



Australian Government

Commonwealth Grants Commission

ISSUES PAPER CGC 2006/03

**ARCHITECTURE OF
HORIZONTAL FISCAL EQUALISATION:
PRINCIPLES AND INTERPRETATION**

This paper outlines some issues to guide States in preparing submissions they may wish to make. It reflects questions raised in the November 2005 discussion between the Commission and Heads of Treasury. It also reflects aspects of the broader debate on equalisation. This paper does not seek to cover all the issues. If States wish to raise other issues relating to the principles and interpretation of equalisation they should do so.

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INTRODUCTION

- 1 The terms of reference for the 2010 Review ask the Commission to recommend per capita relativities it would regard as appropriate to apply after 2009-10 for the distribution of the combined pool of GST revenue and Health Care Grants (hereafter called the GST pool) among the States¹.
- 2 What might be an ‘appropriate’ set of relativities depends on the objectives for the distribution of the GST and the interpretation and implementation of the principles that are to be applied in achieving those objectives. There is a diversity of views among States on those things, especially on the definition, interpretation and implementation of the principle of horizontal fiscal equalisation.
- 3 Consequently, the work plan proposed by the Commission for the 2010 Review provided for a preliminary discussion on the broad architecture of equalisation in November 2005. It also included the opportunity for State submissions on this issue, and further discussion, in 2006.
- 4 State submissions on the issues raised in this paper and any other issues relating to the principles and interpretation of equalisation are sought by the end of June 2006. The Commission will use those submissions as the basis of an annotated agenda to guide discussions at the Commission/HoTs conference tentatively scheduled for July 2006.
- 5 The Commission is also circulating a separate paper on issues relating to decisions on how State revenues and expenses should be disaggregated in the assessment of State fiscal capacities. To allow work on those issues to begin as soon as possible, that paper has been drafted on the basis of the current interpretation and scope of equalisation. However, the Commission will ensure that any changes resulting from the discussion of equalisation principles will be reflected in its work on disaggregation.

Structure of this paper

- 6 Discussion can take place on several levels, including at the level of:
 - the objective for the distribution of the GST pool among the States — including should the objective be equalisation or something else;
 - the most appropriate definition of equalisation — including should equalisation be based on standards that are ‘not appreciably different from’ other States; and
 - the interpretation and implementation of the equalisation principle — including how should ‘what States do’ be viewed, and the scope of equalisation.
- 7 The structure of this paper broadly reflects that hierarchy.

¹ In this paper, the word State(s) includes the Australian Capital Territory and the Northern Territory, unless the context indicates otherwise.

OBJECTIVES FOR REVENUE DISTRIBUTION

- 8 The distribution of the GST is an important part of the overall framework of Commonwealth-State relations in Australia. That framework also includes the allocation of financial responsibility for services among the different levels of government, specific purpose payments, and policies made through the Council of Australian Governments including those for the promotion of national priorities on health, education, land transport and national competition policy.
- 9 The Australian Government estimated it would distribute \$64.8 billion among the States in 2005-06², which represents about 50 per cent of estimated State total expenses for the year³. This distribution was to be made through:
- the distribution of the GST revenue (\$37.3 billion in 2005-06);
 - health care grants (\$8.4 billion);
 - other specific purpose payments (\$18.1 billion); and
 - other payments (\$1 billion), mostly National Competition Policy Payments.
- 10 GST revenue is currently distributed according to the horizontal fiscal equalisation principle, which is broadly about ensuring States have the financial capacity to provide comparable levels of services with comparable levels of taxes. This fiscal equalisation takes place within the context of substantial interpersonal and implicit regional equalisation arising from the Australian Government's taxation, and social welfare policies and the regional pattern of Australian Government own-purpose outlays on Medicare, other health initiatives, education and other services.
- 11 Some argue that distributing the GST on an equalisation basis is a good policy because:
- it helps to build and retain a cohesive nation by promoting common citizenship rights and helping to preserve the political autonomy of the States, which in turn helps to promote an efficient national market and economy that benefits each State;
 - equalising the fiscal capacity of States assists the efficient allocation of resources by reducing migration that might be otherwise prompted by differences in the quality or cost of State services and without regard to differences in productivity or the external costs their movement might impose on others in the States they move to; and
 - equalising the financial capacity of State governments is a prerequisite for equity between individuals in the longer term.
- 12 Conversely, some studies in Australia have questioned whether equalisation is a desirable policy objective, claiming:

² Table 2 of Federal Financial Relations 2005-06, Budget Paper No. 3.

