



Australian Government  
Commonwealth Grants Commission

# 2026 Update

## GST Relativities 2026–27

March 2026



## Acknowledgement of Country

The Commonwealth Grants Commission acknowledges the Traditional Owners of Country throughout Australia, and their continuing connection to land, water and community. We pay our respects to them and their cultures and to Elders both past and present.

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## Internet

A copy of this report can be obtained from the Commission's website [www.cgc.gov.au](http://www.cgc.gov.au).

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# Letter of transmittal



**Australian Government**  
**Commonwealth Grants Commission**

**Chairperson**

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27 February 2026  
The Hon Jim Chalmers MP  
Treasurer  
Parliament House  
CANBERRA ACT 2600

Dear Treasurer

As Members of the Commonwealth Grants Commission appointed under the *Commonwealth Grants Commission Act 1973*, and in response to your terms of reference of 21 January 2026, we present the Commission's recommended GST relativities for use in distributing GST revenue among the states and territories in 2026–27.

As part of the 2025 Methodology Review, the Commission postponed finalising changes to the justice assessment until the 2026 Update. This was to allow for the inclusion of 2023–24 data that were not unduly affected by the COVID-19 pandemic and not available at the time of the 2025 Methodology Review. It also enabled substantive consultation with the states on potential method changes. The justice assessment has now been finalised and was used to inform the 2026–27 GST relativities. The justice method changes are described in Attachment A of the 2026 Update report. This finalises the 2025 Review.

In accordance with the terms of reference, we are also providing the 2026 Update to the states and territories on 27 February 2026, under embargo.

Yours sincerely

Handwritten signature of Mike Callaghan in black ink.

Mike Callaghan AM PSM  
Chairperson

Handwritten signature of Dr Lynne Williams in black ink.

Dr Lynne Williams AM  
Member

Handwritten signature of Prof. Anne Tiernan in blue ink.

Prof. Anne Tiernan  
Member

# Terms of reference

## Terms of Reference for the 2026 Update of GST Revenue Sharing Relativities

### COMMONWEALTH GRANTS COMMISSION ACT 1973

- 1) I, Jim Chalmers, Treasurer, pursuant to sections 16, 16A, 16AA and 16AB of the *Commonwealth Grants Commission Act 1973 (the Act)* refer to the Commission for inquiry into and report upon the recommended GST revenue sharing relativities to be used to distribute GST revenue among the states, the Northern Territory and the Australian Capital Territory (the states) in 2026-27.

#### *GST Relativities for 2026-27*

- 2) The Commission should undertake an assessment of the GST revenue sharing relativities recommended to be used to distribute GST revenue among the states in 2026-27, consistent with the objective in subsection 16AB(2) of the Act, the GST revenue sharing relativity factor in subsection 8(2B) of the *Federal Financial Relations Act 2009* and the pool top-ups for a payment year as outlined in section 8A of the *Federal Financial Relations Act 2009*.
  - a) The Commission's assessment should be based on the assessment years 2022-23 to 2024-25 inclusive.
  - b) To assist in ensuring that each state and territory will get the better of the current or the former GST distribution, the Commission should also provide relativities that would have applied if the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of the GST) Act 2018* had not been enacted.
- 3) The Commission's assessment should take into account the *Intergovernmental Agreement* as defined under the *Federal Financial Relations Act 2009*, which provides that GST revenue will be distributed among the states in accordance with the principle of horizontal fiscal equalisation (HFE).
- 4) Subject to paragraphs 5 – 6, the Commission's assessment should be based on the application of the same principles, categories and methods of assessment that the Commission used to calculate the GST revenue sharing relativities in its *GST Relativities – 2025-26* report.
- 5) The Commission's assessment should treat Commonwealth payments to the states as follows:
  - a) National Specific Purpose Payments (NSPPs), National Health Reform (NHR) funding, National Housing and Homelessness funding, and National Partnership project payments should affect the relativities, recognising that these payments provide the states with budget support for providing standard state services.
    - i) NHR funding and corresponding expenditure relating to the provision of cross-border services to the residents of other states should be allocated to states on the basis of residence.
  - b) National Partnership facilitation and reward payments should not affect the relativities, so that any benefit to a state from achieving specified outputs sought by the Commonwealth, or through implementing reforms, will not be redistributed to other states through the horizontal fiscal equalisation process.
  - c) General revenue assistance, excluding GST payments, will affect the relativities, recognising that these payments are available to provide untied general budget support to a state.

- d) Notwithstanding subparagraphs 5(a) – (c), the Commission may determine that it is appropriate for particular payments to be treated differently, reflecting the nature of the particular payment and the role of state governments in providing particular services.
  - e) Those payments which the Commission has previously been directed to treat as having no direct influence on the relativities, including payments for which the Commission has been directed to apply a 50 per cent discount, should continue to be treated in that way. Where those payments are replaced, the treatment of the new payment should be guided by subparagraphs 5(a) – (d), unless otherwise directed.
- 6) The Commission should prepare its assessment on the basis that the following Commonwealth payments do not directly influence the GST revenue sharing relativities:
- a) Payments to South Australia to support the Whyalla Steelworks.
  - b) Payments to Tasmania for the North West Transmission Development.
  - c) Payments to Victoria for the Renewable Energy Zone Development Plan – Stage 1.
  - d) Payments to Queensland for the Securing Future Glencore Operations for the Mount Isa copper smelter and refinery.
  - e) Payments to South Australia and Tasmania for Securing Future Nyrstar Operations.
  - f) Payments to South Australia to support the Bedford Sale Process.

*GST Relativities for 2026-27 - Consultation and Data*

- 7) Where possible, the Commission should:
- a) aim to have assessments that are simple and consistent with the quality and fitness for purpose of the available data;
  - b) use the latest available data consistent with this; and
  - c) ensure robust quality assurance processes.
- 8) If data problems arise, subject to consultation with the states, the Commission should proceed on the basis that:
- a) new, more reliable data that was not previously considered would be used in the first possible update, if method changes were not required; or
  - b) if overcoming the data problems necessitated method changes, revised methods would be used in the first possible update, subject to consultation with the states during that update.

*GST Relativities for 2026-27 - The Report*

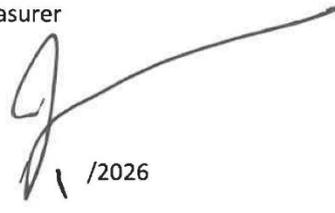
- 9) The Commission should provide a copy of its report on GST Relativities for 2026-27, under embargo, to the Commonwealth and the states on or before 27 February 2026. The Commission should release the report publicly on 13 March 2026.
- 10) The Commission should consult the Commonwealth and the states before deciding on any changes in methods that arise as a result of a significant change in arrangements which govern

Commonwealth-state relations and which are considered appropriate for the Commission to fulfil its obligations in respect of these terms of reference.

- 11) To the extent possible, the Commission should, upon reporting, provide all parties with details underpinning its calculations and assessments, and endeavour to meet requests for supplementary calculations.

The Hon Jim Chalmers MP

Treasurer



21/11/2026

## Acknowledgements

The Commission appreciates the cooperation of the Commonwealth and state treasuries, and other agencies during this update.

The Commission also acknowledges the work and commitment of its staff.

## Notes

State(s): Unless the text indicates otherwise, the term ‘state(s)’ includes the ACT and the Northern Territory.

Figures in tables may not add due to rounding.

## Acronyms

ABS	Australian Bureau of Statistics
ACT	Australian Capital Territory
CGC	Commonwealth Grants Commission
GST	Goods and Services Tax
m	Million
pc	Per capita
SDC	Socio-demographic composition

## Glossary

A glossary is available on the Commission’s website: [www.cgc.gov.au/publications/glossary](http://www.cgc.gov.au/publications/glossary).

# Executive summary

## Recommended GST relativities

In accordance with the Terms of Reference for the 2026 Update, the Commission's recommended Goods and Services Tax (GST) relativities for 2026–27 are presented in the table below.

The table also includes each state and territory's (state's) estimated share of the GST pool and estimated GST distribution in 2026–27, as well as comparisons with 2025–26.<sup>1</sup> The final amount of GST each state receives in 2026–27 will be based on state populations and the GST pool determined after the 2026–27 Final Budget Outcome.

### **GST relativities, estimated shares and estimated GST distribution, 2025–26 and 2026–27 (excludes no worse off payments)**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
<b>GST relativities</b>									
2025-26	0.86034	1.06722	0.84571	0.75000	1.38876	1.84053	1.17223	5.15112	1.00000
<b>2026-27</b>	<b>0.81964</b>	<b>1.05742</b>	<b>0.87237</b>	<b>0.81964</b>	<b>1.35920</b>	<b>1.88285</b>	<b>1.16179</b>	<b>5.24149</b>	<b>1.00000</b>
<b>GST shares (%)</b>									
2025-26	26.7	27.3	17.4	8.3	9.5	3.8	2.1	4.9	100
<b>2026-27</b>	<b>25.5</b>	<b>27.2</b>	<b>18.0</b>	<b>9.1</b>	<b>9.3</b>	<b>3.9</b>	<b>2.0</b>	<b>5.0</b>	<b>100</b>
<b>GST distribution (\$m)</b>									
2025-26	25,807	26,373	16,758	7,990	9,206	3,682	1,985	4,753	96,554
<b>2026-27</b>	<b>26,123</b>	<b>27,867</b>	<b>18,438</b>	<b>9,337</b>	<b>9,548</b>	<b>3,968</b>	<b>2,095</b>	<b>5,142</b>	<b>102,518</b>
<b>Difference</b>	<b>316</b>	<b>1,494</b>	<b>1,680</b>	<b>1,347</b>	<b>342</b>	<b>286</b>	<b>110</b>	<b>389</b>	<b>5,964</b>
<b>Difference (\$pc)</b>	<b>36</b>	<b>207</b>	<b>290</b>	<b>431</b>	<b>178</b>	<b>496</b>	<b>222</b>	<b>1,446</b>	<b>212</b>

Note: Estimates subject to changes in the GST pool and populations.

Under the 2018 GST distribution legislation, 2026–27 completes a 6-year transition away from distributing the GST pool based solely on the Commission's assessment of states' relative fiscal capacities. From this update, the Commission's assessment includes an adjustment so that no state will have a GST relativity less than the lower of New South Wales or Victoria (referred to as the 'standard state').

In 2026–27, New South Wales is the standard state in all 3 assessment years. Western Australia's GST relativity is lifted to New South Wales' relativity in all assessment years, while Queensland's GST relativity is lifted in 2 assessment years (2022–23 and 2023–24).

A permanent feature of the 2018 GST distribution legislation is a GST relativity floor of 0.75. While the relativity floor was triggered during the transition period, it is not triggered in 2026–27. This is because all states' relativities, after adjusting for the standard state, are above the floor.

## Estimated total GST-related payments

All states are estimated to receive higher GST-related payments in 2026–27 compared with 2025–26.

Queensland is estimated to receive the largest increase in GST distribution of \$1.7 billion. The Northern Territory is estimated to receive the largest increase in per capita terms of \$1,446.

<sup>1</sup> The GST pool is defined in the glossary, which is available on the Commission's website: [www.cgc.gov.au/publications/glossary](http://www.cgc.gov.au/publications/glossary).

In addition to the GST distribution, a state will receive a no worse off payment from the Commonwealth if it is worse off compared with the arrangements prior to the 2018 GST distribution legislation.<sup>2</sup> In 2026–27, Western Australia is estimated to receive \$6.6 billion more in GST payments than under the previous arrangements. All other states are expected to receive a no worse off payment.

As a result of the 2018 GST distribution legislation, the total cost to the Commonwealth in 2026–27 is estimated to be \$6.6 billion. This comprises \$5.5 billion in no worse off payments and \$1.1 billion in GST pool top-up payments.

### Estimated total payments to the states from GST distribution and no worse off payments

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2025-26									
Total GST distribution	25,807	26,373	16,758	7,990	9,206	3,682	1,985	4,753	96,554
No worse off payments	2,276	1,870	55	0	500	150	128	66	5,045
<b>Total</b>	<b>28,082</b>	<b>28,243</b>	<b>16,813</b>	<b>7,990</b>	<b>9,706</b>	<b>3,832</b>	<b>2,113</b>	<b>4,819</b>	<b>101,599</b>
2026-27									
Total GST distribution	26,123	27,867	18,438	9,337	9,548	3,968	2,095	5,142	102,518
No worse off payments	2,125	1,753	826	0	466	140	120	64	5,492
<b>Total</b>	<b>28,248</b>	<b>29,619</b>	<b>19,263</b>	<b>9,337</b>	<b>10,014</b>	<b>4,108</b>	<b>2,215</b>	<b>5,206</b>	<b>108,011</b>
Difference									
GST distribution	316	1,494	1,680	1,347	342	286	110	389	5,964
No worse off payments	-151	-117	770	0	-34	-10	-8	-3	447
<b>Total (\$m)</b>	<b>166</b>	<b>1,377</b>	<b>2,450</b>	<b>1,347</b>	<b>308</b>	<b>276</b>	<b>102</b>	<b>386</b>	<b>6,412</b>
<b>Total (\$pc)</b>	<b>19</b>	<b>191</b>	<b>423</b>	<b>431</b>	<b>160</b>	<b>478</b>	<b>206</b>	<b>1,436</b>	<b>228</b>

Note: Estimates subject to changes in the GST pool and populations.

Queensland is the only state estimated to have an increased no worse off payment in 2026–27 compared with 2025–26. This is because, in 2025–26, Queensland benefited from having its assessed relativity lifted to the standard state in all 3 assessment years. However, in 2026–27, Queensland’s assessed relativity is lifted to the standard state in only 2 of the assessment years. In effect, the 2018 legislated changes reduce Queensland’s GST relativity by more in 2026–27 than in 2025–26, thereby increasing its no worse off payment.

## Drivers of changes to state GST distributions

Recommended GST relativities in 2026–27 reflect changes in state circumstances. These include spending on COVID-19 in 2021–22 dropping out of the assessment period, coal and iron ore royalty revenue falling between 2021–22 and 2024–25, and changes in the value of property being transferred. Downward revisions to some states’ natural disaster relief expenses and the 2018 legislated changes to determining relativities also impact the GST distribution.

The largest single factor affecting states’ GST distributions in 2026–27 compared with 2025–26 is growth in the GST pool. The GST pool (which does not include no worse off payments) is estimated to grow by almost \$6 billion in 2026–27, to around \$103 billion. Consequently, all states are expected to receive more GST in 2026–27, despite some states having a lower GST relativity.

New South Wales and Victoria both have a lower GST relativity in 2026–27 compared with 2025–26. Contributing to the reduction in their assessed GST needs is COVID-19 spending

<sup>2</sup> In determining whether a state is worse off under the 2018 GST distribution legislation, consideration is given to the extent to which a state has gained from Commonwealth top-ups to the GST pool.

dropping out of the assessment period (both states had above-average COVID-19 expenses). Lower mining royalty revenue in Queensland and Western Australia in 2024–25 have increased their assessed GST needs and reduced the needs of other states, including New South Wales and Victoria (see Box 2-1). Revisions to natural disaster relief expenses (a large downward revision for New South Wales and an upward revision for Victoria) have reduced New South Wales' assessed GST needs and increased Victoria's.

