

LAW AND ORDER FEES AND FINES – ASSESSMENT RESULTS

- 1 This working paper describes the user charges assessment for Law and order fees and fines and provides information on its impact on the GST revenue distribution for the 2008 Update. The assessment method is discussed in Volume 3 of the 2004 Review Working Papers.

DESCRIPTION OF THE CATEGORY

- 2 The Law and order fees and fines category comprised the net collections from fines and forfeitures, and from fees and charges collected by the courts, including those which were primarily revenue-raising rather than cost-recovery measures. It included traffic fines imposed by the police but excluded other licence fees collected by the courts which were classified to the other taxes category.
- 3 Table 1 shows the average user charges for the last six financial years. In 2006-07, the average user charges of \$60.12 per capita represented 8.44 per cent of total user charges.

Table 1 Law and order fees and fines, average user charges, 2001-02 to 2006-07

	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
Average user charges (\$pc)	53.05	56.38	49.47	57.87	58.98	60.12
% of total user charges	9.16	9.15	7.97	9.01	8.59	8.44
% of category average expenses	55.07	54.42	48.35	52.60	50.64	46.63

Note: Category average expenses refer to the Administration of justice category.

ASSESSMENT METHOD

Description of the assessment

- 4 The Law and order fees and fines assessment for the 2008 Update was measured using two components: court fees; and fines.
- 5 The user charges assessment method for the 2008 Update was the same as for the 2007 Update.

- Court fees were assessed the same way as for the 2007 Update. The relative revenue raising capacity of each State was based on the economic environment factor assessed in the Administration of justice category. The assessment assumed that fees could be charged for:
 - small businesses, which were more likely to engage in civil litigation than individuals; and
 - large businesses, which were more likely to engage in civil litigation than small businesses.
- Court fines were assessed using the equal per capita (EPC) method.

Assessment structure

6 Table 2 summarises the assessment structure for the 2008 Update.

Table 2 Law and order fees and fines, assessment structure, 2008 Update

User Charges component	Component weight	Factors	Basis of calculation
	%		
Fees	5	Economic environment	Calculated by using 60% discounted civil court lodgements.
Fines	95	None	Equal per capita.

7 The component weights for the court fees and fines components were calculated from Government Finance Statistics (GFS) user charges data sourced from the ABS.

CALCULATING THE CATEGORY FACTOR

8 Table 3 summarises the components, component weights and factors assessed for this category for the last year of the 2008 Update. It shows the calculation of the category factor for 2006-07.

Table 3 Law and order fees and fines, derivation of category factor, 2008 Update

Factors	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
Fees (component weight = 4.55 %)								
Fees	1.03189	1.09022	0.91651	0.93775	0.90892	0.92814	0.90540	1.00373
Component factor	1.03189	1.09022	0.91651	0.93775	0.90892	0.92814	0.90540	1.00373
A Wgtd comp factor	0.04699	0.04964	0.04173	0.04270	0.04139	0.04226	0.04123	0.04571
Fines (component weight = 95.45 %)								
Fines	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
Component factor	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000	1.00000
B Wgtd comp factor	0.95446	0.95446	0.95446	0.95446	0.95446	0.95446	0.95446	0.95446
Category factor	1.00145	1.00411	0.99620	0.99717	0.99585	0.99673	0.99569	1.00017

- (a) Component factor rebased so that the average is 1.00000
(b) Category factor = (A + B)

9 The category factor was calculated as follows:

$$\begin{aligned} \text{category factor} &= \text{fees} + \text{fines} \\ \text{where} \\ \text{fees} &= 5 \text{ [economic environment]} \\ \text{fines} &= 95 \text{ [EPC]} \end{aligned}$$

10 In each case, the contributions to the category factor were calculated as the user charges component weight (the percentages in the table) multiplied by the factors (the bracketed terms in the formulas). Each component's contribution to the category factor was then scaled to ensure that the sum of assessed user charges equalled the sum of actual user charges.

RESULTS FOR 2006-07

11 Table 4 shows actual, average and assessed per capita revenues and States' implied capacity to raise revenue ratio for the assessment in 2006-07. The assessed capacity to raise revenue ratio is equivalent to the category factor shown in Table 3.

12 Table 10, at the end of this working paper, summarises the results of the assessment. It shows the average, actual and assessed user charges for each State for all years of the 2008 Update.

