



AUSTRALIAN CAPITAL TERRITORY

SUBMISSION TO THE COMMONWEALTH GRANTS COMMISSION'S STAFF DISCUSSION PAPER 2009/01-S: *TREATMENT OF COMMONWEALTH PAYMENTS TO THE STATES*

April 2009



VIEWS ON THE COMMISSION'S ASSESSMENT PROPOSALS

INTRODUCTION

The 2010 Review has been run as an iterative process between the Commonwealth Grants Commission (the Commission) and the States and Territories over the course of the past five years. As part of this process, the ACT has provided a number of submissions in response to Staff and Commission Discussion Papers and refined based on multilateral and bilateral discussions with Commission staff and other States. These submissions outlined the ACT's position regarding the validity of the conceptual case underpinning the assessments and the proposed assessment methods.

It is noted that in some instances the position detailed in the latest Commission Position Papers is at odds to those of the ACT. In the interests of brevity, the ACT has not sought to reiterate the entirety of its previously stated position unless new data or new thinking has been applied. In this context, a lack of objection (silence) does not imply support where such support has not been previously stated, and instances where comment has been made on refining a methodology does not necessarily imply support for the broader method itself unless otherwise stated.

COAG REFORMS

The ACT supports the interpretation that the general expectation of the *Intergovernmental Agreement on Federal Financial Relations 2008* (IGA) is that specific purpose payments (SPPs), project national partnership payments (NPPs) and general revenue assistance (GRA), not including the GST, would be treated by inclusion and impact on the relativities, while facilitation and reward NPPs would be excluded and have no impact.

It is noted, however, that in regard to NPPs, the IGA states that the Commission has discretion over how to treat these, unless directed by the terms of reference.

It is noted that for Commonwealth Own-Purpose Expenses (COPEs) paid to States, the intention is to continue to treat these by inclusion. For those paid mainly to non-government organisations for State-type services, the intention is to treat them out-of-scope and assess a disability factor if there was an indirect impact through a reduced call on State budgets.

PROPOSED TREATMENT OF COMMONWEALTH PAYMENTS TO THE STATES

2010 Review

The intention of the Commission to streamline its processes for determining in-scope and out-of-scope payments, and to focus on how various payments should influence States' assessed fiscal capacities is supported.

Assessment of in-scope payments / out-of scope payments

The general principle that, subject to the requirements of terms of reference, in-scope payments should impact on the relativities if they have an influence on State fiscal capacities and out-of scope payments should not impact on the relativities is supported.

Where the alternate case sometimes exists, that is, in-scope payments should not influence the relativities, and out-of-scope payments should be taken into account because they indirectly reduce the amount States need to pay to deliver a service or subsidy, the preferred methods outlined by the Commission for dealing with this appear to be the most appropriate responses.

Backcasting

The ACT supports the proposal to continue backcasting for major changes in Federal financial arrangements as the benefits (primarily that no State receives a financial windfall or major loss because of the changes) are considered to outweigh the negatives (disturbing equalisation over time).

IMPLEMENTATION

National SPPs / GRA / COPEs

The proposals for these payments as outlined in the Discussion Paper are supported.

NPPs

The ACT supports the general principle, which is consistent with the IGA, that project payments (such as AUSLINK payments) should impact on the relativities, but facilitation and reward payments should not. It is noted, however, that the Commission has discretion to treat any NPP differently if it is considered to be more appropriate.

The ACT supports the inclination of staff to treat project payments by inclusion, and possibly some facilitation payments. In the case of NPPs being akin to a purchase of services from a State; being provided to a third party; or it is not practical to introduce an assessment, the inclination that they should not impact on the relativities is supported.

Backcasting of the IGA changes

The intention of backcasting Commonwealth payments into the assessment years of the Review is supported given that it represents a major change in Federal financial arrangements.