



Victoria

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

Victoria has the third highest fiscal capacity. Its expense requirement is well below average, which reflects its below average shares of government school enrolments, Indigenous people and people living in remote areas, as well as economies of scale in administration.

Expense effects on Victoria's fiscal capacity are partly offset by its below average revenue raising capacity, mainly due to below average mining production.

Victoria also has an above average requirement for investment in urban transport, reflecting above average population growth in Melbourne.

Illustrative GST, Victoria, 2020-21

	\$m	\$pc
Equal per capita share	17,752	2,598
Effect of assessed:		
Expenses	-4,689	-686
Investment	263	38
Net borrowing	-174	-25
Revenue	2,763	404
Commonwealth payments	1,152	169
Illustrative GST	17,068	2,498

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

Victoria's fiscal capacity has strengthened due to reduced investment needs, lower assessed costs of providing urban public transport, revisions to State natural disaster relief expenses, and above average growth in property sales. These changes were partly offset by a fall in its relative capacity to raise mining revenue, a lower share of Commonwealth payments and downward revisions to the value of property sales in earlier years.

Victoria's increased fiscal capacity will reduce its GST share from 25.7% to 25.2%. Combined with pool growth, its GST entitlement in 2020-21 will rise by \$269 million, or 1.6%.

Change in illustrative GST distribution since the 2019 Update, Victoria

	\$m	\$pc
New population	111	16
Growth in GST available	569	83
Changes in relative fiscal capacity	-410	-60
Method changes	-802	-117
Data revisions	113	16
State circumstances	279	41
Total change	269	39

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 Victoria, 2020 Review

Method changes

-\$485m **Investment.** A reduction in Victoria's assessed investment needs for rural roads, and bridges and tunnels, has reduced its GST share.

-\$261m **Transport.** A revised assessment that better captures the influences of population density and other characteristics on urban public transport expenses has reduced Victoria's GST share.

Data revisions

-\$207m **Natural disaster relief.** Including State-funded local government natural disaster relief expenses has reduced Victoria's GST share in 2020-21, offsetting a similar increase in 2019-20.

\$205m **Property sales.** Downward revisions to Victoria's property sales, along with revisions in other States, collectively reduced Victoria's revenue raising capacity and increased its GST share.

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

\$509m **Mining production.** Growth in the value of mining production in other States reduced Victoria's relative revenue raising capacity, increasing its GST share.

\$209m **Commonwealth payments.** Victoria's share of payments was lower in 2018-19 than in 2015-16, mainly due to lower shares of payments for health and schools. This increased its GST share.

-\$179m **Property sales.** Above average growth in property sales increased Victoria's revenue raising capacity and reduced its GST share.

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