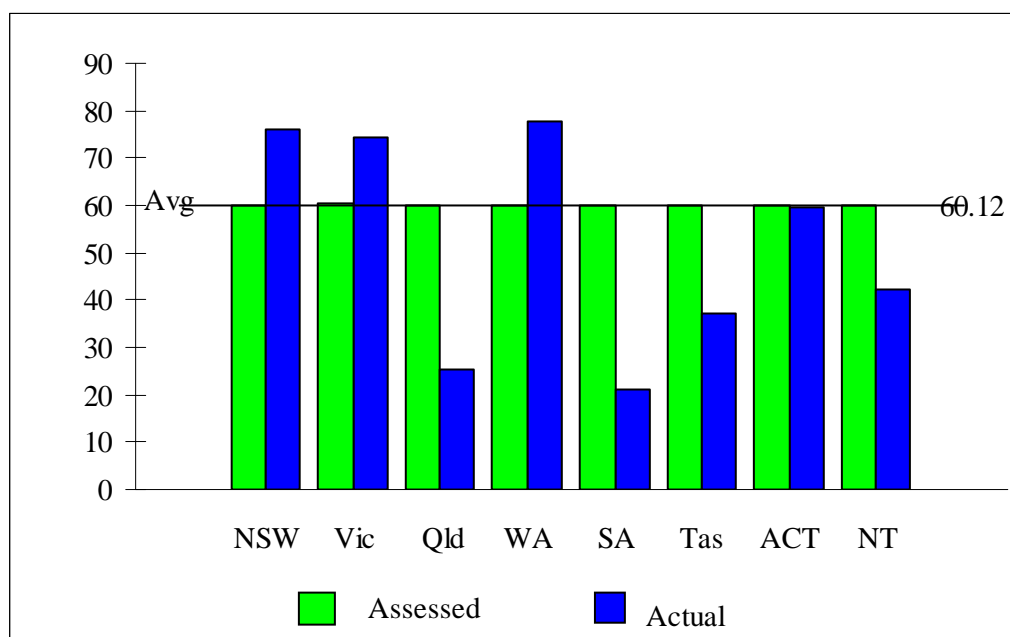
Table 4 Law and order fees and fines, assessment results, 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual user charges	76.25	74.26	25.39	77.77	21.09	37.38	59.57	42.36	60.12
Assessed user charges	60.21	60.37	59.89	59.95	59.87	59.93	59.86	60.13	60.12
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratio(a)	100.15	100.41	99.62	99.72	99.59	99.67	99.57	100.02	100.00

(a) The capacity to raise revenue ratio is the ratio of assessed to average user charges.

13 Figure 1 illustrates the per capita assessed, actual and average user charges for Law and order fees and fines for 2006-07.

Figure 1 Law and order fees and fines, user charges per capita — assessed, actual and average, 2006-07



CONTRIBUTION TO GST REVENUE DISTRIBUTION

14 Table 5 shows the category's contribution to the distribution of GST revenue and Health Care Grants (hereafter GST revenue). It also shows the contribution of each factor and component to the GST revenue distribution.

Table 5 Law and order fees and fines, contribution of assessment to GST revenue distribution, 2008 Update

Factor	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redis't
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fees									
Fees factor	-2.1	-4.1	3.4	0.5	1.7	0.3	0.2	0.0	6.1
Component factor	-2.1	-4.1	3.4	0.5	1.7	0.3	0.2	0.0	6.1
Fines									
Fines factor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Component factor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Redistribution from EPC resulting from the 2008 Update assessment									
	-2.1	-4.1	3.4	0.5	1.7	0.3	0.2	0.0	6.1

Note: The redistribution due to the component factors includes the effect of interactions between factors. Therefore the component factor figure may not equal the sum of its factors' redistribution.

Differences from an equal per capita assessment

15 Table 5 indicates that the only disability of this assessment was the fees component which reflects the differences between States in their per capita number of civil court lodgements.

16 The category factors reflected the following on a State by State basis:

- *New South Wales* — The less than average GST revenue redistributed to New South Wales was the result of the higher than average per capita numbers of civil courts lodgements due to greater civil court activity. This is influenced by the higher proportion of corporate head offices located in New South Wales which could be expected to generate higher civil court lodgements and, thus, higher law and order fees.
- *Victoria* — Like New South Wales, Victoria has above average revenue raising capacity and received a below average share of GST because its per capita numbers of civil courts lodgements were higher than the Australian average, reflecting the greater civil court activity.
- *Other States* — All other States received a positive redistribution of GST revenue, reflecting their lower than Australian average per capita numbers of civil courts lodgements.

CHANGES SINCE THE 2007 UPDATE

Effect of assessment on the distribution of GST revenue

17 Table 6 shows the redistribution of GST revenue resulting from the assessments in the 2007 Update and the 2008 Update. It also shows the sources of the changes.