Queensland has experienced an increase in assessed GST needs between 2025–26 and 2026–27. This is due to it having below-average COVID-19 expenses and a decrease in its capacity to raise revenue from mining royalties (particularly due to a fall in coal prices).

Western Australia continues to have the lowest assessed GST needs, driven by its strong capacity to raise revenue from iron ore royalties. However, compared with 2025–26, Western Australia's assessed GST needs have increased as iron ore prices fell over the assessment period.

In addition to the impact from COVID-19 spending, mining royalty revenue and natural disaster relief expenses, the smaller states have been particularly impacted by changes to states' shares of the value of property transferred, and changes in national spending on First Nations populations and Australians living in regional areas. Together, these decrease the assessed GST needs of South Australia and the ACT and increase them for Tasmania and the Northern Territory.

Alongside the major drivers of change mentioned above, estimated state populations for 2026–27 and method changes have also impacted states' GST distributions. The impacts on GST distribution for all states from these major drivers of changes are included in the table below.

#### Major drivers of change in GST distribution, 2025–26 to 2026–27 (excludes no worse off payments)

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Changes in fiscal capacities</b>									
Changes in circumstances - mining production	-381	-912	284	1,390	-236	-54	-64	-27	1,674
Changes in circumstances - COVID-19	-674	-853	829	365	267	60	-11	17	1,538
Changes in circumstances - property sales	666	429	-379	-538	-192	-33	46	2	1,143
Data revisions - natural disaster relief	-770	558	279	-171	31	32	28	14	942
Other revisions	279	87	-221	30	-56	-144	23	3	421
Other changes in circumstances	-795	451	463	-294	-25	151	-38	89	1,153
Method changes	145	-197	113	-63	-40	66	-15	-7	323
<b>Total change in fiscal capacities</b>	<b>-1,530</b>	<b>-440</b>	<b>1,370</b>	<b>717</b>	<b>-253</b>	<b>77</b>	<b>-31</b>	<b>89</b>	<b>2,253</b>
2018 legislated changes to determining relativities	298	249	-763	97	68	21	17	12	763
Change in population	-44	52	36	37	-40	-37	1	-5	127
Change in pool (a)	1,591	1,632	1,037	496	566	225	123	293	5,964
<b>Total change in GST</b>	<b>316</b>	<b>1,494</b>	<b>1,680</b>	<b>1,347</b>	<b>342</b>	<b>286</b>	<b>110</b>	<b>389</b>	<b>5,964</b>

(a) Total effect from change in pool represents the sum of the effect for each state from total growth in GST and pool top-up payments, rather than the distribution of GST between states (net effect) shown for other drivers of change.

# Introduction

On 21 January 2026, the Commonwealth Treasurer issued terms of reference asking the Commonwealth Grants Commission (the Commission) to recommend GST sharing relativities to be used to distribute the Goods and Services Tax (GST) revenue pool among the states in 2026–27.

## Commission's role

The Commission provides independent advice to the Australian Government on how GST revenue should be distributed among the states. The distribution of GST revenue is governed by legislation and annual terms of reference issued by the Commonwealth Treasurer, which require the Commission's advice to be based on the objective of horizontal fiscal equalisation.<sup>3</sup> This objective has been a feature of Australia's federal financial arrangements for many decades. It seeks to provide each state with the financial capacity to provide services at a comparable standard if each made the same effort to raise revenue. In this way, all Australians, regardless of the state in which they live, have the opportunity to receive a comparable standard of service.

## 2025 Methodology Review

During the 2025 Methodology Review, the Commission delayed finalising and implementing method changes to the justice assessment until the 2026 Update. This was to allow for the inclusion of data for 2023–24 that were not unduly affected by the COVID-19 pandemic and not available at the time of the 2025 Review. Changes made to the justice assessment had implications for the Commission's geography assessment. The 2026 Update includes the effects of these method changes on GST distribution.

Further details on the changes to the justice assessment method are included in the justice – addendum chapter of the [2025 Methodology Review – Review Outcomes](#) at Attachment A.

## 2018 GST distribution legislation

In 2018, the Commonwealth Parliament legislated a new way to distribute GST revenue to the states. The GST distribution legislation changed the GST distribution arrangements from a 'full' equalisation standard to a 'reasonable' equalisation standard. Under the legislation, 2026–27 completes a 6-year transition to the 'reasonable' equalisation benchmark. From 2026–27, no state will have a GST relativity less than the lower of New South Wales or Victoria (referred to as the 'standard state'). For GST relativities in 2026–27, New South Wales is the standard state for all 3 assessment years (2022–23, 2023–24 and 2024–25). After a state's relativity is raised to the relativity of the standard state, the relativities of all states are reduced on a population share basis to accommodate the increase (see Appendix B for further detail).

The 2018 GST distribution legislation also provides for a permanent GST relativity floor of 0.75. For 2026–27, the GST floor has not been triggered because all states' relativities, after adjusting for the standard state, are above this floor.

The 2018 GST distribution legislation includes a guarantee that no state will be worse off under the new arrangements (GST pool top-up payments, a GST relativity floor and the standard state approach). The legislated no worse off guarantee operates from 2021–22 until 2026–27, with no worse off payments calculated and provided by the Commonwealth in accordance with the legislation. Under an agreement between the Commonwealth and the states, no worse off payments will continue until 2029–30.<sup>4</sup>

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<sup>3</sup> [Commonwealth Grants Commission Act 1973](#); [Federal Financial Relations Act 2009](#); [Treasury Laws Amendment \(Making Sure Every State and Territory Gets Their Fair Share of GST\) Act 2018](#).

<sup>4</sup> [Extension of the GST No Worse Off Guarantee Agreement](#), 2024.

## Report structure

**Chapter 1** sets out the Commission’s recommended GST relativities and the estimated GST revenue distribution for 2026–27. It also provides relativities for the Commonwealth Treasurer to use in calculating no worse off payments.

**Chapter 2** explains the main changes in the Commission’s assessment of each state’s GST needs since the 2025 Review.

**Chapter 3** provides a snapshot of the main factors impacting each state’s GST relativity and recommended GST distribution for 2026–27.

**Appendix A** outlines the Commission’s approach to implementing horizontal fiscal equalisation and estimating states’ relative fiscal capacities.

**Appendix B** provides additional detail on how the GST relativities are calculated.

**Appendix C** contains information on states’ GST shares since 2000–01.

**Appendix D** outlines the Commission’s quality assurance process.

**Attachment A** contains the justice – addendum chapter of the [2025 Methodology Review – Review Outcomes](#).

The Commission consulted with states on new issues arising in this update. State views and Commission responses are outlined in *New Issues in the 2026 Update*.

# 1. Recommended GST relativities

## Key points

- All states are estimated to receive an increased GST distribution in 2026–27. The GST pool is estimated to increase from around \$97 billion in 2025–26 to around \$103 billion in 2026–27.
- Based on the Commission’s 2026–27 recommended GST relativities, Queensland is estimated to receive the largest increase in GST distribution of \$1.7 billion (\$290 per capita). The Northern Territory is estimated to receive the largest increase in per capita terms of \$1,446 per capita.
- Under the 2018 legislated changes to determining relativities, Western Australia’s GST relativity is lifted to the standard state, New South Wales, in all 3 assessment years. Queensland’s GST relativity is lifted in 2 assessment years (2022–23 and 2023–24).
- Western Australia is estimated to receive \$6.6 billion more in 2026–27 than under the previous GST distribution arrangements. Before no worse off payments from the Commonwealth, all other states are estimated to receive less than under the previous GST distribution arrangements.
- As a result of the 2018 GST distribution legislation, the total cost to the Commonwealth in 2026–27 is estimated to be \$6.6 billion. This comprises \$5.5 billion in no worse off payments and \$1.1 billion in GST pool top-up payments.
- Changes in the estimated GST distribution between 2025–26 and 2026–27 are driven by the combination of changes in GST relativities, changes in state population shares and growth in the GST pool.
- Changes in state circumstances have a significant impact on the 2026 Update, with 2021–22 dropping out of the assessment period and being replaced by 2024–25.

## Recommended GST relativities

Consistent with the terms of reference, the Commission's recommended GST relativities for 2026–27 are presented in Table 1-1. This table also includes the states' shares of the GST pool and the estimated GST pool distribution, as well as comparisons with 2025–26. The estimated GST distribution for 2026–27 is calculated by applying 2026–27 GST relativities to forecast state populations for 2026–27 and the estimated GST pool for 2026–27. The actual GST distribution each state receives in 2026–27 will be based on state populations and the GST pool determined after the 2026–27 Final Budget Outcome.<sup>5</sup> The table does not include no worse off payments.

**Table 1-1 GST relativities, shares and estimated GST distribution, 2025–26 to 2026–27 (excludes no worse off payments)**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
<b>GST relativities</b>									
2025-26	0.86034	1.06722	0.84571	0.75000	1.38876	1.84053	1.17223	5.15112	1.00000
<b>2026-27</b>	<b>0.81964</b>	<b>1.05742</b>	<b>0.87237</b>	<b>0.81964</b>	<b>1.35920</b>	<b>1.88285</b>	<b>1.16179</b>	<b>5.24149</b>	<b>1.00000</b>
<b>GST shares (%)</b>									
2025-26	26.7	27.3	17.4	8.3	9.5	3.8	2.1	4.9	100
<b>2026-27</b>	<b>25.5</b>	<b>27.2</b>	<b>18.0</b>	<b>9.1</b>	<b>9.3</b>	<b>3.9</b>	<b>2.0</b>	<b>5.0</b>	<b>100</b>
<b>GST distribution (\$m)</b>									
2025-26	25,807	26,373	16,758	7,990	9,206	3,682	1,985	4,753	96,554
<b>2026-27</b>	<b>26,123</b>	<b>27,867</b>	<b>18,438</b>	<b>9,337</b>	<b>9,548</b>	<b>3,968</b>	<b>2,095</b>	<b>5,142</b>	<b>102,518</b>
<b>Difference</b>	<b>316</b>	<b>1,494</b>	<b>1,680</b>	<b>1,347</b>	<b>342</b>	<b>286</b>	<b>110</b>	<b>389</b>	<b>5,964</b>
<b>Difference (\$pc)</b>	<b>36</b>	<b>207</b>	<b>290</b>	<b>431</b>	<b>178</b>	<b>496</b>	<b>222</b>	<b>1,446</b>	<b>212</b>

Note: Estimates subject to changes in the GST pool and populations.

Source: 2025–26 and 2026–27 GST pool estimates and 2025–26 population estimates were taken from the [Mid-Year Economic and Fiscal Outlook 2025–26](#). 2026–27 population estimates were provided by the Commonwealth Treasury.

All states are estimated to receive an increase in GST distribution in 2026–27. Queensland will receive the largest increase in GST distribution of \$1.7 billion (\$290 per capita). The Northern Territory will receive the largest increase in per capita terms of \$1,446.

Total payments to the states will also include no worse off payments, which ensure no state is worse off than it would have been under the GST arrangements that existed prior to the 2018 GST distribution legislation. All states, other than Western Australia, are estimated to receive a no worse off payment in 2026–27.

Appendix B provides further details on how GST relativities are calculated.

## Movements in the GST distribution

Table 1-2 shows the estimated change in GST distribution from changes to population shares, the GST pool and GST relativities between 2025–26 and 2026–27.

<sup>5</sup> Under the *Charter of Budget Honesty Act 1998*, the 2026–27 Final Budget Outcome must be published no later than 3 months after the end of the financial year, that is by the end of September 2027.

**Table 1-2 Change in GST distribution, 2025–26 to 2026–27 (excludes no worse off payments)**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Estimated 2025-26 distribution	25,807	26,373	16,758	7,990	9,206	3,682	1,985	4,753	96,554
Estimated 2026-27 distribution	26,123	27,867	18,438	9,337	9,548	3,968	2,095	5,142	102,518
Change caused by:									
Population (a)	-44	52	36	37	-40	-37	1	-5	0
Pool (b)	1,591	1,632	1,037	496	566	225	123	293	5,964
GST relativities (c)	-1,231	-191	606	814	-184	99	-14	101	0
Assessed relativities (d)	-1,530	-440	1,370	717	-253	77	-31	89	0
2018 legislated changes to determining relativities (e)	298	249	-763	97	68	21	17	12	0
<b>Change (\$m)</b>	<b>316</b>	<b>1,494</b>	<b>1,680</b>	<b>1,347</b>	<b>342</b>	<b>286</b>	<b>110</b>	<b>389</b>	<b>5,964</b>
<b>Change (\$pc)</b>	<b>36</b>	<b>207</b>	<b>290</b>	<b>431</b>	<b>178</b>	<b>496</b>	<b>222</b>	<b>1,446</b>	<b>212</b>

- (a) Effects on the distribution of the 2025–26 GST pool of using estimated state populations for 2026–27 instead of 2025–26, with 2025 relativities.
- (b) Effects of applying the 2025 relativities to the estimated 2026–27 GST pool instead of the estimated 2025–26 GST pool.
- (c) Effects on the distribution of the 2026–27 GST pool of using the 2026 GST relativities instead of the 2025 GST relativities.
- (d) Effects on the distribution of the 2026–27 GST pool of using the 2026 assessed relativities instead of the 2025 assessed relativities.
- (e) Effects on the distribution of the 2026–27 GST pool of using the 2026 standard state relativities instead of the 2025 blended relativities and GST relativity floor.

Source: 2025–26 and 2026–27 GST pool estimates and 2025–26 population estimates were taken from the [Mid-Year Economic and Fiscal Outlook 2025–26](#). 2026–27 population estimates were provided by the Commonwealth Treasury.

Changes in estimated GST payments between 2025–26 and 2026–27 are driven by the following.

- Changes to state populations: the GST distribution is determined by applying GST relativities to state populations. The estimated 2026–27 GST distribution is based on Commonwealth estimates of state populations for 2026–27 at the time of the [Mid-Year Economic and Fiscal Outlook 2025–26](#). Expected changes in state populations between 2025–26 and 2026–27 impact the estimated GST distribution.
  - Slower forecast population growth between these years in New South Wales, South Australia, Tasmania and the Northern Territory reduces their estimated GST distribution. Higher forecast population growth in Victoria, Queensland, Western Australia and the ACT increases their estimated GST distribution.
  - Changes to state populations also impact the Commission’s assessment of states’ GST needs. These impacts are separately captured in the changes to GST relativities (see below).
- Growth in the GST pool: in the [Mid-Year Economic and Fiscal Outlook 2025–26](#), the Australian Government estimated an increase in the GST pool from around \$97 billion in 2025–26 to around \$103 billion in 2026–27.<sup>6</sup> Growth in the pool is distributed among states using their population shares, weighted by their 2026–27 relativities.
  - All states benefit from anticipated growth in the GST pool in 2026–27. States with a higher GST relativity, in particular the Northern Territory, but also Tasmania and South Australia, benefit more on a per capita basis than states with a lower GST relativity.

<sup>6</sup> The GST pool consists of revenue from the GST plus a top-up payment from the Commonwealth. See Treasury, [Mid-Year Economic and Fiscal Outlook 2025–26](#), Appendix C, Table C.7.