³ Table 3 of ABS, Catalogue No. 5501.0.55.001 Government Financial Estimates indicated that State government total expenses for 2005-06 were estimated at \$132 billion.

- it constrains economic growth by discouraging the movement of capital and people to locations where their productivity are greatest;
 - it constrains desirable economic reform; and
 - it equalises the capacities of State governments and does not necessarily enhance equity between individuals.
- 13 Some advocates of change to the current approach have suggested that the GST should be allocated on the basis of where the tax was collected because that would be more conducive to an efficient allocation of resources. Others suggest an equal per capita allocation.
- 14 This debate is unresolved. A fundamental question is whether its resolution requires decisions by governments because some of the possible outcomes could lead to fundamental changes in Commonwealth-State relations and the nature of the Australian federation.
- 15 States may wish to comment on:
- what should be the objectives of the distribution of GST revenue; and
 - whether different objectives would have implications for Commonwealth-State relations?

THE DEFINITION OF EQUALISATION

- 16 Equalisation is a feature of intergovernmental relations in many countries. However, its form varies from one country to another, due to differences in their historical backgrounds, cultural characteristics, economic circumstances and political economies. International comparisons of equalisation must allow for those differences.
- 17 The Australian definition of equalisation has evolved over time to reflect changes in Commonwealth-State relations, State fiscal circumstances and issues that arose in implementing equalisation, but its thrust is basically unchanged.
- 18 The current definition, as applied in the 2004 Review, says:
- State governments should receive funding from the pool of goods and services tax revenue and health care grants such that, if each made the same effort to raise revenue from its own sources and operated at the same level of efficiency, each would have the capacity to provide services at the same standard.**
- 19 The definition indicates that equalisation relates to the financial capacities of States and that it involves considering revenue raising capacity and costs of providing services.
- 20 An aspect of the definition that has evolved over time is the standards to which States are equalised. In the first review of revenue sharing relativities for all States in 1981, the definition involved standards that are ‘not appreciably different from’ other States. But during the 1999 Review, the definition was amended to the ‘same standard’ of services to more accurately reflect the comparisons that were made.

- 21 Debate on equalisation, including the November 2005 discussion between the Commission and HoTs, has led to suggestions by some States that the definition of equalisation should be changed to reduce the extent of equalisation sought, including:
- to equalise to standards that are ‘not appreciably different from’ or ‘comparable to’ other States;
 - to provide extra assistance to only the financially weakest States; or
 - to provide a ‘safety net’ approach to standards of services.
- 22 A change to standards that are ‘not appreciably different from’ or ‘comparable to’ other States might be interpreted as a way of reducing the tendency to seek precise equality rather than an explicit movement away from ‘equalising’. Such a shift in emphasis would be consistent with the current emphasis on simplification. But if that is the intent, are the current proposals for achieving simplification, by aggregating assessments and applying reliability criteria and materiality thresholds, alternative and acceptable ways of achieving it?
- 23 Other changes in the definition that have been raised in the past include:
- a shift from equalising the financial capacity to provide services towards equalising the performance of States, possibly measured by outputs or outcomes of services; and
 - inserting considerations relating to the efficient allocation of resources.
- 24 Other participants in the debate have argued that changes in the definition of equalisation are not required. They have also noted that some of the possibilities raised could have fundamental implications for Commonwealth-State relations.
- 25 States might wish to comment on the desirability or otherwise of changes in the definition of the equalisation principle, including those aspects of it that relate to:
- whether the objective should be ‘equality’, ‘not appreciably different from’, ‘reasonably comparable’, assistance for only the financially weakest States or something else;
 - whether equalisation should be about equalising financial capacity or performance;
 - whether equalisation could encompass other considerations such as efficiency and how that might be achieved — could the concepts of efficiency and equalisation be part of an internally consistent definition or are they to a greater or lesser extent incompatible; and
 - any other aspects of the definition.
- 26 Comments should consider the conceptual and the practical issues that might be associated with changing the definition. For example, how might ‘not appreciably different from’ be implemented?

