
2026 Update

New issues paper

Tasmanian Government Submission

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1. Introduction

On 1 October 2025, the Commonwealth Grants Commission (Commission) released a discussion paper outlining its proposed treatment of additional new issues and Commonwealth payments for the 2026 Update, which will recommend GST relativities for 2026-27.

This submission responds to the Commission's new issues discussion paper for the 2026-27 GST relativities.

Tasmania broadly supports the Commission's proposed approach to data and other issues for the 2026 Update. However, Tasmania has some concerns with the Commission's preliminary view to cease scaling the emergency department (ED) triage category 4 and 5 data as part of the community and public health activity proxy from 2023-24.

While the coverage of patient-level data for ED triage 4 and 5 activity in block-funded hospitals is noted to have improved, Tasmania holds concerns that the missing patient-level data may continue to represent a significant share of activity for outer-regional and remote areas.

2. Data issues

2.1 Schools - changes in state funding

The Commission's preliminary view is to use the 2023 ACARA data without adjustment.

Tasmania notes that each year the Commission recalculates the schools regression (the regression) using the latest available data. The regression determines the relative costs of different groups of students. The Commission also considers whether the regression can be improved by including the proportion of First Nations students in a school or the additional costs of remote First Nations students.

The Commission found that updating the regression using 2023 data from the Australian Curriculum, Assessment and Reporting Authority (ACARA) produced a larger annual change in coefficients than previous years, particularly for the coefficients relating to First Nations students. The Commission's analysis also indicates that these changes were driven by actual funding decisions within states and reflect real world changes in 'what states do' – a key supporting principle the Commission considers when contemplating changes to its methodology. Therefore, the Commission has proposed to use the 2023 ACARA data without adjustment.

In the 2025 Methodology Review Final Report, the Commission also proposed to annually test including a First Nations Proportion variable, or a remote First Nations student variable in the regression. In undertaking this testing for the 2026 Update, the Commission found these variables continued to yield negative coefficients, which contradicts the underlying conceptual rationale for their inclusion in the regression. The Commission has decided to not include these variables in the model and will retest these variables in the 2027 Update.

Tasmania supports the Commission's preliminary view to use the 2023 ACARA data without adjustment and agrees with the decision to not include the First Nations Proportion and remote First Nations student variables.

2.2 Health - community health activity proxy

Under the current methodology, the Commission's community and public health assessment uses a proxy measure of activity based on a combination of Emergency Department (ED) triage category 4 and 5 activity and selected non-admitted patient (NAP) activity. The discussion paper covers two issues with the data used to calculate the proxy:

- three new categories of non-admitted patient services; and
- coverage of the data used.

2.2.1 *Non-admitted patient clinic categories*

The Commission's preliminary view is to include NAP allied health services relating to violence, abuse and neglect services and genetic counselling in its proxy for community and public health activity, but not to include services relating to long COVID in the 2026 Update.

Under the current methodology the Commission includes NAP services in the proxy if they are similar to community and public health services. 2023-24 NAP activity data from the Independent Health and Aged Care Pricing Authority (IHACPA) included three new Tier 2 clinic categories for services provided by allied health personnel and/or clinical nurse specialists:

- violence, abuse and neglect services;
- genetic counselling; and
- long COVID

The Commission's preliminary view is to include the NAP services relating to violence, abuse and neglect, and genetic counselling as it considers these are commonly provided in community health settings. However, the Commission proposes to exclude NAP services related to long COVID given COVID-19 expenses are already considered under a separate, temporary, health expense component of the 2025 Methodology.

Services relating to violence, abuse and neglect services and genetic counselling are services typically delivered in community health settings within Tasmania. As such, Tasmania supports the Commission's preliminary view to include these classifications in the proxy. Tasmania also supports the ongoing exclusion of COVID-19 NAP services from the proxy.

2.2.2 Coverage of the ED triage 4 and 5 data

The Commission's preliminary view is to cease scaling the ED part of the community and public health activity proxy from 2023-24.

Under the current methodology, the Commission scales ED triage 4 and 5 data included as part of the proxy used in its assessment of community and public health activity. This approach aims to minimise potential urban and non-indigenous bias, primarily by ensuring that hospitals without demographic information (usually block-funded hospitals) are assigned the demographic profile of hospitals in the same remoteness category.

