



Australian Government

Commonwealth Grants Commission

Chairman Alan G Morris

27 February 2007

MEDIA RELEASE

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REPORT ON STATE REVENUE SHARING RELATIVITIES 2007 UPDATE

The Commonwealth Grants Commission has released its advice to the State, Territory and Australian Governments on how GST and Health Care Grants revenue (the pool) should be distributed among the States and Territories in 2007-08. (A copy of the main report, including the main reasons for the changes for each State and Territory, is attached).

Under the Commission's recommended relativities for 2007-08, which are based on data for the five year period 2001-02 to 2005-06, Western Australia would receive a significantly smaller share of the pool than in 2006-07, and Queensland's share would also decline appreciably. New South Wales would receive a significant increase while the shares of Victoria, South Australia, the Australian Capital Territory and the Northern Territory would rise marginally. Tasmania's share would decline marginally.

The Chairman of the Commission, Alan Morris said, "These changes reflect the accelerating pace at which State fiscal capacities changed relative to one another over the period 2000-01 to 2005-06. The strengthening economic conditions in Western Australia and Queensland have boosted their own source revenues and consequently, in line with the objective of promoting fiscal equalisation, reduced their share of GST funding."

The recommended relativities for 2007-08 also show the first effects of State decisions to phase out a range of business taxes. New South Wales is expected to receive over \$100 m extra in revenue from the GST/HCG pool in 2007-08 as a result of this effect.

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BACKGROUND

Table 1 Distribution of 2006–07 pool and illustrative 2007–08 pool

Distribution	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Estimated 2006-07	13 786.3	10 527.1	9 617.3	4 768.0	4 250.1	1 745.1	868.1	2 072.7	47 634.7
Changes caused by new:									
relativities ^(a)	277.0	64.0	- 166.4	- 271.6	69.3	- 5.1	13.1	19.7	0.0
population ^(b)	- 44.4	- 11.7	72.9	19.5	- 28.4	- 12.3	- 3.4	7.9	0.0
pool ^(c)	877.0	661.8	595.8	282.5	268.4	108.1	54.9	131.4	2 979.9
Illustrative 2007-08	14 895.9	11 241.2	10 119.6	4 798.4	4 559.5	1 835.7	932.7	2 231.6	50 614.6
Increase	1 109.6	714.1	502.3	30.4	309.4	90.6	64.6	158.9	2 979.9

(a) Effects on the distribution of the 2006-07 estimated pool of using the 2007 Update relativities instead of those used in 2006-07.

(b) Effects on the distribution of the 2006-07 estimated pool of using estimated December 2007 State populations instead of December 2006 populations.

(c) Effect of applying the 2007 Update relativities to the estimated growth in the pool.

Source: The GST and HCG pools for 2006-07 and 2007-08 are taken from the *Mid-Year Economic and Fiscal Outlook* 2006-07. The allocation of the 2006-07 pool is based on 2006 Update relativities.

Table 2 State shares of 2006-07 pool and illustrative 2007-08 pool

State shares	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Aust
	%	%	%	%	%	%	%	%	%
Estimated 2006-07	28.9	22.1	20.2	10.0	8.9	3.7	1.8	4.4	100.0
Illustrative 2007-08	29.4	22.2	20.0	9.5	9.0	3.7	1.8	4.4	100.0
Difference	0.5	0.1	-0.2	-0.5	0.1	0.0	0.0	0.0	0.0

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