INTERPRETING THE EQUALISATION PRINCIPLE

- 27 Some parties have said they are content with the existing definition of equalisation, but want it be interpreted differently. This might be achieved, for example, by changing the interpretation of the pillars of equalisation set out in the 2004 Review, changing the scope of equalisation, using broad indicators of revenue capacity and costs of services, making the process more contemporaneous or changing the treatment of SPPs.

The three pillars of equalisation

- 28 The 2004 Review definition of HFE is supported by three pillars:
- capacity equalisation;
 - internal standards or ‘what States do’; and
 - policy neutrality.
- 29 There are different views among the States on the appropriateness and interpretation of these pillars. Some see them as inappropriate and seek to have them changed. Others support them and consider they serve equalisation well.
- 30 **Capacity equalisation.** Equalisation is about providing each State government with the financial capacity to provide the same standard of services as the others. It does not restrict or specify how each State should use the grants but allows them to determine their own policy priorities according to their circumstances.
- 31 Issues relating to whether equalisation should be about capacity, performance, outputs or outcomes were mentioned in paragraph 23.
- 32 Another aspect of capacity equalisation that has been raised is the question of ‘whose capacity’. This issue arises because many services States provide (including education and health) are also provided by the Australian Government, local government or the private sector. Service provision by those bodies has direct and indirect effects on States and generally reduces the costs to States of providing similar services. The current approach takes account of the effect on State budgets of interstate differences in the use of some private services.
- 33 The Commission seeks views on whether capacity equalisation should be interpreted as the capacity of State governments or the capacity of State governments, State communities and other governments to provide services that are broadly the responsibility of States. If the interpretation should be broadened, how might it be done?
- 34 Currently, capacity equalisation is implemented by equalising the per capita deficit on the operating accounts of State governments. Would it be possible to equalise on the basis of other concepts, such as the net debt or the net wealth of State governments?
- 35 **Internal standards or what States do.** This pillar means that the service and revenue raising standards to which all States are equalised are an average of what all States do. The standards are derived by observing State actions.

- 36 The use of internal standards means that the Commission does not need to make judgments about what services should be provided, at what standards they should be provided or how and where they should be provided. Nor does it need to make judgments about the revenue bases that should be taxed or the level of taxes imposed.
- 37 At various times, some States have suggested that the standards to which States are equalised should be changed from an internal standard based on an average of what all States do to:
- internal standards based on what is done by the financially strongest or the middle ranking States; or
 - internal standards based on the State or States that are the most efficient providers of services or the most efficient revenue collectors; or
 - external standards based on some ‘ideal’ level of services, a desired level of service delivery efficiency or an economically efficient tax policy.
- 38 Some States have also noted that ‘what States do’ is currently interpreted at a detailed level of the individual taxes States impose and the individual services they provide, for example hospital inpatient services, outpatient services, community health services, disease prevention services and other public health services etc. It has been suggested that this interpretation is too detailed. It has also been noted that a broader interpretation is implied by the requirements of the 2010 Review terms of reference to simplify and aggregate assessments.
- 39 Alternative interpretations of ‘what States do’ that have been suggested include interpreting it:
- as States raise revenues so that they can provide services. This approach would not take account of the form in which revenues are raised or the specific services provided. It logically leads to one broad (or global) assessment of revenue raising capacity and one broad (or global) assessment of costs of providing services; and
 - in terms of the policy objectives States seek to achieve. This would be a broader interpretation than the current approach.
- 40 The Commission seeks views on:
- Whether the current interpretation of standards as an average of the policies of all States should be changed to standards based on what some States do or to external standards based on a desired level of service or tax policy or a desired level of efficiency in service delivery. What might be the implications of such changes and how might decisions on the appropriate standard be made?
 - Should ‘what States do’ be interpreted very broadly, in terms of State policy objectives or in terms of the many services States provide to achieve those policy objectives? How might the Commission establish the policy objectives? How might cost differences States face in achieving a policy objective be measured?
 - Currently, the ‘same effort to raise revenue’ is interpreted as applying the same definition of the revenue base and the same rates of tax, but should it be interpreted

broadly to encompass the same policies for creating or growing the tax base as well as those for taxing it? If so, could that be done in a simple and robust way?

- The current average standard approach implies all States notionally provide services in the same way. Is this appropriate given their different circumstances? Are there practical alternatives?

41 ***Policy neutrality.*** This means that a State's share of GST should not be affected by its own policies.

