

PREMIERS' CONFERENCE, 16TH FEBRUARY, 1967

67/019

Commonwealth-State Financial Relations

The discussion at the Premiers' Conference today covered a wide range of matters affecting Commonwealth-State financial relations.

It was agreed that consideration of longer-term questions would be resumed at the Premiers' Conference to be held towards the end of the current financial year. In the meantime, however, the Commonwealth put forward certain proposals which were designed to provide further assistance to the State Budgets in 1966/67.

Details of these proposals, which were accepted by the States, are attached.

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Financial Assistance Grants

Statement by the Commonwealth

Present Formula

Under the States Grants Act 1965 the financial assistance grant for each State for each financial year of the present grants arrangements is determined by taking that State's grant for the previous year (with the addition of \$2 million each year in the case of Queensland) and:-

- (a) Increasing it by the percentage change in the population of that State during the year ended 31st December of the year of payment;
- (b) The amount so obtained under (a) is increased by the percentage increase in average wages for Australia as a whole for the financial year immediately preceding the year of payment; and
- (c) The amount so obtained under (b) is increased by a betterment factor of 1.2 per cent;

Proposed Formula

It is now proposed that, in future, the increase in average wages used in calculating each year's grants (including the grants for the current financial year) should be the increase for the twelve months ended March in the year of payment. Thus, the time-lag before movements in wages are reflected in the grants will be reduced from one year to three months. The other elements of the formula will remain unchanged.

The effect of this proposal on the amount of the financial assistance grants for the current financial year cannot be calculated precisely until figures showing the increase in average wages for the twelve months ending 31st March 1967 become available. On present indications, it is estimated that the increase in average wages will be about 5.25 per cent - or possibly 5.50 per cent. The effect on this year's grants - using each of these figures - is as follows:-

Financial Assistance Grants, 1966-67

\$ million

State	Estimate of Grants under Present Formula	Estimates of Grants under Proposed Formula with Reduced Time Lag			
		Assuming 5.25% Wage Increase		Assuming 5.5% Wage Increase	
		Grant	Increase on Present Formula Grant	Grant	Increase on Present Formula Grant
New South Wales	272.9	275.6	2.7	276.3	3.4
Victoria	206.0	208.0	2.0	208.5	2.5
Queensland	123.8	125.1	1.3	125.3	1.5
South Australia	93.5	94.4	0.9	94.7	1.2
Western Australia	85.0	85.8	0.8	86.0	1.0
Tasmania	34.2	34.5	0.3	34.6	0.4
TOTAL	815.4	823.4	8.0	825.4	10.0

Further Addition for 1966/67

The Commonwealth is also prepared to make available to the States an amount of \$5,000,000 as a special non-recurring addition to the grants payable under the formula in 1966/67. This amount will be distributed among the States in the same proportions as the grants produced by the formula.

The approximate distribution of this amount among the States is set out below:-

State	Amount
	\$ million
New South Wales	1.68
Victoria	1.26
Queensland	.76
South Australia	.57
Western Australia	.52
Tasmania	.21
TOTAL	<u>5.00</u>

Total Financial Assistance Grants 1966-67

In the assumption that average wages will increase by 5.25 per cent in the twelve months to 31st March, 1967 the total financial assistance grants payable to the States in 1966-67 under these proposals are estimated as follows:-

Financial Assistance Grants 1966-67

	<u>\$ million</u>			
	<u>Existing</u> <u>Formula</u>	<u>Addition from</u> <u>Reduction in</u> <u>Time-Lag</u>	<u>Special</u> <u>Addition</u>	<u>Total</u>
New South Wales	272.9	2.7	1.7	277.3
Victoria	206.0	2.1	1.3	209.4
Queensland	123.8	1.2	0.8	125.8
South Australia	93.5	0.9	0.6	94.9
Western Australia	85.0	0.8	0.5	86.3
Tasmania	34.2	0.3	0.2	34.7
	<u>815.4</u>	<u>8.0</u>	<u>5.0</u>	<u>828.4</u>