18 Changes in the distribution of GST revenue between the 2007 Update and the 2008 Update were brought about because the Commission:

- used revised financial data in the average user charges and other revised data in factor calculations for the years 2001-02 to 2003-04; and
- replaced 2001-02 average user charges and revenue bases with those of 2006-07 to move forward the five-year period on which GST revenue distributions were based. Moving the five-year period forward in this way ensures the assessments reflect recent trends in State priorities on the revenues raised and recent trends in State demographic, and economic circumstances on the relative capacity to raise those revenues.

Table 6 Law and order fees and fines, effect of assessment on GST revenue distribution, 2007 Update to 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Redistribution from EPC resulting from the 2007 Update assessment (a)	-2.9	-3.8	3.8	0.5	1.9	0.2	0.3	0.0	6.7
Effect of revising category averages and factors for 2001- 02 to 2005-06									
Category average	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Revenue bases	-0.5	-1.1	0.8	0.2	0.4	0.1	0.1	0.0	1.5
Interactions	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Total	-0.5	-1.1	0.8	0.2	0.4	0.1	0.1	0.0	1.6
Effect of replacing 2001-02 category averages and factors with those for 2006-07									
Category average	0.2	0.2	-0.2	0.0	-0.1	0.0	0.0	0.0	0.4
Revenue bases	1.3	0.7	-1.2	-0.2	-0.6	0.0	-0.1	0.0	2.0
Interactions	-0.2	-0.1	0.2	0.0	0.1	0.0	0.0	0.0	0.3
Total	1.3	0.8	-1.2	-0.2	-0.6	0.0	-0.1	0.0	2.1
Redistribution from EPC resulting from the 2008 Update assessment (a)	-2.1	-4.1	3.4	0.5	1.7	0.3	0.2	0.0	6.1
Total effect of revisions and updating (b)	0.8	-0.3	-0.4	0.0	-0.2	0.1	0.0	0.0	0.9

(a) Assuming same pool and a constant population.

(b) The total redistributed amount shows the change in the amount redistributed among the States between the 2007 Update and the 2008 Update. It does not necessarily equal the difference in the total redistribution from EPC between the two inquiries.

- 19 Compared with an equal per capita assessment, the 2008 Update redistributed \$6.1 million away from New South Wales and Victoria toward the other States.
- 20 Table 7 shows the changes in GST revenue attributable to changes in each factor arising from both revisions over 2001-02 to 2005-06 data and replacing 2001-02 data with 2006-07 data.

Table 7 Law and order fees and fines, effect of assessment on GST revenue distribution by factor, 2007 Update to 2008 Update

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total redist'd
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Fees									
Fees Factor	-2.1	-4.1	3.4	0.5	1.7	0.3	0.2	0.0	6.1
Fines									
Fines Factor	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0

- 21 The main reasons for the changes in GST revenue distribution are as follows.

Changes due to revising average user charges and revenue bases for years 2001-02 to 2005-06

- 22 *Revising average user charges.* Minor upward revisions were made to average user charges in 2005-06. This led to a decrease in the GST shares of those States assessed to have an above average revenue raising capacity ratios for this category (New South Wales and Victoria), as well as Western Australia and Tasmania.
- 23 Table 8 shows the average user charges for the six financial years of this update and those of the previous update.

Table 8 Average user charges used in the 2007 and 2008 Updates

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06	2006-07
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
2008 Update		-53.05	-56.38	-49.47	-57.87	-58.98	-60.12
2007 Update	-56.70	-52.68	-56.26	-49.34	-57.81	-62.04	
Difference	-	-0.4	-0.1	-0.1	-0.1	3.1	-

- 24 *Revising category factors.* There were small revisions to civil court lodgements data for the prior years. They have become less important as a proportion of total revenue from fees and fines. This benefited States (New South Wales and Victoria) with greater than average capacity to raise fees.

Changes in State circumstances — replacing 2001-02 with 2006-07 data

- 25 Table 9 shows the actual revenue and implied capacity to raise revenue for 2001-02, the year that drops out of the assessment period, and 2006-07, the year that comes in, for the 2008 Update assessment.

Table 9 Law and order fees and fines, actual and assessed revenue and assessed revenue raising capacity, 2001-02 and 2006-07

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Avg
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Actual user charges									
2001-02	68.41	41.93	24.65	62.90	79.46	61.02	50.77	25.39	53.05
2006-07	76.25	74.26	25.39	77.77	21.09	37.38	59.57	42.36	60.12
	%	%	%	%	%	%	%	%	%
Change between 2000-01 and 2005-06									
	11.45	77.07	3.01	23.65	-73.46	-38.74	17.35	66.81	13.34
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Assessed user charges									
2001-02	53.76	53.75	51.82	52.61	51.48	52.90	51.85	52.98	53.05
2006-07	60.21	60.37	59.89	59.95	59.87	59.93	59.86	60.13	60.12
	%	%	%	%	%	%	%	%	%
Assessed revenue raising capacity ratios									
2001-02	101.36	101.33	97.69	99.18	97.06	99.72	97.75	99.88	100.00
2006-07	100.15	100.41	99.62	99.72	99.59	99.67	99.57	100.02	100.00