In the discussion paper, the Commission notes that patient-level information for ED triage 4 and 5 has markedly improved in the 2023-24 IHACPA activity data. In particular, patient level data from block-funded hospitals increased from 79 per cent in 2022-23 to 92 per cent in 2023-24. As a result of the increased coverage of patient-level data, the Commission proposes to cease scaling ED triage 4 and 5 data from the 2023-24 assessment year and going forward.

While Tasmania acknowledges the improved coverage of patient-level data in block-funded hospitals, Tasmania holds concerns that the missing data is more likely to relate to activity in outer regional and remote areas and may represent a significant share of activity in those areas. Tasmania considers that the proposal to cease scaling ED triage 4 and 5 activity data may inadvertently incorporate urban and non-indigenous biases into the Commission's calculations.

2.3 Transport - regression re-estimation

The Commission's preliminary view is to retain the 2025 Review regression model coefficients for use in the urban transport assessment because the 2023-24 data do not appear to be comparable between states. The Commission will continue to investigate the cause of the variation, including through the Data Working Group.

As part of the 2025 Methodology Review, the Commission decided to re-estimate the urban transport regression with updated 2022-23 and 2023-24 data to reflect post-COVID-19 urban transport spending patterns.

Since 2023-24 data was not available at the time of the 2025 Methodology Review, most states supported the Commission updating the regression using only 2022-23 data for the 2025 Methodology Review. The Commission agreed that the regression would be re-estimated using both 2022-23 and 2023-24 data for the 2026 Update.

Analysis of state 2023-24 data showed significant comparability issues between states' 2023-24 net expense data for urban areas. The Commission considers this is due to changes in states' underlying data collection processes or expense allocations, rather than changes in spending needs or policy choices. Incorporating the state 2023-24 net expense data into the regression would imply changes in state transport provision that do not reflect real world changes. As a result, the Commission considers this data is unsuitable for use.

The Commission's preliminary view is to retain the 2025 Methodology Review regression model coefficients, which only reflect 2022-23 data. The Commission has advised it will continue to investigate the cause of the variation in 2023-24 state data and has proposed that this issue be referred to the Data Working Group for further consideration.

Tasmania supports the Commission's preliminary view to retain the 2025 Methodology Review regression and supports this issue being further considered through the Data Working Group.

3. Assessment issues

3.1 Schools - Better and Fairer Schools Agreement

The Commission's preliminary view is to exclude Commonwealth spending on state schools from all calculations from 2024-25 and continue the existing approach for the 2022-23 and 2023-24 assessment years.

The Better and Fairer Schools Agreement (BFSA) commenced on 1 January 2025, replacing the National Schools Reform Agreement.

Since the 2015 Methodology Review (and subsequent Terms of Reference), the Commission has assessed Commonwealth payments under the *National School Reform Agreement* and preceding associated arrangements by:

- **not unwinding** differences in educational disadvantage captured in the Commonwealth Department of Education's *Schooling Resource Standard (SRS)*; and
- **unwinding** differences in the proportion of the SRS each state receives from the Commonwealth.

However, supplementary Terms of Reference (ToR) for the 2025 Methodology Review stated:

The Commission will ensure that the GST distribution process will not have the effect of unwinding the recognition of educational disadvantage, or the differential funding proportions, embedded in the Better and Fairer Schools Agreement (BFSA) funding arrangements. The Commission will also ensure that no state receives a windfall gain through the GST distribution from non-participation in BFSA funding arrangements.

This indicates that SRS funding proportions should no longer be unwound.

The Commission considered various options to give effect to the requirements of the ToR, including how to transition to a different treatment of school funding under the BFSA. On practicality grounds and to avoid introducing unnecessary complexity into the model, the Commission considers the best approach is to exclude Commonwealth funding for government schools from all calculations from 2023-24. Tasmania supports the Commission's preliminary view.

4. Treatment of new Commonwealth payments

The Commission's proposed treatment of new Commonwealth payments is outlined in Attachment A to the discussion paper.

Tasmania supports the Commission's proposed treatment of new Commonwealth payments.