- Changes to the GST relativities: changes in GST relativities reflect changes in assessed relativities (influenced by method changes, data revisions and changes in state circumstances), as well as the application of the 2018 legislated changes to determining relativities.
  - Compared with 2025–26, the recommended GST relativities for 2026–27 (excluding the impact of changes in populations and changes in the GST pool), increase the GST distribution to Queensland, Western Australia, Tasmania and the Northern Territory and decrease the GST distribution to New South Wales, Victoria, South Australia and the ACT.
  - New South Wales has the largest decrease in GST distribution from changes to the GST relativities. New South Wales’ GST relativity is its lowest since the introduction of the GST in 2000–01.
  - In 2025–26, Queensland’s relativity was lifted to the standard state in all 3 assessment years, whereas in 2026–27 it is only lifted in the first 2 assessment years. This means the 2018 legislated changes result in a bigger reduction in Queensland’s GST in 2026–27 than in 2025–26.
  - Chapter 2 provides details on the main drivers of the changes to assessed GST needs.

Appendix C provides an analysis of how the GST distribution has changed since the introduction of the GST in 2000–01.

## Impact of replacing 2021–22 data with 2024–25 data

The Commission’s aim, to the extent reliable data allow, is that the GST distribution provided to states in a year reflects state circumstances. Given robust data for the application year are not available until the application year has passed, the Commission bases its recommendations on historical data. The 3-year lagged, moving average of state fiscal capacities provides a balance between contemporaneity, predictability and smoothing the impacts of fiscal shocks.

Under this approach, each update is impacted by differences between the year being removed from the Commission’s calculations and the year replacing it. In the 2026 Update, 2021–22 data have been removed and 2024–25 data have been introduced. Some notable state experiences in these years are outlined below.

In 2021–22:

- states’ spending on the COVID-19 public health response and business support varied significantly, with some states spending much more than others
- the COVID-19 pandemic had large impacts on population movements, both into Australia and between states
- there were high commodity prices, particularly for coal
- there was a significant property boom across Australia, particularly impacting Sydney and Melbourne.

Comparably, in 2024–25:

- the majority of COVID-19 health and business support spending had finished
- population movements continued to return towards long-term trends following the COVID-19 pandemic effect
- commodity prices had fallen, particularly for coal and iron ore
- property prices were more stable in Sydney and Melbourne but there were property booms in other areas of Australia, particularly Perth, Brisbane and Adelaide
- the Commonwealth and states agreed to education funding reforms, requiring a different treatment of Commonwealth education payments by the Commission.

These changes had a significant impact on states' relative circumstances. Replacing 2021–22 data with 2024–25 data in the 2026 Update increases the assessed GST needs of Queensland, Western Australia, Tasmania and the Northern Territory, and reduces the assessed GST needs of the other states.

## Impact of the 2018 GST distribution legislation

Under the 2018 GST distribution legislation, 2026–27 completes the 6-year transition away from distributing the GST pool based solely on the Commission's assessment of states' relative fiscal capacities. From this update, no state will have a GST relativity less than the lower of New South Wales or Victoria (referred to as the 'standard state') or below the GST floor of 0.75. In 2026–27, New South Wales is the standard state in all assessment years (2022–23, 2023–24 and 2024–25) and the floor is not triggered.

Table 1-3 compares the estimated distribution from the GST pool (including pool top-ups but excluding no worse off payments) in 2026–27 with the Commission's estimate of what each state would have received if the 2018 GST distribution legislation had not been enacted. It shows the total difference is \$1.1 billion, which reflects the Commonwealth's estimated top-up to the GST pool in 2026–27.

**Table 1-3 Impact of 2018 GST distribution legislation on the distribution of the GST pool, 2026–27 (excludes no worse off payments)**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Estimated GST pool distribution	26,123	27,867	18,438	9,337	9,548	3,968	2,095	5,142	102,518
Distribution under previous arrangements	28,248	29,619	19,263	2,737	10,014	4,108	2,215	5,206	101,410
<b>Difference</b>	<b>-2,125</b>	<b>-1,753</b>	<b>-826</b>	<b>6,601</b>	<b>-466</b>	<b>-140</b>	<b>-120</b>	<b>-64</b>	<b>1,108</b>

Western Australia is estimated to receive around \$6.6 billion more in GST payments in 2026–27 than under the previous GST distribution arrangements. This reflects Western Australia's relativity being lifted to New South Wales' relativity.

Before no worse off payments from the Commonwealth, all other states are estimated to receive less than under the previous GST distribution arrangements.

## Relativities to determine no worse off payments

The Terms of Reference for the 2026 Update asks the Commission to provide the relativities that would have applied had the 2018 GST distribution legislation not been enacted. These relativities are used by the Commonwealth to determine whether to make a no worse off payment to a state. The estimated no worse off relativities for 2026–27 are shown in Table 1-4.

**Table 1-4 No worse off relativities, 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
Relativities	0.89478	1.13465	0.92013	0.24251	1.43916	1.96772	1.24006	5.35688	1.00000

The 2026–27 no worse off relativities differ from assessed relativities because they include adjustments to remove the impact of the Commonwealth's legislated top-ups to the GST pool.

## Estimated total payments to the states in 2026–27

The Commission has calculated indicative estimates of total payments from the GST pool and no worse off payments (see Table 1-5).<sup>7</sup>

All states are estimated to receive more in total GST and no worse off payments than they received in 2025–26. All states except Western Australia are estimated to receive a no worse off payment in 2026–27.

Queensland is the only state to have an increased estimated no worse off payment in 2026–27, compared with 2025–26. This is because, in 2025–26, Queensland benefited from having its relativity lifted to that of New South Wales under the standard state approach in all 3 assessment years. However, in 2026–27, Queensland’s relativity is lifted to the standard state in only 2 of the assessment years. In effect, the 2018 legislated changes reduce Queensland’s GST relativity by a greater amount in 2026–27 than in 2025–26, thereby increasing its no worse off payment.

As a result of the 2018 GST distribution legislation, the total cost to the Commonwealth in 2026–27 is estimated to be \$6.6 billion. This comprises \$5.5 billion in no worse off payments and \$1.1 billion in GST pool top-up payments.

**Table 1-5 Estimated total payments to states from GST distribution and no worse off payments**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
2025-26									
Total GST distribution	25,807	26,373	16,758	7,990	9,206	3,682	1,985	4,753	96,554
No worse off payments	2,276	1,870	55	0	500	150	128	66	5,045
<b>Total</b>	<b>28,082</b>	<b>28,243</b>	<b>16,813</b>	<b>7,990</b>	<b>9,706</b>	<b>3,832</b>	<b>2,113</b>	<b>4,819</b>	<b>101,599</b>
2026-27									
Total GST distribution	26,123	27,867	18,438	9,337	9,548	3,968	2,095	5,142	102,518
No worse off payments	2,125	1,753	826	0	466	140	120	64	5,492
<b>Total</b>	<b>28,248</b>	<b>29,619</b>	<b>19,263</b>	<b>9,337</b>	<b>10,014</b>	<b>4,108</b>	<b>2,215</b>	<b>5,206</b>	<b>108,011</b>
Difference									
GST distribution	316	1,494	1,680	1,347	342	286	110	389	5,964
No worse off payments	-151	-117	770	0	-34	-10	-8	-3	447
<b>Total (\$m)</b>	<b>166</b>	<b>1,377</b>	<b>2,450</b>	<b>1,347</b>	<b>308</b>	<b>276</b>	<b>102</b>	<b>386</b>	<b>6,412</b>
<b>Total (\$pc)</b>	<b>19</b>	<b>191</b>	<b>423</b>	<b>431</b>	<b>160</b>	<b>478</b>	<b>206</b>	<b>1,436</b>	<b>228</b>

<sup>7</sup> These estimates are illustrative. Actual no worse off payments for 2026–27 will be calculated by the Commonwealth and will be based on the actual GST pool, pool top-ups and populations for 2026–27, which will be determined after the end of 2026–27.

## 2. Drivers of GST distribution

### Key points

- Changes in state circumstances have a significant impact on the 2026 Update, with 2021–22 dropping out of the assessment period and being replaced by 2024–25.
  - COVID-19 expenses were largest in 2021–22 and declined significantly in subsequent years. States with above-average COVID-19 expenses, notably New South Wales, Victoria and the ACT, now have lower assessed GST needs.
  - Coal and iron ore prices fell between 2021–22 and 2024–25. This decreases Queensland’s and Western Australia’s revenue raising capacities and increases their assessed GST needs.
  - New South Wales, Victoria, the ACT and the Northern Territory had a larger than average fall in the value of property transferred. This lowers their relative revenue raising capacities, which increases their assessed GST needs.
- Revisions by states to their natural disaster relief data have resulted in large changes to assessed GST needs. In particular, New South Wales made a significant downward revision to its 2022–23 expenses, which has decreased its assessed GST needs. Revisions have also been made to investment and health data for all states.
- The Commission made changes to the justice assessment as part of the 2025 Methodology Review. These involved changes to methods as well as updating 5-yearly data that inform the assessment. These changes increase the assessed GST needs of New South Wales, Queensland and Tasmania.

## Why GST shares have changed

Chapter 1 outlined how changes in GST distribution since 2025–26 are driven by changes to GST relativities, population and the GST pool. In turn, changes in GST relativities are driven by the Commission’s assessment of states’ GST needs and the application of the 2018 legislated changes to determining relativities.

This chapter focuses on the main drivers of changes to assessed GST needs. Table 2-1 shows that, at the highest level, changes occurred for 3 reasons.

- Method changes – as part of the 2025 Review, the Commission delayed implementing changes to the justice assessment until the 2026 Update. The Commission also made a data-related method change to the urban transport assessment.
- Revisions – data providers released updated data for 2021–22 to 2023–24, which have been incorporated.
- Changes in state circumstances – states’ economic and socio-demographic circumstances change over time. The Commission uses a 3-year lagged, moving average of state fiscal capacities. For the 2026–27 GST relativities, states’ GST needs have been assessed using data from 2022–23 to 2024–25. There are significant differences in state circumstances between the year brought into the 3-year average (2024–25) and the year removed (2021–22). The difference in state circumstances between these 2 years has the largest total impact on estimated GST distribution.

**Table 2-1 Change in assessed GST needs by source of change, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Method changes	145	-197	113	-63	-40	66	-15	-7	323
Data revisions (a)	-492	645	59	-141	-25	-112	51	16	770
Changes in circumstances (b)	-1,182	-888	1,198	921	-188	124	-67	80	2,324
<b>Total change</b>	<b>-1,530</b>	<b>-440</b>	<b>1,370</b>	<b>717</b>	<b>-253</b>	<b>77</b>	<b>-31</b>	<b>89</b>	<b>2,253</b>

(a) Includes revisions in relative state circumstances and revisions in how much states collectively spend or raise.

(b) Includes changes in relative state circumstances and changes in how much states collectively spend or raise.

### Composition of total change

The Commission measures the sources of change to GST distribution within each of its assessments. These can be grouped by type of assessment, such as revenues or expenses. In estimating the total change in GST distribution, the Commission also measures the impact of the 2018 legislated changes to determining relativities. Changes in states’ expense needs have the largest impacts on GST distribution in 2026–27 (see Table 2-2).

**Table 2-2 Composition of estimated changes in GST distribution, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Expense needs	-1,489	-778	1,715	118	269	187	-41	20	2,308
Investment needs	-304	491	-126	111	-110	-81	-59	78	681
Net borrowing	57	-116	70	-57	22	33	6	-14	187
Revenue raising capacity	87	-182	-341	848	-403	-68	40	19	994
Commonwealth payments (a)	118	147	50	-302	-30	8	24	-15	347
<b>Total change</b>	<b>-1,530</b>	<b>-440</b>	<b>1,370</b>	<b>717</b>	<b>-253</b>	<b>77</b>	<b>-31</b>	<b>89</b>	<b>2,253</b>
2018 legislated changes to determining relativities	298	249	-763	97	68	21	17	12	763
<b>Change in GST relativities</b>	<b>-1,231</b>	<b>-191</b>	<b>606</b>	<b>814</b>	<b>-184</b>	<b>99</b>	<b>-14</b>	<b>101</b>	<b>1,620</b>

(a) The effects of changing Commonwealth payments for COVID-19 and the Better and Fairer Schools Agreement are included in the changes to expense needs.

## Method changes

The Commission has implemented method changes in the justice and transport assessments. Changes to the justice assessment complete the Commission's work undertaken as part of the 2025 Methodology Review. Changes to the urban transport assessment were made as part of the New Issues process for the 2026 Update.

**Table 2-3 Change to assessed GST needs due to method changes, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Changes to justice assessment									
Recurrent justice expenses	218	-232	97	-68	-40	55	-15	-15	370
Investment in justice	32	-19	3	-15	-2	6	-1	-4	41
General gradient changes to other assessments	-8	-6	2	3	0	1	-1	8	14
<b>Total</b>	<b>242</b>	<b>-257</b>	<b>102</b>	<b>-81</b>	<b>-43</b>	<b>62</b>	<b>-17</b>	<b>-10</b>	<b>407</b>
Changes to blending in urban transport									
Recurrent urban transport expenses	-84	-29	49	22	19	9	9	5	113
Investment in urban transport	-14	88	-38	-4	-16	-6	-8	-2	88
<b>Total</b>	<b>-97</b>	<b>59</b>	<b>11</b>	<b>18</b>	<b>3</b>	<b>3</b>	<b>1</b>	<b>3</b>	<b>97</b>
<b>Total method changes</b>	<b>145</b>	<b>-197</b>	<b>113</b>	<b>-63</b>	<b>-40</b>	<b>66</b>	<b>-15</b>	<b>-7</b>	<b>323</b>

Note: Numbers for the changes to the justice assessment differ from those presented in the *Overview of the final draft justice assessment* because they incorporate the growth of the GST pool for 2026–27 compared with the 2025 Review.

## Justice

As part of the 2025 Methodology Review, the Commission delayed method changes in the justice assessment until the 2026 Update. This was to allow for the use of data that were not unduly affected by the COVID-19 pandemic and appropriate consultation with the states.

The Commission has implemented several method changes in the justice assessment. These include changes to how police central costs are allocated and the addition of a juvenile detainee cost weight. However, most of the change in GST distribution in the justice assessment is due to updating 5-yearly data. New data have been used in calculating justice services use rates and the police regression.<sup>8</sup> In combination, these

<sup>8</sup> The police regression coefficients will now be held constant until the next methodology review.

changes increase the assessed GST needs of New South Wales, Queensland and Tasmania and reduce the GST needs of other states (Table 2-3).

Changes made in the justice assessment also impact the justice component of the investment assessment and the calculation of the general gradient used to assess regional costs. These impacts are small compared with changes to the justice assessment. Further information on Commission decisions and data updates in the justice assessment is in Attachment A.

### Urban transport blending

As part of New Issues in the 2026 Update, the Commission has retained the 2025 Review regression's coefficients based on a single year of data (2022–23). The Commission has also increased the urban population blending ratio by 5 percentage points in the recurrent urban transport assessment and the investment assessment.<sup>9</sup>

In the 2025 Methodology Review, the Commission decided to re-estimate the transport regression in the 2026 Update with 2 years of state net expense data (2022–23 and 2023–24) to enhance the reliability and contemporaneity of the model. This was supported by most states.

The Commission found significant comparability problems with the second year of data. In line with the terms of reference, the Commission decided not to use the 2023–24 data. In response, some states recommended that the regression be given less prominence by increasing the blending ratio or applying discounts.

