation to Loan Council and to make this explanation public.

The Commonwealth's 1997-98 LCA outcome is a \$15.6 billion surplus¹, compared with the budget time estimate of a \$5.5 billion surplus. This change exceeds the tolerance limit. Half of the improvement reflects the substantially better outcome for budget revenue and outlays (excluding net advances) than anticipated at the time of the 1997-98 Budget, with the balance mainly reflecting the additional proceeds from the one-third sale of Telstra.

The Commonwealth's 1997-98 LCA outcome and its main components are shown in Table 18 along with the Loan Council approved LCA and estimates made in the 1997-98 Budget and in the MYEFO.

¹ Preliminary outcome drawing on Commonwealth general government and PTE data for 1997-98 contained in the GFS tables at Part III of this document. The data may be revised as more complete information becomes available from agencies. Later GFS data for 1997-98 will be published in the *Mid-Year Economic and Fiscal Outlook 1998-99* and *Government Financial Estimates* (ABS Cat. No. 5501.0).

Table 18: Commonwealth Loan Council Allocation for 1997-98 (\$m) (a)

	Loan Council Approved March 1997	Budget Time Estimate May 1997	MYEFO Estimate Dec 1997	Outcome
General government sector deficit	-4227	-5530	-10404	-15187
PTE sector net financing requirement	-79	-248	370	-799
Public sector deficit	-4306	-5740	-10035	-15986
Memorandum items (b)	-84	192	-455	367
Loan Council Allocation	-4390	-5548	-10490	-15619

- (a) From 1998-99, publication of the information in columns 3 and 5 of this table is a requirement of the revised framework for the uniform reporting of government financial information agreed between the Commonwealth, States and Territories.
- (b) Memorandum items are used to adjust the ABS deficit/surplus to include in LCAs certain transactions — such as operating leases — that have many of the characteristics of public sector borrowings but do not constitute formal borrowings. They are also used, where appropriate, to deduct from the ABS deficit/surplus certain transactions that Loan Council has agreed should not be included in LCAs — for example, the funding of more than employers' emerging costs under public sector superannuation schemes, the GFS deficit/surplus of States' central borrowing authorities, or borrowings by entities such as statutory marketing authorities. For the Commonwealth, memorandum items comprise the change in the net present value of operating leases (with a net present value greater than \$5 million) of departments and authorities, university borrowings, and an adjustment to exclude the net financing requirement of statutory marketing authorities and Telstra from the LCA.

PART V: COMMONWEALTH STATISTICS AND BUDGET CONCEPTS

In presenting budget statistics, the standards established by the Australian Bureau of Statistics (ABS) in its *Government Finance Statistics: Concepts, Sources and Methods* (Cat. No. 5514.0) are generally adopted. This standard draws on features of the 1968 United Nations publication *A System of National Accounts* (SNA) and the 1986 IMF publication *A Manual on Government Finance Statistics*. A revised version of the SNA standard was issued in 1993, but this has not yet been incorporated into ABS Government Finance or National Accounts statistics. The IMF standard is currently being revised.

The Commonwealth, States and Territories have an agreed framework — the Uniform Presentation Framework (UPF) — for the consistent presentation of government financial information on a GFS basis. The data provided in Part III are consistent with this framework.

SECTORAL CLASSIFICATIONS

As shown in Diagram 1, the Commonwealth non-financial public sector may be viewed in two ways:

- budget/non-budget sectors; and
- general government/public trading enterprise (PTE) sectors.

Commonwealth financial enterprises, such as the Reserve Bank, are currently excluded from Commonwealth government statistics in line with ABS practice.

The term government business enterprise (GBE) is not an ABS concept but is used by the Commonwealth to describe a group of companies and authorities, located mainly in the PTE and public financial enterprise (PFE) sectors, which trade goods and/or services in the market with a prime objective of earning a commercial return. Government trading enterprises is a term used in the Council of Australian Governments context and refers to the commercial activities of the Commonwealth, States and Territories.

Diagram 1: Commonwealth Non-financial Public Sector

	BUDGET CLASSIFICATION	GFS CLASSIFICATION
Commonwealth Non-financial Public Sector	Budget Sector (eg DEETYA, DSS)	General Government Sector (includes budget sector and non-budget general government entities)
	Non-budget Sector — Non-budget General Government Sector (eg ABC, CSIRO)	
	— PTE Sector (eg Australia Post)	PTE Sector (eg Australia Post)

COMMONWEALTH BUDGET SECTOR

Traditionally, the budget and mid-year statements have mainly presented transactions between the Commonwealth budget sector and other sectors of the economy, including transactions with non-budget Commonwealth entities. The Commonwealth budget sector consists of those departments and agencies whose day-to-day transactions are recorded in the Official Commonwealth Public Account (CPA), whether via the Consolidated Revenue Fund, Loan Fund, Commercial Activities Fund or the Reserved Money Fund.

Transactions between budget sector agencies — such as payments of fringe benefits tax, customs duty and interdepartmental charges — are identified but netted out when calculating total budget outlays or revenue. Only transactions into and out of the CPA impact on budget outlays and revenue.