42 The Commission's practice has been to calculate relativities on the basis that all States apply the same service delivery and revenue raising policies, which are an average of the policies of all States. The Commission considers this approach is 'policy neutral' because the actual policies of individual States do not directly affect their share of the GST pool. If a State has policies that result in it making above or below average revenue raising efforts (or having above or below average levels of services) its GST share is not reduced or increased on that account.

43 Some States have argued that equalisation is not policy neutral because:

- collectively, the policies of States set the standards, so the standards should be based on what States could do (a concept of policy free). This is most easily illustrated by the case of revenue raising, such as payroll taxes:
 - the current average policy approach excludes payrolls of small business from the revenue base because all States exempt them (although the tax free threshold value varies across States); but
 - the policy free approach would ignore the common policy to provide an exemption and define the base as total payrolls paid by all employers;
- some States can affect the average policies more than others — the more populous States have a greater effect on the average per capita revenues and expenses, States with high mineral production have a greater effect on average royalty rates, States with high proportions of Indigenous people in their population have a greater effect on the costs of providing services to Indigenous people, and so on; and
- equalisation can create incentives or disincentives for States to make particular decisions or act in particular ways, such as:
 - reduce the incentive for a State to promote growth;
 - reduce the incentive to improve efficiency of service delivery;
 - provide incentives for States to over provide services where they have above average costs of service delivery and vice versa;
 - provide incentives for States to over tax revenue bases where they have a revenue raising disadvantage and vice versa;
 - provide incentives for States to invest resources in identifying disabilities and developing more sophisticated ways of measuring them.

- 44 Other States argue against some or all of those points. For example, they say that, in practice, State decisions are based on more immediate considerations than the potential effect of equalisation and there is no evidence that State decisions are affected by equalisation considerations.
- 45 The Commission seeks views on the pillar of policy neutrality. Should a concept of policy free be applied? Is there evidence that equalisation creates incentives for particular behaviour by States? If there is, what alternative approaches might be adopted to remove the incentives? Conversely, should equalisation provide positive incentives for States to act in a particular way and, if so, what behaviours should be encouraged and how might it be achieved?
- 46 ***Should there be more pillars?*** At the November 2005 meeting of the Commission and HoTs, some States suggested there should be more pillars, such as efficiency, simplicity, robustness, transparency and stability or predictability.
- 47 The Commission seeks views on:
- Whether any of the above should be included as pillars of equalisation? Why? How?
 - whether including efficiency as a pillar (based on either the broad interpretation of allocative efficiency or the narrower interpretation of the technical efficiency of service provision), would be consistent with fiscal equalisation? If so, how might it be done in a simple and reliable way?

The scope of HFE

- 48 In the past, the scope of equalisation has been comprehensive in terms of:
- the range of State activities covered — virtually all revenues and expenses in the operating accounts of States (including revenues from SPPs and the expenses they fund) are included; and
 - the range of disabilities assessed.
- 49 This comprehensive coverage reflects the aim of fully equalising the capacities of States to provide services. It reflects the view that this aim is less likely to be achieved if major revenues, expenses or disabilities are omitted from the assessments.
- 50 The question of whether equalisation should take account of the non-State provision of services normally provided by States was raised earlier. Other issues of scope that have arisen and which States may wish to address in their submissions include:
- whether equalisation should be confined to ‘merit goods’ or some concept of core State functions and taxes, such as education, health, and law and order. If so, how might ‘merit goods’ or another concept of core functions be defined and applied;
 - whether equalisation should cover all activities of State governments in providing services and raising taxes and charges — that is, should equalisation cover

expenses incurred and revenues raised by State trading enterprises as well as those recorded in the general government sector operating statements;

- whether the range of disabilities assessed should be confined to disabilities that reflect interstate differences in the use of services — that is, disabilities that reflect differences in the unit cost of providing services should be omitted; and
- whether disabilities that reflect the effects of the location where services are delivered should be omitted.