The Commission considers that the regression model is less reliable than anticipated in the 2025 Review because of the data problems. Consistent with the terms of reference, to address the identified data problems and state concerns, the Commission has increased the blending ratio in favour of urban populations to reduce the impact of the regression on the assessment.

The Commission will also continue to work with the states through the Data Working Group to try and resolve the identified data problems.

### Data revisions

Since the 2025 Review, data providers have released updated data for 2021–22 to 2023–24. The Commission has revised its assessments using the latest available data. These revisions affect the GST distribution as presented in Table 2-4.

**Table 2-4 Changes to assessed GST needs due to data revisions, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Natural disaster relief	-770	558	279	-171	31	32	28	14	942
Investment	231	-145	-169	82	-31	-55	8	80	401
Net Borrowing	-120	159	79	22	-52	-27	-30	-32	260
Health	113	48	-89	12	14	-80	30	-47	216
Mining revenue	-14	8	48	-85	13	10	0	20	99
Other revisions	68	17	-90	-1	0	9	15	-18	109
<b>Total</b>	<b>-492</b>	<b>645</b>	<b>59</b>	<b>-141</b>	<b>-25</b>	<b>-112</b>	<b>51</b>	<b>16</b>	<b>770</b>

<sup>9</sup> Commonwealth Grants Commission, *New Issues in the 2026 Update*, 2026.

### **Revisions to natural disaster relief data**

Revisions by states to their natural disaster relief data result in large changes to assessed GST needs. In particular, New South Wales made a significant downward revision to its 2022–23 expenses.

Data on natural disaster relief expenses are subject to revision, partly because the Disaster Recovery Funding Arrangements require multiple levels of auditing, often resulting in the data for the assessment years being incomplete at the time of reporting. As per usual practice, the Commission incorporates the revised data into its calculations when available. Given natural disaster relief expenses are assessed on an actual per capita basis, where material, the Commission also makes an adjustment to correct for the use of unrevised data in previous updates. This ensures correct actual expenses are assessed over time. There were material data revisions to natural disaster relief for New South Wales, Victoria, Western Australia and South Australia that triggered adjustments to GST distribution.

### **Revisions to investment data**

Upward revisions were made to investment data, particularly for urban transport and rural roads. This increases the assessed GST needs of states with a greater share of the user populations.<sup>10</sup>

Revisions were also made to user population data. User population revisions in schools have increased the Northern Territory's assessed GST needs.

Total investment revisions increase the assessed GST needs of New South Wales, Western Australia, the ACT and the Northern Territory and reduce the assessed GST needs of the other states.

### **Revisions to net borrowing data**

The ABS revised its estimates of state populations. States whose shares of population were revised downwards, particularly Victoria and Queensland, have higher assessed GST needs in order to maintain the average level of debt per person.

### **Revisions to health data**

The Commission's health assessment uses hospital activity data. There is a one-year lag in receiving the latest year's data. Therefore, the most recent assessment year in each update uses the data from the previous assessment year. For the 2025 Review, 2022–23 data were used for both the 2022–23 and 2023–24 assessment years. For this update, 2023–24 data are available and have been used.

GST distribution was also impacted by a revision to the Independent Health and Aged Care Pricing Authority's (IHACPA) National Weighted Activity Unit data for 2021–22 and 2022–23. IHACPA identified that some data for major cities were misclassified to other remoteness categories. Correct classification has increased hospital activity in major cities.

Combined, these revisions to the health data increase the assessed GST needs of New South Wales, Victoria, Western Australia, South Australia and the ACT and reduce the assessed GST needs of the other states.

### **Revisions to mining data**

A separate assessment of nickel is not material in this update. Therefore, nickel royalties have been assessed in the other minerals component.

Western Australia, the major nickel-producing state, is assessed to have a higher revenue capacity (and lower assessed GST needs) because the average royalty rate of other minerals is higher than the average nickel royalty rate.

See Box 2-1 for more information on aggregating nickel into other minerals.

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<sup>10</sup> The user populations used to assess investment needs differ between investment components. For example, the user population for investment in schools is students.

## Changes in state circumstances

The Commission uses a 3-year lagged, moving average of state fiscal capacities. For this update, 2024–25 data replace 2021–22 data in the 3-year assessment period. Differences in states' relative circumstances in 2024–25 compared with 2021–22 are significant, contributing to large changes in GST distribution (see Table 2-5 and Table 2-6). This section outlines several large changes in state circumstances.

**Table 2-5 Composition of changes in state circumstances, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Expense needs	-901	-1,214	1,323	345	256	158	-69	102	2,184
Investment needs	-517	517	43	61	-52	-25	-49	22	643
Net borrowing	141	-230	22	-89	65	58	25	9	320
Revenue raising capacity	7	-149	-277	917	-419	-74	12	-19	937
Commonwealth payments (a)	85	190	85	-311	-37	7	14	-33	382
<b>Total</b>	<b>-1,182</b>	<b>-888</b>	<b>1,198</b>	<b>921</b>	<b>-188</b>	<b>124</b>	<b>-67</b>	<b>80</b>	<b>2,324</b>

(a) The effects of changing Commonwealth payments for COVID-19 and the Better and Fairer Schools Agreement are included in the changes to expense needs.

**Table 2-6 Change to assessed GST needs due to changes in state circumstances, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Mining production	-381	-912	284	1,390	-236	-54	-64	-27	1,674
COVID-19 (a)	-674	-853	829	365	267	60	-11	17	1,538
Property sales	666	429	-379	-538	-192	-33	46	2	1,143
Taxable land values	-473	211	82	160	-18	10	22	6	490
Population growth	12	387	-255	-79	-29	-21	-37	22	421
Capital improvements	-236	-159	164	56	76	49	18	33	395
Commonwealth payments	85	190	85	-311	-37	7	14	-33	382
Taxable payrolls	114	191	-240	-91	40	-7	-2	-4	345
Cost of construction	-152	59	156	-5	-34	5	-6	-24	220
Natural disaster relief	56	-151	153	-7	-39	-5	-11	3	213
Other changes in circumstances	-202	-277	318	-16	15	113	-36	86	532
<b>Total</b>	<b>-1,182</b>	<b>-888</b>	<b>1,198</b>	<b>921</b>	<b>-188</b>	<b>124</b>	<b>-67</b>	<b>80</b>	<b>2,324</b>

(a) Includes the net effect of the fall in expenditure on COVID-19 and the fall in associated Commonwealth payments.

### Mining production

Total mining revenues were significantly lower in 2024–25 than in 2021–22. Table 2-7 outlines the estimated aggregate effect of changes in mining royalties and the value of mining production on the distribution of GST in 2026–27. The GST effects of each component of the assessment vary across states.

**Table 2-7 Change to assessed GST needs due to changes in value of mineral production, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Iron ore	-477	-395	-317	1,344	-90	-22	-27	-16	1,344
Coal	180	-471	714	-208	-127	-38	-32	-18	894
Grants in lieu of royalties	-74	-61	-49	212	-16	-5	-4	-1	212
Gold	24	39	19	-81	0	2	2	-5	87
Lithium	-15	-12	-10	42	-3	-1	-1	0	42
Copper	-8	-8	11	17	-10	-1	-1	0	28
Other minerals (a)	-11	-5	-84	65	10	12	-1	14	101
<b>Total</b>	<b>-381</b>	<b>-912</b>	<b>284</b>	<b>1,390</b>	<b>-236</b>	<b>-54</b>	<b>-64</b>	<b>-27</b>	<b>1,674</b>

(a) For confidentiality reasons, the Commission does not publish data on its bauxite and onshore oil and gas assessments. This assessment is an aggregation of the bauxite, onshore oil and gas and other minerals assessments.

Iron ore royalty revenue was 14% lower in 2024–25 than in 2021–22. This large decline in Western Australia’s assessed iron ore revenue capacity increases its assessed GST needs, which results in a large reduction in the assessed GST needs of the other states.

Coal royalty revenue was 22% lower in 2024–25 than in 2021–22. This reduces the assessed revenue capacities of New South Wales and Queensland. The impact of the decline in coal royalty revenue is larger for Queensland due to it having a larger share of the production value of coal.

Overall, changes in states’ mining royalty revenue increase the assessed GST needs of Queensland and Western Australia and decrease those of the other states.

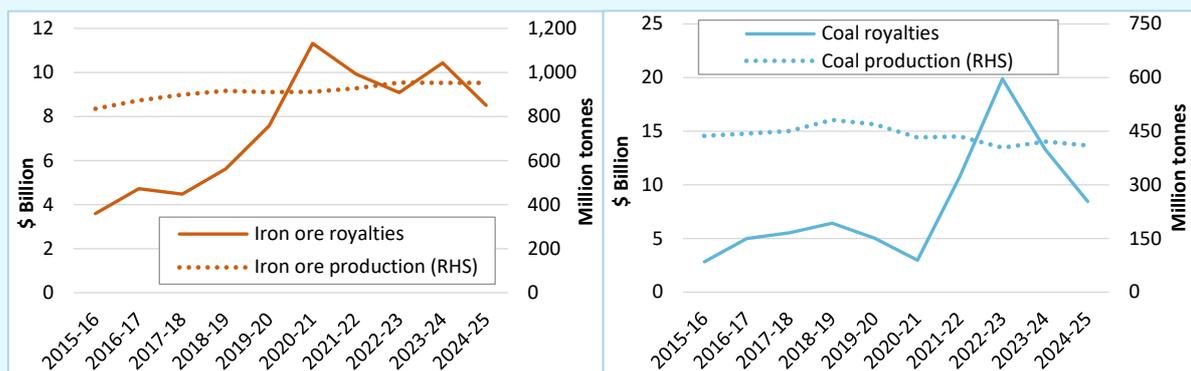
### Box 2-1 The effect of royalty revenue on GST distribution

Mining royalty revenue can be highly volatile, driven by both commodity prices and changes in production. Changes to production occur over years but prices and subsequently royalty revenue (levied as a percentage of the transaction value) can change quickly. For many years, changes in mining royalty revenue have been the single largest driver of changes in state GST distributions.

#### Only 3 states collect significant royalty revenue from iron ore and coal

Mineral endowments are unevenly distributed in Australia, with iron ore concentrated in Western Australia and coal in Queensland and New South Wales. Over the past decade, iron ore royalty revenue increased due to high prices and growth in production. In contrast, the increase in coal royalty revenue from 2020–21 was driven by temporary factors (see Figure 2-1).

**Figure 2-1 Iron ore and coal royalty revenue and production, 2015–16 to 2024–25**



Source: State-provided data and Department of Industry, Science and Resources.

The unequal distribution of minerals across states, combined with large changes in royalty revenue, can result in large GST effects when commodity prices change.

From 2015–16 to 2020–21, the growth in iron ore production and prices significantly increased Western Australia’s fiscal capacity relative to other states as iron ore royalty revenues increased from \$3.6 billion to \$11.3 billion. From 2020–21, lower iron ore prices more than offset rising production and total royalty revenue declined to \$8.5 billion in 2024–25. This has reduced the fiscal capacity of Western Australia relative to other states.

Mining royalty revenues also strengthened Queensland’s fiscal capacity in recent years. Coal royalty revenue spiked in 2022–23, driven by significantly higher international coal prices and an increase in royalty rates. However, coal prices quickly fell as international market conditions normalised, reducing the relative fiscal capacity of Queensland in this update.

### **A separate assessment of nickel is not material**

A significant increase in global nickel production, primarily in Indonesia, resulted in large and sustained falls in global nickel prices. This led to a scaling back of production in Western Australia and a 64% fall in nickel royalties between 2021–22 and 2024–25 to \$43 million. As a result, it is no longer material to separately assess nickel. Nickel royalties have been combined and assessed with other mining royalties in this update.

## **COVID-19**

The large COVID-19-related health and business support expenses incurred by some states in 2021–22 are no longer in the assessment period. This change significantly reduces the assessed GST needs of New South Wales and Victoria.

### **Box 2-2 Effects of the COVID-19 pandemic on GST distribution**

The COVID-19 pandemic significantly affected state circumstances in 2021–22, the year that has dropped out of the Commission’s 3-year assessment period in the 2026 Update.

The Commission was unable to change its assessment methods in response to COVID-19’s effect on state circumstances during the pandemic. Changes were only permitted under the Commission’s terms of reference as part of the 2025 Methodology Review. Consequently, the Commission first differentially assessed COVID-19 expenses in the 2025 Review.

In the 2025 Review, the Commission assessed state expenses under the National Partnership on COVID-19 Response (health) and COVID-19 Business Support national partnerships on an actual per capita basis. This meant that states’ expense needs were assessed as equal to their actual expenses. The Commonwealth and the states agreed to jointly fund these services on a 50:50 basis and the Commission assessed the associated Commonwealth payments as impacting the GST distribution.

COVID-19 expenses under the national partnerships were largest in 2021–22 and declined significantly in subsequent years. The last Commonwealth payments for health under the COVID-19 national partnership agreements were in 2022–23 and the last payments for business support were in 2023–24.

Table 2-8 shows the impact on the GST distribution of the expenses in 2021–22 dropping out of the assessment period. The expense effects are partly offset by the Commonwealth payment also dropping out of the assessment period.

- For health expenses, New South Wales, Victoria, Tasmania and the Northern Territory had above-average needs in 2021–22. Replacing 2021–22 with 2024–25 has reduced their assessed GST needs.

- For business support expenses, New South Wales, Victoria and the ACT had above-average needs in 2021–22. Replacing 2021–22 with 2024–25 has reduced their assessed GST needs.

In combination, the effects of the COVID-19 expenses (and associated Commonwealth payments) in 2021–22 dropping out of the assessment period reduces the assessed GST needs of New South Wales, Victoria and the ACT, and increases the needs of other states.

