Australian Government
Commonwealth Grants Commission

South Australia

This fact sheet provides a summary of the major causes of change in relative fiscal capacity since the 2019 Update, as well as an overview of circumstances that have affected expenditure and revenue.

Fiscal circumstances

South Australia's fiscal capacity is the third weakest. It has below average capacity to raise revenue from mining production, property sales, taxable payrolls and taxable land values.

It also has above average expense requirements, reflecting its above average level of non-Indigenous disadvantage and diseconomies of scale in administration.

Those effects on its fiscal capacity are partially offset by an above average share of Commonwealth payments and its below average investment requirement due to below average growth in service user populations.

Illustrative GST, South Australia, 2020-21

	$m	$pc
Equal per capita share	4,603	2,598
Effect of assessed:		
Expenses	181	102
Investment	-405	-229
Net borrowing	60	34
Revenue	2,057	1,161
Commonwealth payments	-236	-133
Illustrative GST	**6,259**	**3,533**

Note: Table may not add due to rounding. For expenses and investment, a negative sign indicates below average costs, which reduces a State's GST requirement. For net borrowing, revenue and Commonwealth payments, a negative sign indicates above average revenue raising capacity, which also reduces a State's GST requirement.

Key reasons why fiscal capacities differ between States

- The uneven distribution of mining activity and production due to underlying differences in distribution of mineral reserves across Australia.
- Differences in the spatial distribution (or dispersion) of their populations.
  - States with a greater than average share of population in less accessible regions face higher than average service delivery and infrastructure costs.
  - States with large, densely populated cities face higher than average urban public transport costs.
- Variation in the value of property sales. States with higher property values and volume of turnover have a greater capacity to raise revenue from taxes imposed on the transfer of property.
- Differences in the number of Indigenous people in their populations. States with a greater than average share of Indigenous people in the population face higher than average service delivery costs.

Change in fiscal capacity

South Australia's fiscal capacity has strengthened due to an increase in its share of Commonwealth payments, lower assessed costs of providing urban public transport and school services, a lower investment requirement, revisions to State natural disaster relief expenses and above average growth in property sales. These changes were partially offset by a reduced capacity to raise mining revenue relative to other States.

Compared with 2019-20, the South Australia's share of GST will decrease from 10.1% to 9.3%. Growth in the GST pool does not offset the impact of South Australia's improved fiscal capacity, and its GST entitlement will fall by $332 million, or 5.0%.

Change in illustrative GST distribution since the 2019 Update, South Australia

	$m	$pc
New population	-53	-30
Growth in GST available	220	124
Changes in relative fiscal capacity	-499	-282
Method changes	-274	-154
Data revisions	-53	-30
State circumstances	-172	-97
Total change	**-332**	**-188**

Note: Table may not add due to rounding.

Since the 2019 Update, there have been changes in some of the assessment methods used by the Commission, revisions to some of the data used in the assessments, and changes in economic and demographic circumstances.

Main changes for South Australia, 2020 Review

Method changes

−$103m **Transport.** A revised assessment that better captures the influences of population density and other characteristics on urban public transport expenses has reduced South Australia's GST share.

−$81m **School education.** Changes from an area based measure to a student based measure of socio-economic disadvantage have reduced South Australia's GST share.

−$70m **Investment.** A decrease in South Australia's assessed investment needs for urban transport has reduced its GST share.

Data revisions

−$68m **Natural disaster relief.** Including State-funded local government natural disaster relief expenses has reduced South Australia's GST share in 2020-21, offsetting a similar increase in 2019-20.

Changes in State circumstances between 2015-16 and 2018-19

−$174m **Commonwealth payments.** South Australia's share of payments was higher in 2018-19 than in 2015-16, mainly due to higher shares of payments for road and rail infrastructure. This reduced its GST share.

$117m **Mining production.** Growth in the value of mining production in other States reduced South Australia's relative revenue raising capacity, increasing its GST share.

−$84m **Property sales.** Above average growth in property sales increased South Australia's revenue raising capacity and reduced its GST share.

For more information about these changes, see Volume 1 of the 2020 Review final report.