Use of broad indicators

- 51 Under current processes, the Commission identifies and measures the effects on each State of each driver of the relative capacity to raise revenue from specific taxes and the relative costs of providing specific services.
- 52 Some States have argued that outcomes would be more policy neutral and processes would be simpler if the tax-by-tax and service-by-service assessments were replaced by broad (or global) assessments. Under a broad (or global) approach, there would be:
- one revenue assessment (covering revenue from all taxes and charges), which might be based on a single broad indicator of revenue raising capacity, such as gross State product or household disposable income; and
 - one expense assessment (covering expenses on all services), which might be based on a few broad indicators of relative use or relative costs, such as total population, the proportion of people who live in urban, rural or remote areas, the proportion of young, old or Indigenous people in State populations, and wage levels.
- 53 In the past, other States and the Commission have said broad (or global) assessments do not adequately reflect what States can and cannot do or the differences between States that affect costs. For example, use of GSP or income to measure relative revenue raising capacity does not recognise that States have limited revenue raising powers, which prevent them taxing income or imposing sales taxes and excise duties. On the expenditure side, broad indicators do not fully capture some significant interstate differences that affect the use and cost of State services.
- 54 The Commission is not inclined to adopt a broad assessment approach in the 2010 Review for reasons similar to those advanced in the past.
- 55 However, the terms of reference ask the Commission to review the scope for the use of more general indicators of revenue capacity and expenditure need. It will, therefore, be seeking to use broader indicators than were used in the 2004 Review. The use of broader indicators will go ‘hand in hand’ with its proposed top-down, clean-slate approach where revenues and expenses would be disaggregated only where it materially improves the equalisation result. In a similar fashion, broader indicators of revenue bases and expense disabilities would be discarded only when using narrower indicators leads to materially better measures of differences between States.

Averaging relativities and their application

- 56 The Commission is asked to recommend relativities for use in a future year and to use data for the most recently completed five financial years in deriving them. Thus, the relativities reflect State policies and circumstances that existed at least two years and up to seven years before the relativities are applied — relativities for 2006-07 recommended in the 2006 Update were based on data for the years 2000-01 to 2004-05.
- 57 This approach is based on the premise that the recent historical data on State expenses, revenues, disabilities and revenue bases represent the most reliable means of measuring the relative fiscal capacities of the States, albeit with a lag. There would be no issues with this approach if State expenses, revenues, disabilities and revenue bases did not change over time (or if they changed at similar rates in all States). However, in the real world, there are changes and they are different across the States.
- 58 The rate of change in the size of the GST pool may also have implications for the current approach. The current approach implies that the relativities between States are unaffected by the size of the GST pool to be distributed. This assumption is robust when the real value of the pool is relatively stable. There is room for debate, however, if there is a substantial growth or decline in the real value of the GST pool.
- 59 Thus there are questions about whether the existing approach continues to be the most appropriate way of equalising State fiscal capacities in the application year. Other approaches that may be possible, at least in concept, include:
- making projections of the relative fiscal capacities of the States in the future year, possibly by applying trends to historical data;
 - a system of advance and completion grants — State shares might be initially estimated, possibly on the basis of simple projections, and adjusted or acquitted when reliable assessments can be made using actual data for the year;
 - using the absolute value of needs calculated for the historical years, with growth in the GST pool between those years and the application year distributed on an equal per capita basis.
- 60 Each approach has advantages and disadvantages, in concept and practice. For example, there could be concerns about the reliability and accuracy of projections, advance and completion grants could be resource intensive and complex, and using the absolute value of historically derived needs may not fully reflect needs in the future.
- 61 The Commission seeks views on whether the current approach of applying historically derived relativities to the future remains the most appropriate way of implementing equalisation or whether other approaches should be considered. Comments should consider conceptual and practical implications of the alternatives.
- 62 ***Stability and contemporaneity.*** Equalisation is a dynamic process. Over time, a State's share of the GST pool changes in response to changes in its relative costs of providing services and its relative capacity to raise revenue. To provide some stability and predictability to the shares of the GST pool, the Australian and State governments

agreed that the recommended relativities would be based on the average of relativities assessed for each of the past five years.

- 63 The longer the period over which the relativities are averaged, the more stable they are. However, the longer the averaging period, the less likely are the relativities to reflect the relative fiscal capacities of the States in the year they are applied. This trade-off between stability and contemporaneity has been discussed in the last three reviews.
- 64 The Commission seeks views on the trade-off between contemporaneity and stability of relativities — that is, if historical assessments are retained should they be averaged over 5, 3 or 1 years?

The treatment of SPPs

- 65 Under the current interpretation of equalisation, most revenues States receive from SPPs and the expenses they fund are included in the assessments and affect State shares of the GST pool.
- 66 Some parties perceive this approach as overriding other national objectives and agreements established between Australian and State government ministers. Others have said that equalising the financial capacities of State governments requires all revenues and expenses to be included in the assessments.
- 67 States may wish to comment on the approach to dealing with SPPs.