**Table 2-8 Change in assessed GST needs due to changes in COVID-19 health and business support expenses, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Health									
Effect of ending Commonwealth payment	121	217	-264	-20	-60	4	-9	11	353
Effect of ending state spending	-242	-434	527	40	120	-7	19	-23	707
<b>Net effect</b>	<b>-121</b>	<b>-217</b>	<b>264</b>	<b>20</b>	<b>60</b>	<b>-4</b>	<b>9</b>	<b>-11</b>	<b>353</b>
Business support									
Effect of ending Commonwealth payment	553	636	-565	-345	-206	-64	20	-29	1,209
Effect of ending state spending	-1,105	-1,272	1,130	689	413	128	-41	58	2,418
<b>Net effect</b>	<b>-553</b>	<b>-636</b>	<b>565</b>	<b>345</b>	<b>206</b>	<b>64</b>	<b>-20</b>	<b>29</b>	<b>1,209</b>
<b>Total net effect</b>	<b>-674</b>	<b>-853</b>	<b>829</b>	<b>365</b>	<b>267</b>	<b>60</b>	<b>-11</b>	<b>17</b>	<b>1,538</b>

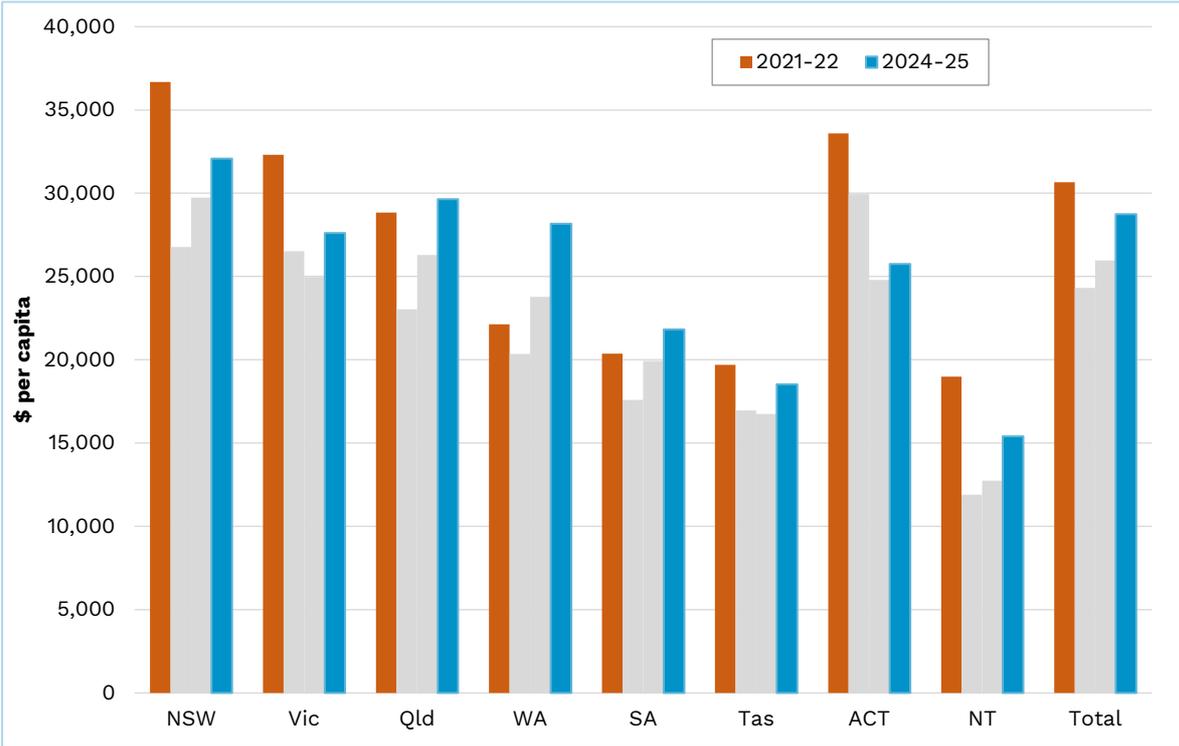
### Property sales

Stamp duties from the transfer of property are volatile. Property market cycles can lead to large changes across years and states. This can have large effects on states' relative revenue raising capacities.

In 2024–25, the national per capita value of property transferred was 6% lower than in 2021–22. However, Queensland, Western Australia and South Australia experienced growth over the period (see Figure 2-2), which reduces these states' assessed GST needs.

Tasmania's assessed GST needs also reduced because its fall in the per capita value of property transferred over the period was below average.

**Figure 2-2 Value of property transferred per capita, 2021–22 to 2024–25**



Source: State-provided data.

**Taxable land values**

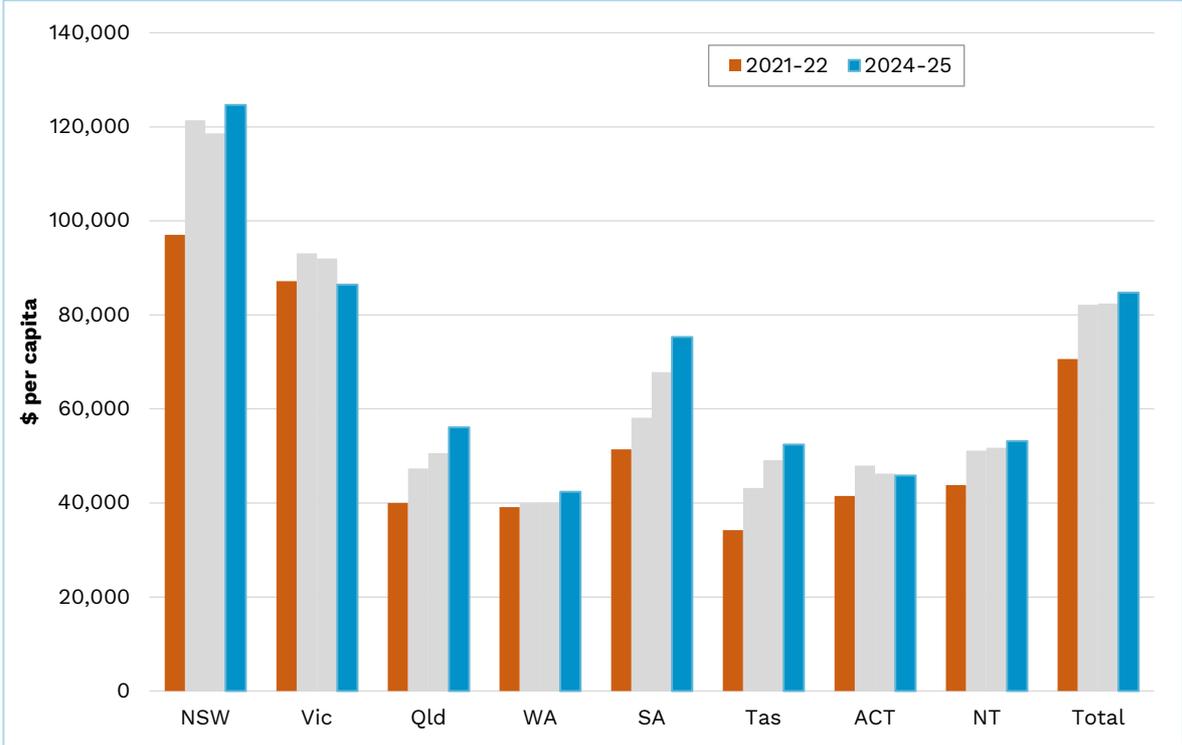
Cycles in property markets change land values and, as a result, states’ capacities to raise land tax.

Total land tax revenue was 64% higher in 2024–25 than in 2021–22. This reduces the assessed GST needs of states with an above-average capacity to raise land tax (New South Wales and Victoria) and increases the assessed GST needs of the other states.

In addition, per capita taxable land values increased by 20% nationally. New South Wales, Queensland, South Australia, Tasmania and the Northern Territory experienced above-average growth over the period (see Figure 2-3), reducing their assessed GST needs.

The combined effect of higher total land tax revenue and changing growth patterns in per capita taxable land values between states has reduced the assessed GST needs of New South Wales and South Australia. In turn, this has increased the assessed GST needs of the other states.

**Figure 2-3 Value of taxable land holdings per capita, 2021-22 to 2024-25**



Note: The Commission estimates the Northern Territory’s land values.  
 Source: State-provided data.

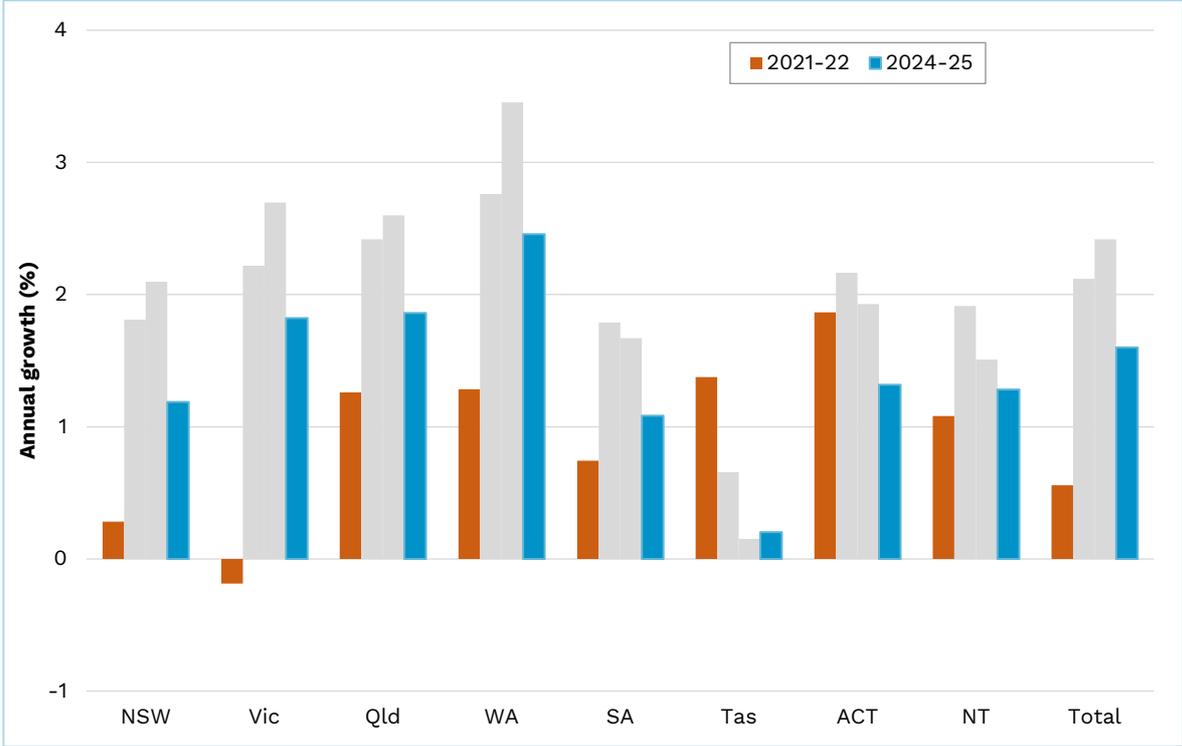
**Population growth**

Changes in states’ population growth impact GST distribution. States with faster growing populations generally have a greater need to invest in infrastructure, increasing their assessed GST needs. This is partially offset by a decrease in their net borrowing needs as debt per person is reduced.

States’ population growth rates are presented in Figure 2-4. Victoria experienced a fall in population during 2021-22 but has grown in each subsequent year. Removing 2021-22 from the calculation increases its assessed GST needs.

New South Wales and the Northern Territory experienced a below-average increase in population growth in 2024-25 compared with 2021-22. This increases the assessed GST needs of both states for net borrowing and decreases New South Wales’ needs for investment. Despite a below-average increase in population growth, the Northern Territory had an increased share of the user population for investment in schools and health. This increases its assessed GST needs.

**Figure 2-4 Population growth rate, 2021–22 to 2024–25**



Source: ABS data.

**Capital improvements**

Urban transport investment was 19% lower in 2024–25 than in 2021–22, reflecting the completion of several major rail projects in 2023–24. This reduces the assessed GST needs of New South Wales and Victoria.

**Commonwealth payments**

The Commonwealth makes payments to states for specific purposes. If a payment is for a state-type service for which the Commission assesses expense needs, then this revenue is included in the Commission’s assessment. To the extent that a state receives above-average per capita amounts of Commonwealth payments, it requires less GST per capita. The total value of assessed Commonwealth payments was lower in 2024–25 than in 2021–22.

New and ceased payments in 2024–25 impact GST distribution. Payments for infrastructure investment in rail and roads have the largest impact on changes to states’ shares of Commonwealth payments (see Table 2-9).

In response to the Supplementary Terms of Reference for the 2025 Review, the Better and Fairer Schools Agreement payments do not impact GST distribution for the assessment year coming in, 2024–25. Compared with 2021–22, which included Quality Schools payments, this change has both a revenue and expense impact on assessed GST needs, which largely offset each other.

**Table 2-9 Changes in the assessed GST needs due to changes in Commonwealth payments, 2025–26 to 2026–27 (a)**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Infrastructure investment - rail investment	153	97	9	-366	67	18	16	6	366
Infrastructure investment - road investment	-63	287	0	-102	-99	-20	-3	0	287
National Health Reform funding (Hospitals)	55	-182	51	63	5	-16	7	17	198
Infrastructure investment - Roads of strategic importance	-43	-36	9	20	12	37	-3	5	82
National Water Grid Fund	27	24	-14	14	5	-11	2	-47	72
Infrastructure investment - Urban Congestion Funds	-36	-17	-3	51	14	-3	-3	-2	64
Skilling Australians Fund	14	-15	-12	8	3	1	1	1	27
JobTrainer Fund	-13	14	-5	-3	8	-1	0	0	22
Community Health Hospitals and Infrastructure projects	-19	2	13	2	-2	3	1	0	21
Expansion of the Flinders Medical Centre	7	6	5	2	-21	0	0	0	21
Other	2	11	32	0	-28	-1	-4	-13	46
<b>Total</b>	<b>85</b>	<b>190</b>	<b>85</b>	<b>-311</b>	<b>-37</b>	<b>7</b>	<b>14</b>	<b>-33</b>	<b>382</b>

(a) Commonwealth payments for COVID-19 and the Better and Fairer Schools Agreement are excluded from this table as their effect has been included in the changes to expense needs.

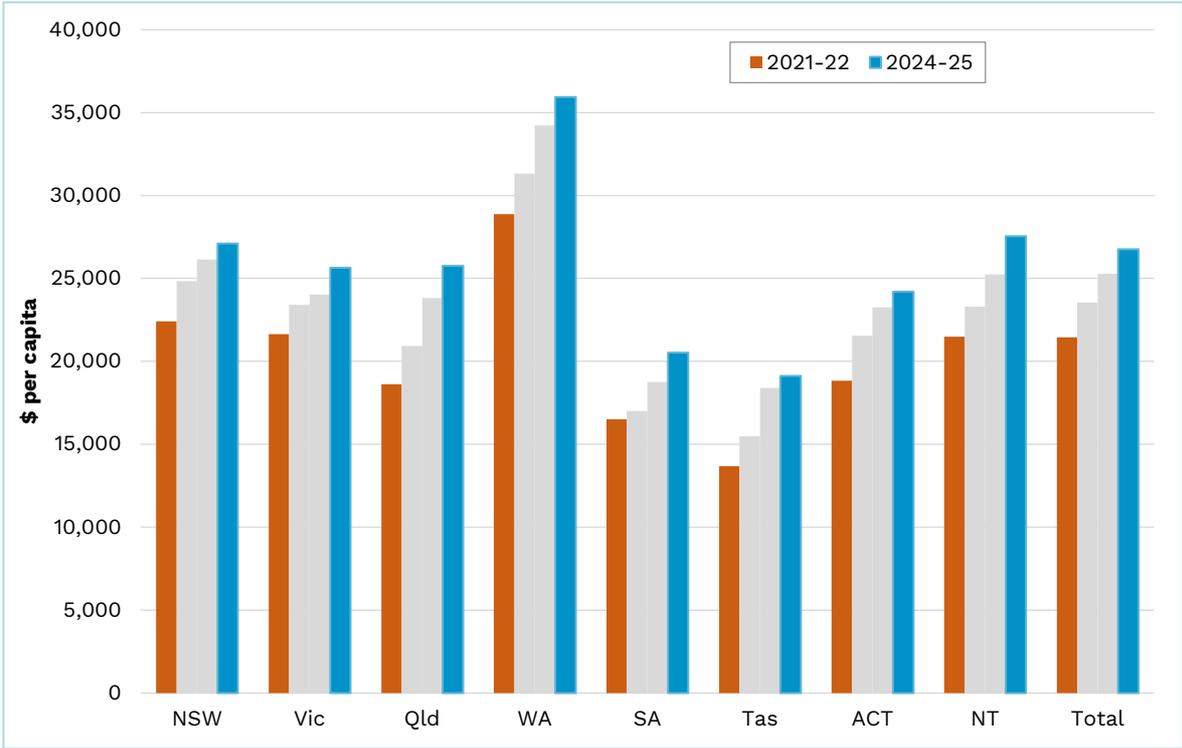
### Taxable payrolls

There was strong growth in revenue collected from payroll tax, as well as changes to states' relative capacities to raise revenue from payroll tax between 2021–22 and 2024–25.