- 26 **Replacing average user charges.** Since 2001-02, the category average user charges have increased by 13.34 per cent, significantly less than the increase in the pool of 43.9 per cent. This has benefited States with higher than average capacity to raise revenue.
- 27 **Replacing category factors.** Revenues from fees have become less important as a proportion of total revenue from fees and fines. This benefited States (New South Wales and Victoria) with greater than average capacity to raise fees.

This working paper was prepared by the Expense — Law and Order section of the Commonwealth Grants Commission. If you have any questions about its content, please contact Daniel Dwyer on (02) 6229 8856 or daniel.dwyer@cgc.gov.au.

Date: 29/02/08

Table 10 Assessment of User Charges, Law and order, fees and fines

	2002-03		2003-04		2004-05		2005-06		2006-07	
	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita	Amount	Per Capita
	\$m	\$	\$m	\$	\$m	\$	\$m	\$	\$m	\$
Average Revenue		56.38		49.47		57.87		58.98		60.12
New South Wales										
Assessed difference	- 3.847	- 0.58	- 1.197	- 0.18	- 2.006	- 0.30	- 0.544	- 0.08	- 0.599	- 0.09
Revenue - Assessed	378.922	56.96	332.293	49.65	391.613	58.17	400.981	59.06	412.794	60.21
Actual	460.641	69.24	464.765	69.45	505.876	75.14	514.238	75.75	522.738	76.25
Victoria										
Assessed difference	- 4.414	- 0.90	- 4.932	- 1.00	- 4.503	- 0.90	- 1.236	- 0.24	- 1.276	- 0.25
Revenue - Assessed	280.403	57.28	250.122	50.47	294.965	58.76	301.520	59.23	311.965	60.37
Actual	277.090	56.60	203.651	41.09	305.440	60.85	348.832	68.52	383.715	74.26
Queensland										
Assessed difference	4.724	1.25	3.378	0.87	3.301	0.83	0.885	0.22	0.945	0.23
Revenue - Assessed	207.675	55.12	187.719	48.60	225.647	57.03	237.930	58.76	247.702	59.89
Actual	111.546	29.61	115.094	29.80	138.461	35.00	116.689	28.82	105.020	25.39
Western Australia										
Assessed difference	0.326	0.17	0.326	0.17	0.818	0.41	0.329	0.16	0.355	0.17
Revenue - Assessed	108.962	56.21	97.046	49.31	114.917	57.46	119.915	58.82	124.825	59.95
Actual	111.007	57.26	127.711	64.89	133.031	66.52	147.204	72.21	161.924	77.77
South Australia										
Assessed difference	2.593	1.70	1.798	1.17	1.743	1.13	0.387	0.25	0.393	0.25
Revenue - Assessed	83.458	54.68	74.206	48.30	87.758	56.74	91.655	58.74	94.400	59.87
Actual	103.993	68.13	35.913	23.38	41.443	26.80	36.948	23.68	33.253	21.09
Tasmania										
Assessed difference	0.307	0.65	0.358	0.74	0.326	0.67	0.098	0.20	0.097	0.20
Revenue - Assessed	26.475	55.73	23.423	48.73	27.728	57.19	28.714	58.78	29.463	59.93
Actual	27.820	58.56	22.760	47.35	23.473	48.42	20.421	41.81	18.379	37.38
Australian Capital Territory										
Assessed difference	0.265	0.82	0.246	0.75	0.304	0.93	0.085	0.26	0.087	0.26
Revenue - Assessed	18.009	55.56	15.892	48.72	18.707	56.94	19.512	58.73	20.156	59.86
Actual	17.071	52.66	15.183	46.54	19.972	60.79	20.015	60.24	20.058	59.57
Northern Territory										
Assessed difference	0.044	0.22	0.023	0.12	0.015	0.07	- 0.003	- 0.02	- 0.002	- 0.01
Revenue - Assessed	11.200	56.16	9.916	49.36	11.805	57.79	12.314	59.00	12.797	60.13
Actual	5.936	29.76	5.540	27.57	5.444	26.65	8.194	39.26	9.013	42.36

Note: Refer to Attachment A of the 2008 Update, *Relative Fiscal Capacity of States* for how these figures are compiled. Source: CGC Assessment System\U2008 GST\Expenses\A. User Charges\3420 Fees and Fines\Tables and Chart\3420 R Assessment of User Charges.