IS EQUALISATION BEING ASKED TO DO TOO MUCH?

- 68 Equalisation is only part of the overall Commonwealth-State arrangements. There are grounds for asking whether fiscal equalisation by the Commission is asked to do more than it is intended to do. Comments by some observers suggest they believe it is intended to enable:
- States to provide the same services to all groups of people or to people in all locations; or
 - States to directly address the underlying causes of assessed disabilities.
- 69 The current approach to equalisation does not aim to produce those results. States themselves do not follow policies that equalise personal, regional or community access to services. For example, there are large differences between regions in the level of services provided. It is generally the case that residents of rural and remote areas cannot be assured the same access to services as residents of metropolitan areas. Equalisation reflects the policies States on average adopt in providing services. If those policies do not provide comparable access in all regions or do not aim to overcome the underlying cause of disabilities, equalisation will not provide extra funds to do so.
- 70 Addressing the implications of Indigenous disadvantage, cultural and linguistic diversity, urbanisation and so on would probably require a different distribution of

funds, based on different assessments of needs. Individually, each of those assessments would probably lead to a greater redistribution.

- 71 Moreover, equalisation is only one channel through which funds flow to the States and it is not the only way national objectives and priorities may be advanced. Many such objectives and policies might be better addressed by other means, such as SPPs.
- 72 States may wish to comment on whether a set of relativities that was based on needs defined in terms of what is required to allow the underlying causes of certain disabilities (Indigenous disadvantage, urbanisation etc) to be overcome would be 'appropriate'. If so, how might it be achieved and how could the Commission decide which disabilities should be addressed?

OTHER CONSIDERATIONS THAT MAY AFFECT THE DISCUSSIONS

- 73 Discussion on issues such as the objectives of the GST distribution and the principle and interpretation of equalisation cannot take place in a vacuum. They must occur within the context of broader Commonwealth-State relations, the IGA and the terms of reference given to the Commission for the 2010 Review.
- 74 Some of the issues raised in this paper, such as the objectives of GST distribution, are matters for governments. While the Commission may play a role in evaluating the arguments and their implications, the resolution of the issues can be done only at government level where broader issues of national objectives, priorities and Commonwealth-State relations can be considered.
- 75 We also note that the IGA says that the GST revenue:
- 'will be freely available for use by the States and Territories for any purpose'; and
 - will be 'distributed among the States and Territories in accordance with horizontal fiscal equalisation (HFE) principles'.
- 76 The options for addressing some of the issues mentioned in this paper (for example, performance equalisation, requiring States to spend their revenue from the GST pool in accordance with the Commission's assessments, or otherwise holding States accountable for how they spend GST revenue) would appear to be constrained by those provisions and by broader considerations of State sovereignty. Those issues have been included in the paper for completeness.
- 77 It is also the case that the Commission is required to prepare the 2010 Review relativities using simpler, more reliable methods and data. Some parties also expect a reduction in the use of judgment. Alternative equalisation principles and alternative interpretations of equalisation should be subject to similar expectations. For example, proponents of economic efficiency or external benchmarks should consider how reliable measures of efficiency or external benchmarks might be made, whether the methods required to take them into account increase or decrease the complexity of the assessments and whether the necessary data are available.

CONCLUSION AND FUTURE WORK

- 78 This paper follows on from the preliminary discussion on issues related to the principles and implementation of equalisation at the November 2005 meeting of the Commission and Heads of Treasury. It identifies a range of issues stemming from that meeting and the wider debate on equalisation, which States may wish to address in their submissions. Those submissions should cover all issues States wish to raise in relation to the broad architecture of equalisation, regardless of whether they are covered by this paper. However, it would not be realistic to expect that all the issues, especially those related to the objectives of GST distribution, can be resolved within the Commission's mandate.
- 79 We propose the following timetable for dealing with these issues. The timing of the meeting with HoTs is the subject of separate correspondence.

Table 1 Timetable for work on issues in architecture of equalisation

Work	When
Issue paper on architecture circulated to States	March 2006
State submissions on issues relating to the architecture of equalisation	End June 2006
HoTs meeting — discussion of architecture (tentative)	28 July 2006
Further comments from States (if necessary)	Mid-October 2006
Commission issues paper releasing assessment framework and calling for State submissions	May 2007