Total revenue from payroll tax grew by 47% over this period. This reduces the assessed GST needs of states with above-average capacity to raise payroll tax, particularly Western Australia.

Queensland, Tasmania, the ACT and the Northern Territory experienced above-average growth in the per capita value of taxable payrolls over the period (see Figure 2-5). This reduces the assessed GST needs of those states.

**Figure 2-5 Value of taxable payrolls per capita, 2021–22 to 2024–25**



Source: Custom ABS data.

**Cost of construction**

Since 2021–22, construction costs have grown more in Victoria, Queensland and Tasmania, increasing their assessed GST needs.

**Natural disaster relief**

National expenses under the Disaster Recovery Funding Arrangements were significantly higher in 2024–25 than in 2021–22. New South Wales, Queensland and the Northern Territory experienced an above-average increase in expenses. This has increased the assessed GST needs of these states and reduced the needs of the other states.

## Why GST shares differ between states

The previous sections in this chapter focus on differences between the 2026–27 and 2025–26 GST relativities. This section focuses on the reasons why a state has an above-average or below-average fiscal capacity, including the effects of the 2018 legislated changes to determining relativities.

A state with above-average assessed GST needs receives more than an equal per capita allocation (see Table 2-10). Over the 3-year assessment period used to estimate the 2026–27 GST relativities, Victoria, South Australia, Tasmania, the ACT and the Northern Territory have been assessed to have above-average GST needs, with an average assessed relativity above one. New South Wales, Queensland and Western Australia have below-average needs, with an assessed relativity below one.

New South Wales, Queensland and Western Australia have above-average capacities to raise revenue. For New South Wales, this reflects its strength in property sales, land values and payroll. For Queensland and Western Australia, mining production is the key driver, and Western Australia also has a strong payroll tax base.

Queensland, Western Australia, Tasmania and the Northern Territory have above-average expense needs. Population dispersion is a key reason as it generally costs more to provide services in more remote regions. On average, it costs more to provide services to First Nations people because of greater complexity of needs and higher use of services. This, along with socio-economic status, has driven above-average expense needs for these states.

South Australia's comparatively low socio-economic status and older age profile increase its expense needs, but low wage costs and urban centre characteristics more than offset this, giving it below-average expense needs overall. While the ACT has high expense needs from administrative scale, low non-state sector provision of health services and high wage costs, these are more than offset by its more concentrated and less disadvantaged population.

Victoria, Western Australia and the Northern Territory have above-average investment needs. This is due to Victoria and Western Australia having higher population growth over the period 2021–22 to 2024–25, Victoria and the Northern Territory having above-average investment needs due to capital improvements, and Western Australia and the Northern Territory having above-average construction costs.

The application of the 2018 legislated changes to determining relativities in this update reduces GST revenue for all states except Western Australia. While Queensland benefits from its relativity being lifted to the standard state for 2 assessment years, this is outweighed by its contribution to lifting Western Australia's relativity to that of the standard state.

**Table 2-10 Drivers of difference from an equal per capita distribution of GST, 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Revenue raising capacity									
Mining production	4,382	8,942	-5,771	-10,726	1,874	600	627	72	16,497
Taxable land values	-3,632	-482	1,892	1,004	643	248	218	109	4,114
Property sales	-2,288	177	333	517	749	307	19	186	2,288
Taxable payrolls	-460	395	642	-1,721	797	279	70	-2	2,184
Other revenue effects	317	122	-234	-191	-167	4	116	32	591
<b>Total revenue</b>	<b>-1,681</b>	<b>9,154</b>	<b>-3,138</b>	<b>-11,117</b>	<b>3,895</b>	<b>1,439</b>	<b>1,050</b>	<b>398</b>	<b>15,936</b>
Commonwealth payments	641	1,983	-1,201	-870	45	-186	163	-575	2,831
Expense needs									
Socio-demographic composition (SDC)									
Population dispersion	-2,405	-1,939	1,318	635	107	876	-356	1,764	4,700
Indigenous status	573	-3,772	1,633	312	-340	241	-172	1,524	4,283
Non-Indigenous disadvantage	-199	-299	534	-166	530	161	-394	-167	1,225
Age	319	-230	-185	-64	347	-39	-45	-102	665
Other SDC	-139	-156	142	31	26	-25	-30	151	350
<b>Total SDC</b>	<b>-1,852</b>	<b>-6,395</b>	<b>3,442</b>	<b>747</b>	<b>670</b>	<b>1,215</b>	<b>-997</b>	<b>3,170</b>	<b>9,244</b>
Administrative scale	-741	-520	-316	70	223	403	416	465	1,577
Wage costs	480	139	-514	430	-567	-227	197	63	1,308
Population weighted density	853	320	-533	-244	-192	-127	-25	-52	1,173
Non-state sector	-912	-96	212	599	7	-39	192	37	1,048
Natural disaster relief	260	-345	621	-282	-183	-33	-39	1	882
Other expenses	-366	-579	30	930	17	3	-181	145	1,125
<b>Total expenses</b>	<b>-2,278</b>	<b>-7,476</b>	<b>2,942</b>	<b>2,250</b>	<b>-24</b>	<b>1,194</b>	<b>-437</b>	<b>3,829</b>	<b>10,215</b>
Investment									
Population growth	-1,494	773	452	948	-396	-233	-83	34	2,207
Capital improvements	952	183	-540	-12	-440	-247	-310	414	1,549
Cost of construction	275	-864	17	547	-106	-38	38	132	1,009
<b>Total investment</b>	<b>-267</b>	<b>92</b>	<b>-71</b>	<b>1,483</b>	<b>-943</b>	<b>-519</b>	<b>-355</b>	<b>579</b>	<b>2,154</b>
Net borrowing	348	-153	-153	-278	109	101	13	12	584
<b>Total effect of assessed relativities (a)</b>	<b>-3,238</b>	<b>3,597</b>	<b>-1,618</b>	<b>-8,531</b>	<b>3,082</b>	<b>2,030</b>	<b>435</b>	<b>4,244</b>	<b>13,387</b>
2018 legislated changes to determining relativities									
	-2,463	-2,045	-1,048	6,493	-548	-166	-140	-82	6,493
<b>Total</b>	<b>-5,702</b>	<b>1,552</b>	<b>-2,667</b>	<b>-2,038</b>	<b>2,534</b>	<b>1,864</b>	<b>294</b>	<b>4,162</b>	<b>10,406</b>

Note: This table shows the drivers for each state receiving more or less than an equal per capita share of GST in 2026–27.

(a) Assessed relativities reflect the GST each state needs to have the same capacity to provide services as the other states. Legislation specifies how these are adjusted to derive GST relativities, which determine GST distribution.

## 3. State by state changes

### Key points

- This chapter provides state outcomes and identifies the 7 largest drivers of change in assessed GST needs of each state compared with the 2025 Review.
- All states are estimated to receive an increase in GST distribution in 2026–27.
  - New South Wales: \$316 million (\$36 per capita)
  - Victoria: \$1,494 million (\$207 per capita)
  - Queensland: \$1,680 million (\$290 per capita)
  - Western Australia: \$1,347 million (\$431 per capita)
  - South Australia: \$342 million (\$178 per capita)
  - Tasmania: \$286 million (\$496 per capita)
  - the ACT: \$110 million (\$222 per capita)
  - the Northern Territory: \$389 million (\$1,446 per capita)
- The main factors affecting state outcomes are the estimated increase in the GST pool and changes in state circumstances between the year dropping out of the assessment period (2021–22) and the year coming in (2024–25).

### Introduction

This chapter sets out the main factors influencing the changes in each state's 2026–27 GST distribution compared with 2025–26. These include method changes, data revisions and changes in state circumstances between 2021–22 and 2024–25. In addition, states' estimated GST distributions are affected by:

- changes in estimated state populations in the GST distribution year
- changes in the estimated size of the GST pool
- the 2018 legislated changes to determining relativities.

## New South Wales

In 2026–27, New South Wales' GST distribution is estimated to increase by \$316 million (\$36 per capita). Its assessed GST needs have decreased by \$1,530 million (\$175 per capita) in 2026–27, however, this is more than offset by growth in the GST pool.

- New South Wales' assessed GST needs have decreased largely due to:
  - a significant downward revision to its natural disaster relief expenses in 2022–23
  - lower COVID-19 expenses, noting New South Wales' above-average COVID-19 expenses
  - above-average growth in taxable land values
  - lower iron ore prices, which increase Western Australia's assessed GST needs and decrease assessed GST needs of the other states.
- This is partially offset by a larger than average fall in the value of property transferred in New South Wales, which decreases its relative capacity to raise revenue from stamp duties and increases its assessed GST needs.
- Expected growth in the GST pool more than offsets New South Wales' reduced GST relativity and increases its GST distribution.
- Compared with 2025–26, the 2018 legislated changes to determining relativities increase New South Wales' GST distribution by \$298 million.

**Table 3-1 Change in estimated GST distribution from 2025–26 to 2026–27, New South Wales (excludes no worse off payments)**

	\$m	\$pc
Change in population	-44	-5
Growth in GST pool	1,591	182
Changes in assessed GST needs		
Method changes	145	17
Data revisions	-492	-56
State circumstances	-1,182	-135
Total	-1,530	-175
2018 legislated changes to determining relativities	298	34
<b>Total change</b>	<b>316</b>	<b>36</b>

**Figure 3-1 New South Wales: main changes in assessed GST needs, 2026–27 relativities**

Method changes			
Driver	Change		Explanation
	\$m	\$pc	
Justice method changes	242	28	The Commission updated the police regression with the latest available data. These data show an increase in the cost of policing offenders and higher relative costs in non-remote areas, which increases New South Wales' assessed GST needs. State prisoner data have also been updated and show a growing proportion of First Nations defendants who have lower (rather than higher) levels of disadvantage. This increases New South Wales' assessed GST needs.

Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Natural disaster relief	-770	-88	A significant downward revision by New South Wales to its natural disaster relief expenses in 2022–23 decreases its assessed GST needs. Also, the Commission makes an adjustment to correct for the use of unrevised data in previous updates and this further decreases New South Wales' assessed GST needs.

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
COVID-19	-674	-77	COVID-19 expenses were largest in 2021–22 and declined significantly in subsequent years. States with above-average COVID-19 expenses, including New South Wales, now have lower expenses, decreasing assessed GST needs.
Property sales	666	76	A larger than average fall in the value of property transferred in 2024–25 (from 2021–22) reduces New South Wales' relative revenue raising capacity and increases its assessed GST needs.
Taxable land values	-473	-54	Growth in total land tax revenue increases capacity for states with above-average revenue raising capacity. Above-average growth in taxable land values in 2024–25 compared with 2021–22 further increases New South Wales' relative revenue raising capacity. These both reduce its assessed GST needs.
Mining production	-381	-44	Iron ore prices fell between 2021–22 and 2024–25. This decreases Western Australia's revenue raising capacity and increases its assessed GST needs. Consequently, this decreases assessed GST needs of the other states. For New South Wales, this is partly offset by a decrease in coal prices, which reduces its revenue raising capacity and increases its assessed GST needs.
Capital improvements in urban transport	-223	-26	Investment in urban transport was around 19% lower in 2024–25 than in 2021–22. This decreases assessed GST needs of states with above-average urban transport investment needs, including New South Wales.

## Victoria

In 2026–27, Victoria’s GST distribution is estimated to increase by \$1,494 million (\$207 per capita). Its assessed GST needs have decreased by \$440 million (\$61 per capita) in 2026–27, however, this is more than offset by growth in the GST pool.

- Victoria’s assessed GST needs have decreased largely due to:
  - lower coal and iron ore prices, which increase Queensland’s and Western Australia’s assessed GST needs and decrease assessed GST needs of the other states
  - lower COVID-19 expenses, noting Victoria’s above-average COVID-19 expenses.
- This is partially offset by an upward revision to Victoria’s natural disaster relief expenses and a downward revision to New South Wales’ natural disaster relief expenses. Victoria also had a larger than average fall in the value of property transferred. Combined, these increase Victoria’s assessed GST needs.
- Expected growth in the GST pool more than offsets Victoria’s reduced GST relativity and increases its GST distribution.
- Compared with 2025–26, the 2018 legislated changes to determining relativities increase Victoria’s GST distribution by \$249 million.

**Table 3-2 Change in estimated GST distribution from 2025–26 to 2026–27, Victoria (excludes no worse off payments)**

	\$m	\$pc
Change in population	52	7
Growth in GST pool	1,632	226
Changes in assessed GST needs		
Method changes	-197	-27
Data revisions	645	89
State circumstances	-888	-123
Total	-440	-61
2018 legislated changes to determining relativities	249	35
<b>Total change</b>	<b>1,494</b>	<b>207</b>

**Figure 3-2 Victoria: main changes in assessed GST needs, 2026–27 relativities**

Method changes			
Driver	Change		Explanation
	\$m	\$pc	
Justice method changes	-257	-36	The Commission updated the police regression with the latest available data. These data show an increase in the cost of policing offenders, which decreases Victoria's assessed GST needs. Court defendant data have also been updated and show an increase in the share of First Nations defendants. This increases assessed GST needs of states with higher proportions of First Nations populations and decreases assessed GST needs of the other states, including Victoria.

Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Natural disaster relief	558	77	A significant downward revision by New South Wales to its natural disaster relief expenses in 2022–23 decreases its assessed GST needs and increases assessed GST needs of the other states, including Victoria. Also increasing Victoria's assessed GST needs is an upward revision to its 2023–24 expenses and an adjustment the Commission makes to correct for the use of unrevised data in previous updates.

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	-912	-126	Coal and iron ore prices fell between 2021–22 and 2024–25. This decreases Queensland's and Western Australia's revenue raising capacities and increases their assessed GST needs. Consequently, this decreases assessed GST needs of the other states, including Victoria.
COVID-19	-853	-118	COVID-19 expenses were largest in 2021–22 and declined significantly in subsequent years. States with above-average COVID-19 expenses, including Victoria, now have lower expenses, decreasing assessed GST needs.
Property sales	429	59	A larger than average fall in the value of property transferred in 2024–25 (from 2021–22) reduces Victoria's relative revenue raising capacity and increases its assessed GST needs.
Relative growth of investment needs for urban transport	241	33	Melbourne had strong population growth in 2024–25, compared with a declining population in 2021–22. This increases Victoria's need for urban transport investment, which increases its assessed GST needs.
Net borrowing	-230	-32	Victoria had strong population growth in 2024–25 compared with a declining population in 2021–22. This increases its ability to service assessed liabilities and decreases its assessed GST needs.

## Queensland

In 2026–27, Queensland’s GST distribution is estimated to increase by \$1,680 million (\$290 per capita). Its assessed GST needs have increased by \$1,370 million (\$236 per capita) in 2026–27.