Excluded from the budget sector are many Commonwealth government authorities, such as CSIRO and the ABC, that operate outside the CPA through their own bank accounts. Although they may depend on appropriations from the Commonwealth budget in some cases, they are classified as part of the non-budget sector. Budget payments to them are classified as transfers to the non-budget sector. The ABS refers to this budget/non-budget distinction as the administrative sector classification.

ABS GOVERNMENT SECTORS

The ABS GFS provides an alternative classification which allocates government units according to their role in providing market or non-market services. This approach recognises the different organisational focus of market oriented units by separating general government units that supply mainly non-market services from PTEs and PFEs, which provide market goods and services.

This standardised classification system facilitates direct comparisons between governments in Australia and allows the impact of total government activity to be measured relative to other sectors of the economy.

PFEs are currently regarded as outside the scope of ABS GFS. However, under the UPF, historical financial enterprise statistics will be phased in by all jurisdictions once the

ABS has included PFE information in the GFS (currently proposed from 1998-99). This will provide a more complete coverage of the public sector. Associated with this change is the reclassification of State central borrowing authorities to the PFE sector.

The ABS has reclassified universities from the general government sector of the relevant jurisdiction to a new multi-jurisdictional general government category. This change was introduced in the *1997-98 Government Financial Estimates* (Cat. No. 5501.0) published in November 1997. The data in Part III reflect the new classification.

Since 1989-90, effectively all budget sector activity has been classified to general government. The general government sector also includes non-commercial government agencies that operate through private sector bank accounts, such as the ABC and CSIRO (referred to as the general government non-budget sector).

OUTLAYS, REVENUE AND FINANCING TRANSACTIONS

Government sector transactions can be viewed from an economic perspective and categorised into underlying outlays, revenue, net advances and financing transactions.

Underlying outlays exclude net advances (ie net policy lending and net equity transactions) from headline outlays. Except in relation to PTEs, underlying outlays measure the net cost of providing goods and services generally allocated through collective political choice rather than through the operation of the market.

User charges are offset against relevant payments in calculating underlying outlays. The alternative treatment of classifying user charges as revenue would increase both underlying outlays and revenue and inflate the reported cost of providing public goods and services.

Revenue is the primary means of funding government activities, with any shortfall funded through borrowings or a rundown of financial assets (financing transactions). It comprises tax receipts (net of refunds) and non-tax receipts (interest, dividends etc) but excludes receipts from user charging, sale of assets and repayments of advances (loans and equity). Revenue therefore measures the value of the resources, other than borrowings, raised by a government to fund outlays.

The difference between total underlying outlays and revenue is the level of the reported underlying balance. The difference between headline outlays and revenue is the headline balance. The rationale for focussing on underlying outlays and balance measures is included in *1997-98 Budget Paper No. 1*.

Financing transactions do not affect the balance and are referred to as below-the-line transactions. (Underlying outlays and revenue transactions are referred to as above-the-line transactions.) Financing transactions are undertaken to finance the deficit or invest the surplus. They consist of borrowings and changes in holdings of financial assets such as cash or investments (excluding advances).

CONSISTENCY WITH EXTERNAL REPORTING STANDARDS

This document has been developed to accord with public sector accounting standards and GFS concepts and methodology. The Charter requires that departures from these external reporting standards be identified.

Data consistent with GFS are provided in tables contained in Part III. However, the recent ABS reclassification of net advances from capital outlays to financing transactions has not been incorporated in these tables.² Consequently, these tables show a separate adjustment for net advances to derive outlays and deficit estimates comparable to those provided in ABS GFS.

This document focuses mainly on budget sector data which depart from GFS or public sector accounting standards in the following respects.

- As indicated above, budget sector data are not equivalent to general government data, as they omit non-budget agencies such as the ABC.
- Exclusion of net advances (paid) from outlays in ABS GFS is consistent with the exclusion of net advances (paid) in the underlying budget outlays data, but not in the headline budget outlays data.
- To maintain consistency with the public net lending concept in the National Accounts, underlying balance measures used in this document do not take account of certain payments such as PTE superannuation provisions by the Commonwealth budget sector. These items — increases in provisions — are classified as financing transactions. While ABS GFS statistics also classify these payments as financing transactions (ie not outlays), they do take account of these transactions to derive their deficit estimates.
- The treatment of finance leases in budget sector data differs from that set out in *Australian Accounting Standard 17*. Under that standard, the asset and liability associated with a finance lease are brought to account in the financial records of the lessee. A finance lease is recognised where substantially all of the risks and benefits of ownership pass to the lessee.

Budget sector data have been adjusted for these differences to derive the general government sector data presented in Part III.

SAFETY NET REVENUES

The ABS has decided that the Commonwealth taxes introduced to replace the State franchise fees invalidated by the High Court decision on 5 August 1997 should be treated as State and Territory taxes for the purposes of GFS. This reflects the fact that the safety net arrangements represent a State and Territory tax imposed and collected by the Commonwealth at the request, and on behalf of, the States and Territories. This classification has been used in this document. These taxes are netted out of the

² The ABS reclassification of net advances to financing transactions was first reflected in the 1996-97 *Government Finance Statistics, Australia* (Cat. No. 5512.0) published by the ABS in April 1998.

Commonwealth sector and attributed to the relevant State and Territory sectors. The safety net arrangements have no net impact on budget revenue apart from administrative costs. Any refunds by the States and Territories to producers or wholesalers are treated as corrective (negative tax) transactions.

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