- Queensland’s assessed GST needs have increased largely due to:
  - lower COVID-19 expenses, noting Queensland’s below-average COVID-19 expenses
  - a significant downward revision by New South Wales to its natural disaster relief expenses, which increases assessed GST needs of the other states
  - lower coal prices, which decrease its capacity to raise revenue from coal royalties.
- This is partially offset by above-average growth in the value of property transferred in Queensland. This increases its relative capacity to raise revenue from stamp duties and decreases its assessed GST needs.
- Expected growth in the GST pool contributes to an increase in Queensland’s GST distribution.
- Compared with 2025–26, the 2018 legislated changes to determining relativities decrease Queensland’s GST distribution by \$763 million. This is because in 2025–26, Queensland’s relativity was lifted to the standard state for all 3 assessment years. In 2026–27, its relativity is lifted to the standard state for 2 assessment years.

**Table 3-3 Change in estimated GST distribution from 2025–26 to 2026–27, Queensland (excludes no worse off payments)**

	\$m	\$pc
Change in population	36	6
Growth in GST pool	1,037	179
Changes in assessed GST needs		
Method changes	113	19
Data revisions	59	10
State circumstances	1,198	207
Total	1,370	236
2018 legislated changes to determining relativities	-763	-132
<b>Total change</b>	<b>1,680</b>	<b>290</b>

**Figure 3-3 Queensland: main changes in assessed GST needs, 2026–27 relativities**

Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Natural disaster relief	279	48	A significant downward revision by New South Wales to its natural disaster relief expenses in 2022–23 decreases its assessed GST needs and increases assessed GST needs of the other states, including Queensland. Also, the Commission makes an adjustment to correct for the use of unrevised data in previous updates and this further increases Queensland's assessed GST needs.
Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
COVID-19	829	143	COVID-19 expenses were largest in 2021–22 and declined significantly in subsequent years. States with above-average COVID-19 expenses, notably New South Wales, Victoria and the ACT, now have lower expenses, decreasing their assessed GST needs and increasing the assessed GST needs of the other states, including Queensland.
Property sales	-379	-65	Above-average growth in the value of property transferred between 2021–22 and 2024–25 increases Queensland's relative revenue raising capacity and decreases its assessed GST needs.
Mining production	284	49	Coal prices fell between 2021–22 and 2024–25. This decreases Queensland's revenue raising capacity and increases its assessed GST needs. This is partly offset by a decrease in iron ore prices, which increases Western Australia's assessed GST needs and decreases assessed GST needs of the other states, including Queensland.
Taxable payrolls	-240	-42	Queensland's value of taxable payroll was much higher in 2024–25 than in 2021–22, which increases its capacity to raise payroll tax revenue. This decreases Queensland's assessed GST needs.
Wage costs	182	31	Wages in Queensland have been increasing faster than the national average in recent years, increasing its assessed GST needs.
Capital improvements in urban transport	168	29	Investment in urban transport was around 19% lower in 2024–25 than in 2021–22. This increases assessed GST needs of states with below-average urban transport investment needs, including Queensland.

## Western Australia

In 2026–27, Western Australia’s GST distribution is estimated to increase by \$1,347 million (\$431 per capita). Its assessed GST needs have increased by \$717 million (\$230 per capita) in 2026–27.

- Western Australia’s assessed GST needs have increased largely due to:
  - lower iron ore prices, which decrease its capacity to raise revenue from iron ore royalties
  - lower COVID-19 expenses, noting Western Australia’s below-average COVID-19 expenses.
- This is partially offset by above-average growth in the value of property transferred in Western Australia. This increases its relative capacity to raise revenue from stamp duties. Western Australia also received a greater share of Commonwealth payments in 2024–25 than in 2021–22. Combined, these decrease its assessed GST needs.
- Expected growth in the GST pool contributes to an increase in Western Australia’s GST distribution.
- In 2025–26, Western Australia’s relativity was lifted to the floor (0.75). In 2026–27, it is lifted to the standard state (New South Wales, 0.82). The net impact of moving from 0.75 to 0.82 is \$97 million.

**Table 3-4 Change in estimated GST distribution from 2025–26 to 2026–27, Western Australia (excludes no worse off payments)**

	\$m	\$pc
Change in population	37	12
Growth in GST pool	496	159
Changes in assessed GST needs		
Method changes	-63	-20
Data revisions	-141	-45
State circumstances	921	295
Total	717	230
2018 legislated changes to determining relativities	97	31
<b>Total change</b>	<b>1,347</b>	<b>431</b>

**Figure 3-4 Western Australia: main changes in assessed GST needs, 2026–27 relativities**

Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Natural disaster relief	-171	-55	A downward revision by Western Australia to its natural disaster relief expenses in 2022–23 decreases its assessed GST needs. Also, the Commission makes an adjustment to correct for the use of unrevised data in previous updates and this further decreases Western Australia’s assessed GST needs.
Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	1,390	445	Iron ore prices fell between 2021–22 and 2024–25. This decreases Western Australia’s revenue raising capacity and increases its assessed GST needs.
Property sales	-538	-172	Above-average growth in the value of property transferred between 2021–22 and 2024–25 increases Western Australia’s relative revenue raising capacity and decreases its assessed GST needs.
COVID-19	365	117	COVID-19 expenses were largest in 2021–22 and declined significantly in subsequent years. States with above-average COVID-19 expenses, notably New South Wales, Victoria and the ACT, now have lower expenses, decreasing their assessed GST needs and increasing the assessed GST needs of the other states, including Western Australia.
Commonwealth payments	-311	-100	Western Australia received a greater share of assessed Commonwealth payments in 2024–25 than in 2021–22, mainly driven by payments for investment in rail. This decreases its assessed GST needs.
Taxable land values	160	51	Below-average growth in taxable land values between 2021–22 and 2024–25 decreases Western Australia’s relative revenue raising capacity and increases its assessed GST needs.
Taxable payrolls	-91	-29	Payroll tax revenue increased by around 47% between 2021–22 and 2024–25. This decreases assessed GST needs of states with above-average capacity to raise payroll tax revenue, including Western Australia.

## South Australia

In 2026–27, South Australia’s GST distribution is estimated to increase by \$342 million (\$178 per capita). Its assessed GST needs have decreased by \$253 million (\$131 per capita) in 2026–27, however, this is more than offset by growth in the GST pool.

- South Australia’s assessed GST needs have decreased largely due to:
  - lower coal and iron ore prices, which increase Queensland’s and Western Australia’s assessed GST needs and decrease assessed GST needs of the other states
  - above-average growth in the value of property transferred, which increases its relative capacity to raise revenue from stamp duties.
- This is partially offset by lower COVID-19 expenses, noting South Australia’s below-average COVID-19 expenses, which increase its assessed GST needs.
- Expected growth in the GST pool more than offsets South Australia’s reduced GST relativity and increases its GST distribution.
- Compared with 2025–26, the 2018 legislated changes to determining relativities increase South Australia’s GST distribution by \$68 million.

**Table 3-5 Change in estimated GST distribution from 2025–26 to 2026–27, South Australia (excludes no worse off payments)**

	\$m	\$pc
Change in population	-40	-21
Growth in GST pool	566	294
Changes in assessed GST needs		
Method changes	-40	-21
Data revisions	-25	-13
State circumstances	-188	-97
Total	-253	-131
2018 legislated changes to determining relativities	68	35
<b>Total change</b>	<b>342</b>	<b>178</b>

**Figure 3-5 South Australia: main changes in assessed GST needs, 2026–27 relativities**

Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Net borrowing	-52	-27	A downward revision to the size of states' net financial liabilities has reduced assessed liabilities per person. South Australia's population growth rate has been revised up towards the national average, further reducing assessed liabilities per person. These both reduce South Australia's assessed GST needs.
Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
COVID-19	267	138	COVID-19 expenses were largest in 2021–22 and declined significantly in subsequent years. States with above-average COVID-19 expenses, notably New South Wales, Victoria and the ACT, now have lower expenses, decreasing their assessed GST needs and increasing the assessed GST needs of the other states, including South Australia.
Mining production	-236	-122	Coal and iron ore prices fell between 2021–22 and 2024–25. This decreases Queensland's and Western Australia's revenue raising capacities and increases their assessed GST needs. Consequently, this decreases assessed GST needs of the other states, including South Australia.
Property sales	-192	-100	Above-average growth in the value of property transferred between 2021–22 and 2024–25 increases South Australia's relative revenue raising capacity and decreases its assessed GST needs.
Relative growth of investment needs for schools	69	36	South Australia had below-average growth in government school students in 2021–22, which changed to above-average growth in 2024–25. This increases South Australia's need for investment in schools and increases its assessed GST needs.
Net borrowing	65	34	South Australia had a smaller share of population growth in 2024–25 than in 2021–22. This decreases its ability to service assessed liabilities and increases its assessed GST needs.
Capital improvements in urban transport	60	31	Investment in urban transport was around 19% lower in 2024–25 than in 2021–22. This decreases assessed GST needs of states with above-average urban transport investment needs and increases assessed GST needs of the other states, including South Australia.

## Tasmania

In 2026–27, Tasmania’s GST distribution is estimated to increase by \$286 million (\$496 per capita). Its assessed GST needs have increased by \$77 million (\$134 per capita) in 2026–27.

- Tasmania’s assessed GST needs have increased largely due to:
  - increases in costs of admitted patients in regional areas
  - increases in relative costs of policing in regional areas
  - lower COVID-19 expenses, noting Tasmania’s below-average COVID-19 expenses
  - a smaller share of population growth in 2024–25 than in 2021–22, which increases assessed GST needs for net borrowing.
- This is partially offset by data revisions due to the misclassification of some major city hospital activity to other remoteness areas, which reduces Tasmania’s assessed GST needs.
- Expected growth in the GST pool contributes to an increase in Tasmania’s GST distribution.
- Compared with 2025–26, the 2018 legislated changes to determining relativities increase Tasmania’s GST distribution by \$21 million.

**Table 3-6 Change in estimated GST distribution from 2025–26 to 2026–27, Tasmania (excludes no worse off payments)**

	\$m	\$pc
Change in population	-37	-65
Growth in GST pool	225	390
Changes in assessed GST needs		
Method changes	66	114
Data revisions	-112	-195
State circumstances	124	215
Total	77	134
2018 legislated changes to determining relativities	21	36
<b>Total change</b>	<b>286</b>	<b>496</b>

**Figure 3-6 Tasmania: main changes in assessed GST needs, 2026–27 relativities**

Method changes			
Driver	Change		Explanation
	\$m	\$pc	
Justice method changes	62	108	The Commission updated the police regression with the latest available data. These data show an increase in the cost of policing offenders and higher relative costs in non-remote areas, which increases Tasmania's assessed GST needs. State prisoner data have also been updated and show a growing proportion of First Nations defendants who have lower (rather than higher) levels of disadvantage. This increases Tasmania's assessed GST needs.

Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Population dispersion	-76	-131	Previous data had misclassified some major city hospital activity to other remoteness areas. This revision increases the costs of providing health services in major cities and decreases costs for other areas. This reduces assessed GST needs of states with more regional and remote areas, including Tasmania.

Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Population dispersion	64	111	Above-average increases in costs of admitted patients in regional areas between 2021–22 and 2024–25 increase assessed GST needs of states with large shares of people in regional areas, including Tasmania. Further, health spending increased between 2021–22 and 2024–25 and population dispersion is an important driver of health spending. This increases assessed GST needs of states with more regional areas, including Tasmania.
COVID-19	60	104	COVID-19 expenses were largest in 2021–22 and declined significantly in subsequent years. States with above-average COVID-19 expenses, notably New South Wales, Victoria and the ACT, now have lower expenses, decreasing their assessed GST needs and increasing the assessed GST needs of the other states, including Tasmania.
Net borrowing	58	101	Tasmania had a smaller share of population growth in 2024–25 than in 2021–22. This decreases its ability to service assessed liabilities and increases its assessed GST needs.
Mining production	-54	-93	Coal and iron ore prices fell between 2021–22 and 2024–25. This decreases Queensland's and Western Australia's revenue raising capacities and increases their assessed GST needs. Consequently, this decreases assessed GST needs of the other states, including Tasmania.
Relative growth of investment needs for urban transport	-39	-67	In 2021–22, Tasmania introduced a ferry service in Hobart. This resulted in a significant increase in assessed investment needs for that year. As 2021–22 is no longer in the assessment period, Tasmania's assessed GST needs have decreased.

## Australian Capital Territory

In 2026–27, the ACT’s GST distribution is estimated to increase by \$110 million (\$222 per capita). Its assessed GST needs have decreased by \$31 million (\$63 per capita) in 2026–27, however, this is more than offset by growth in the GST pool.

- The ACT’s assessed GST needs have decreased largely due to:
  - lower coal and iron ore prices, which increase Queensland’s and Western Australia’s assessed GST needs and decrease assessed GST needs of the other states
  - an upwards revision to population growth rates, which decreases its assessed GST needs in net borrowing.
- This is partially offset by a larger than average fall in the value of property transferred in the ACT, which decreases its relative capacity to raise revenue from stamp duties and increases its assessed GST needs.
- Expected growth in the GST pool more than offsets the ACT’s reduced GST relativity and increases its GST distribution.
- Compared with 2025–26, the 2018 legislated changes to determining relativities increase the ACT’s GST distribution by \$17 million.

**Table 3-7 Change in estimated GST distribution from 2025–26 to 2026–27, ACT (excludes no worse off payments)**

	\$m	\$pc
Change in population	1	2
Growth in GST pool	123	248
Changes in assessed GST needs		
Method changes	-15	-31
Data revisions	51	103
State circumstances	-67	-135
Total	-31	-63
2018 legislated changes to determining relativities	17	35
<b>Total change</b>	<b>110</b>	<b>222</b>

**Figure 3-7 ACT: main changes in assessed GST needs, 2026–27 relativities**

Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Net borrowing	-30	-60	A downward revision to the size of states' net financial liabilities has reduced assessed liabilities per person. The ACT's population growth rate has been revised up towards the national average, further reducing assessed liabilities per person. These both reduce the ACT's assessed GST needs.
Natural disaster relief	28	57	A significant downward revision by New South Wales to its natural disaster relief expenses in 2022–23 decreases its assessed GST needs and increases assessed GST needs of the other states, including the ACT. Also, the Commission makes an adjustment to correct for the use of unrevised data in previous updates and this further increases the ACT's assessed GST needs.
Population dispersion	28	57	Previous data had misclassified some major city hospital activity to other remoteness areas. This revision increases the costs of providing health services in major cities and decreases costs for other areas. This increases assessed GST needs of states with less remote areas, including the ACT.
Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Mining production	-64	-129	Coal and iron ore prices fell between 2021–22 and 2024–25. This decreases Queensland's and Western Australia's revenue raising capacities and increases their assessed GST needs. Consequently, this decreases assessed GST needs of the other states, including the ACT.
Property sales	46	93	A larger than average fall in the value of property transferred in 2024–25 (from 2021–22) reduces the ACT's relative revenue raising capacity and increases its assessed GST needs.
Net borrowing	25	50	The ACT had a smaller share of population growth in 2024–25 than in 2021–22. This decreases its ability to service assessed liabilities and increases its assessed GST needs.
Taxable land values	22	44	Below-average growth in taxable land values between 2021–22 and 2024–25 decreases the ACT's relative revenue raising capacity and increases its assessed GST needs.

## Northern Territory

In 2026–27, the Northern Territory’s GST distribution is estimated to increase by \$389 million (\$1,446 per capita). Its assessed GST needs have increased by \$89 million (\$330 per capita) in 2026–27.

- The Northern Territory’s assessed GST needs have increased largely due to:
  - increases in costs of servicing First Nations populations in 2024–25 compared with 2021–22
  - revised data in the schools assessment, which show an increase in investment needs due to an increase in the cost of educating First Nations students
  - increases in health spending, where population dispersion is a big driver.
- This is partially offset by data revisions due to the misclassification of some major city hospital activity to other remoteness areas. The Northern Territory also received a greater share of Commonwealth payments in 2024–25 than in 2021–22. Combined, these decrease its assessed GST needs.
- Expected growth in the GST pool contributes to an increase in the Northern Territory’s GST distribution.
- Compared with 2025–26, the 2018 legislated changes to determining relativities increase the Northern Territory’s GST distribution by \$12 million.

**Table 3-8 Change in estimated GST distribution from 2025–26 to 2026–27, Northern Territory (excludes no worse off payments)**

	\$m	\$pc
Change in population	-5	-19
Growth in GST pool	293	1,091
Changes in assessed GST needs		
Method changes	-7	-28
Data revisions	16	58
State circumstances	80	299
Total	89	330
2018 legislated changes to determining relativities	12	45
<b>Total change</b>	<b>389</b>	<b>1,446</b>

**Figure 3-8 Northern Territory: main changes in assessed GST needs, 2026–27 relativities**

Revisions			
Driver	Change		Explanation
	\$m	\$pc	
Population dispersion	-66	-245	Previous data had misclassified some major city hospital activity to other remoteness areas. This revision increases the costs of providing health services in major cities and decreases costs for other areas. This reduces assessed GST needs of states with more regional and remote areas, including the Northern Territory.
Relative growth of investment needs for schools	42	157	Updated data show an increase in the cost of educating First Nations students, which increases the Northern Territory's assessed GST needs.
Net borrowing	-32	-118	A downward revision to the size of states' net financial liabilities has reduced assessed liabilities per person. The Northern Territory's population growth rate has been revised up towards the national average, further reducing assessed liabilities per person. These both reduce the Northern Territory's assessed GST needs.
Changes in circumstances			
Driver	Change		Explanation
	\$m	\$pc	
Indigenous status	63	234	The increase in costs between 2021–22 and 2024–25 of servicing First Nations populations in health and schools increases the influence of Indigenous status on the GST distribution. This increases the Northern Territory's assessed GST needs.
Commonwealth payments	-33	-124	The Northern Territory received a greater relative share of assessed Commonwealth payments in 2024–25 compared with 2021–22, mainly driven by the National Water Grid Fund, reducing its assessed GST needs.
Population dispersion	32	121	Population dispersion is an important cost driver in the health assessment and health spending increased between 2021–22 and 2024–25. This increases assessed GST needs of states with more remote areas, including the Northern Territory. Above-average increases in the cost of admitted patients in outer regional areas further increase the Northern Territory's assessed GST needs.
Mining production	-27	-102	Coal and iron ore prices fell between 2021–22 and 2024–25. This decreases Queensland's and Western Australia's revenue raising capacities and increases their assessed GST needs. Consequently, this decreases assessed GST needs of the other states, including the Northern Territory.

# Appendix A: The Commission's approach

## Horizontal fiscal equalisation

Pursuing horizontal fiscal equalisation is not an exact science. It depends on the availability of appropriate data and requires the Commission to apply estimates, trade-offs and judgements.

The Commission depends heavily on reliable and fit-for-purpose data. Around every 5 years, the Commonwealth Treasurer asks the Commission to undertake a methodology review. The review tests all methods and data to allow changes, where necessary, to support a continuing fit-for-purpose approach. Between reviews, the Commission generally retains the same assessment methods, providing an annual update incorporating the most recent state financial and other data.

The Commission assesses each state's revenue raising capacity in comparison to the average revenue collected by all states. The Commission also accounts for circumstances outside the control of each state that affect its cost of providing services, relative to other states. In each revenue and expense assessment, the Commission considers a range of economic, demographic and geographic characteristics (for example, value of property transferred, age, socio-economic status and levels of remoteness).

The Commission's recommendation for the distribution of GST is based on a 3-year lagged, moving average of state fiscal capacities. This balances the need for contemporaneity, predictability and smoothing the impacts of fiscal shocks. States have supported this approach through recent methodology reviews, including the 2025 Methodology Review.

The Commission's approach to calculating GST relativities is guided by the policy neutrality supporting principle. This means that a state's policy choices (in relation to the revenue it raises or the services it provides) should not directly influence its GST share. Similarly, the Commission's assessments should not create incentives or disincentives for states to choose a particular policy approach. For example, a state that runs a larger budget deficit than other states through its policy choices will not be rewarded with an increase in its GST share.

The Commission recognises that in some instances its assessment methods are complex. Complexity is often a result of pursuing methods that are 'policy neutral' to the extent possible. Complexity can also arise from adopting methods that seek to best reflect a wide range of state expenditures and revenues. The Commission adopts a materiality threshold as a guardrail against undue complexity. States have generally supported this approach.

The Commission values collaboration and consultation with states to ensure the most reliable methods are put in place. All the Commission's calculations are made available to the states, except where states or other data custodians impose confidentiality restrictions on underlying data. Staff from the Commission and state treasuries work together to support a common understanding of the Commission's approach through training and ongoing dialogue. The Commission is always open to assisting stakeholders to improve their understanding of its assessments and the implications for the distribution of GST revenue.

The Commission seeks to make its work as consistent, transparent and understandable as possible. To support public understanding, the Commission has introduced an Occasional and Research Paper series. These papers (available on the CGC website) explain in non-technical terms how the Commission assesses states' relative fiscal capacities and describe various features of the Commission's approach.

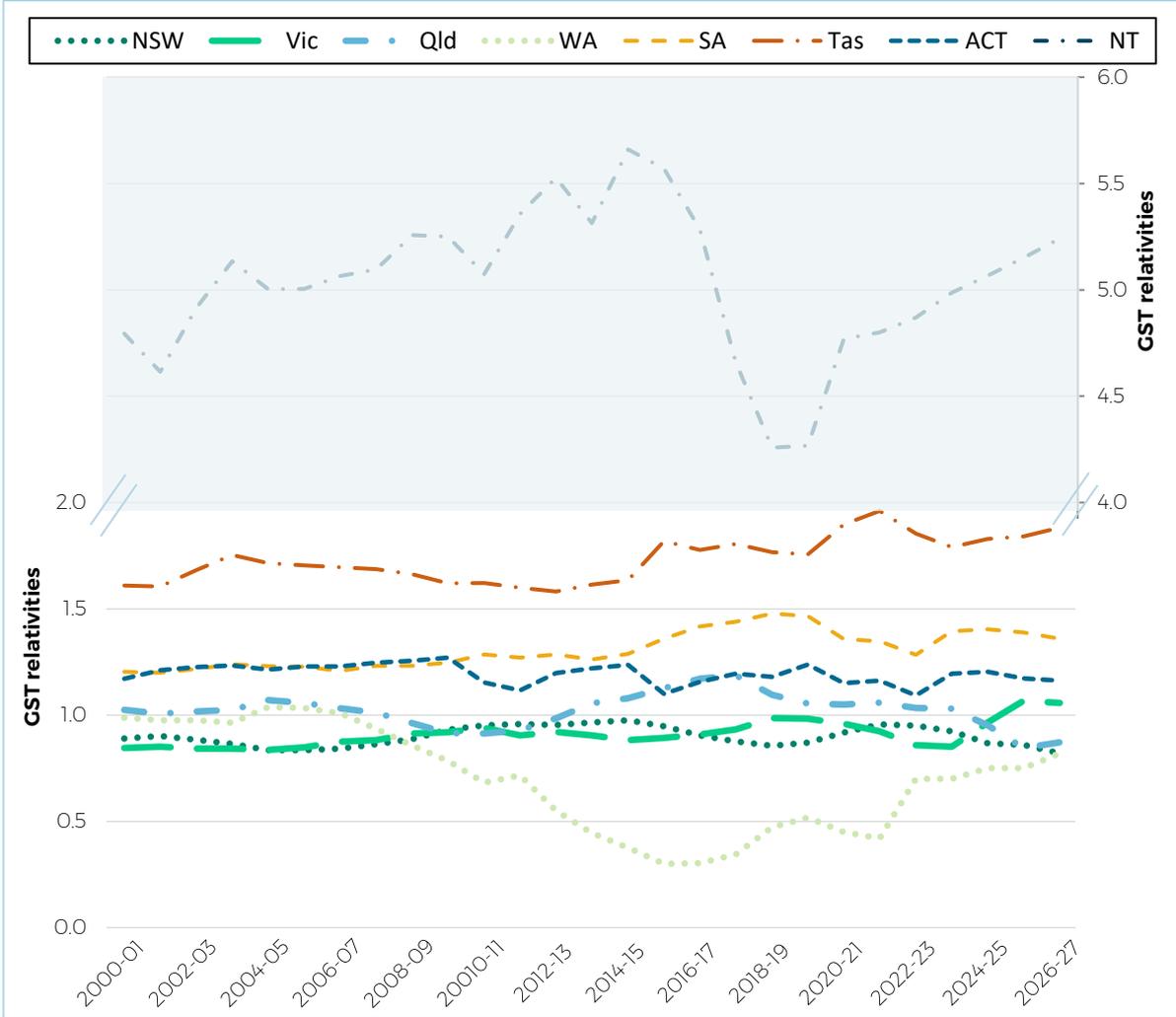
## Estimating states' relative fiscal capacities

The Commission takes account of states' different abilities to raise revenue and different costs of providing services. It is normal for each state's GST relativity to change from year to year (see Figure A-1). For example, a state could experience an increased share of property transfers, a decline in its share of Commonwealth payments or an increased

share of national population growth ('changes in state circumstances'). There could be 'data revisions', such as updated data on natural disaster relief expenses for a year that has already been in the Commission's calculations. Each state's GST relativity is also affected by other states' circumstances or data revisions. The amount of GST each state receives also depends on the size of the GST pool and its share of the national population, as well as the 2018 legislated changes to determining relativities.

The Commission only recommends GST distribution for the upcoming financial year. Forecasts of a state's GST share beyond one year would be highly uncertain as they would depend on expectations about revenue and expenses, non-contemporaneous data and assumptions about the future movements of all these factors across all 8 states.

**Figure A-1 GST relativities, 2000-01 to 2026-27**



# Appendix B: How GST relativities are calculated 2026–27

This appendix provides details on how GST relativities are calculated. Box B-1 explains key terms used in the appendix.

## Box B-1 Key relativity terms explained

The Commission's recommendations on GST relativities are consistent with the *Commonwealth Grants Commission Act 1973*, the *Federal Financial Relations Act 2009*, the *Treasury Laws Amendment (Making Sure Every State and Territory Gets Their Fair Share of GST) Act 2018* and the terms of reference issued by the Commonwealth Treasurer. The Commission undertakes several steps to produce GST relativities.

### Assessed relativities

Assessed relativities are calculated for each assessment year by comparing each state's relative capacity to raise revenue with its relative cost of providing services.

Drivers of differences in revenue capacity include mineral endowments, land values, property transactions, and taxable payrolls. States also receive different levels of funding through Commonwealth payments.

Service costs can vary by state for a range of reasons, including socio-demographic characteristics of the population, wage pressures, population dispersion, population density and rates of population growth.

Assessed relativities match a state's assessed expenditure with its assessed revenue including GST. Without the 2018 GST distribution legislation, GST relativities would equal assessed relativities.

### Standard state relativities

Standard state relativities are calculated for each assessment year by adjusting assessed relativities so that no state has a relativity less than the lower of New South Wales or Victoria (referred to as the 'standard state'). Therefore, any state that is fiscally stronger (and therefore has a lower assessed relativity) than the standard state, will have its relativity increased to the assessed relativity of the standard state. Given the GST is distributed from a fixed funding pool, relativities for all states are adjusted down on a population share basis to accommodate this increase.

### GST relativity floor

The GST relativity floor sets a minimum relativity (0.75), below which any state's per capita share of the GST pool cannot fall. If a standard state's relativity is below the floor, its GST relativity is adjusted up to the floor, along with any other states that may also have a GST relativity below this floor after being lifted to the standard state. To accommodate this, the relativities of the remaining states are adjusted down on a population share basis. In 2026–27, the standard state relativities are above 0.75, so no adjustments related to the GST relativity floor have been required.

### GST relativities

The final numbers are called GST relativities. The Commission recommends these to the Commonwealth Treasurer for the distribution of the GST pool.

## Assessed, standard state and GST relativities

Table B-1 shows the assessed and GST relativities for 2026–27.

**Table B-1 Assessed relativities to GST relativities, 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
<b>Assessed relativities</b>								
2022–23	0.88759	1.17122	0.82115	0.25891	1.58677	1.97862	1.25690	5.25840
2023–24	0.90987	1.17386	0.89310	0.23528	1.37845	1.85759	1.19553	5.27162
2024–25	0.88972	1.05547	1.04793	0.25379	1.34066	2.04060	1.26122	5.42273
<b>Average</b>	<b>0.89573</b>	<b>1.13351</b>	<b>0.92073</b>	<b>0.24933</b>	<b>1.43529</b>	<b>1.95894</b>	<b>1.23788</b>	<b>5.31758</b>
<b>Standard state relativities (a)</b>								
2022–23	0.80618	1.08981	0.80618	0.80618	1.50536	1.89721	1.17549	5.17698
2023–24	0.83291	1.09690	0.83291	0.83291	1.30149	1.78063	1.11857	5.19467
2024–25	0.81982	0.98557	0.97804	0.81982	1.27076	1.97070	1.19132	5.35283
<b>GST relativities</b>	<b>0.81964</b>	<b>1.05742</b>	<b>0.87237</b>	<b>0.81964</b>	<b>1.35920</b>	<b>1.88285</b>	<b>1.16179</b>	<b>5.24149</b>

(a) New South Wales is the standard state for all 3 assessment years.

### Assessed relativities

Assessed relativities have changed since 2025–26.

- The Commission uses a 3-year lagged, moving average of state fiscal capacities.<sup>11</sup> Accordingly, 2021–22 drops out of the assessment period and is replaced by 2024–25.
- Alongside the changing period, the Commission incorporates revisions to data from earlier years, so relativities are based on the most current information.
- The Commission has changed the justice assessment method in the 2026 Update as part of finalising the 2025 Review and has made a change to the urban transport assessment in response to data problems.

Further information on the main reasons for changes in assessed relativities in 2026–27 is in Chapter 2.

### Standard state relativities

The 2018 GST distribution legislation established a 6-year transition to an equalisation benchmark linked to a standard state, with full transition occurring in 2026–27.

In 2026–27, New South Wales is the standard state for all assessment years (2022–23, 2023–24 and 2024–25) because its assessed relativity is lower than Victoria’s in each year.

For the 2026 Update, Queensland’s assessed relativity is below the standard state in 2022–23 and 2023–24 and Western Australia’s assessed relativity is below for all 3 years. Accordingly, Queensland and Western Australia’s relativities are lifted to match New South Wales in the relevant years and the relativities of all states are reduced on a population share basis to accommodate these increases.

### GST relativities

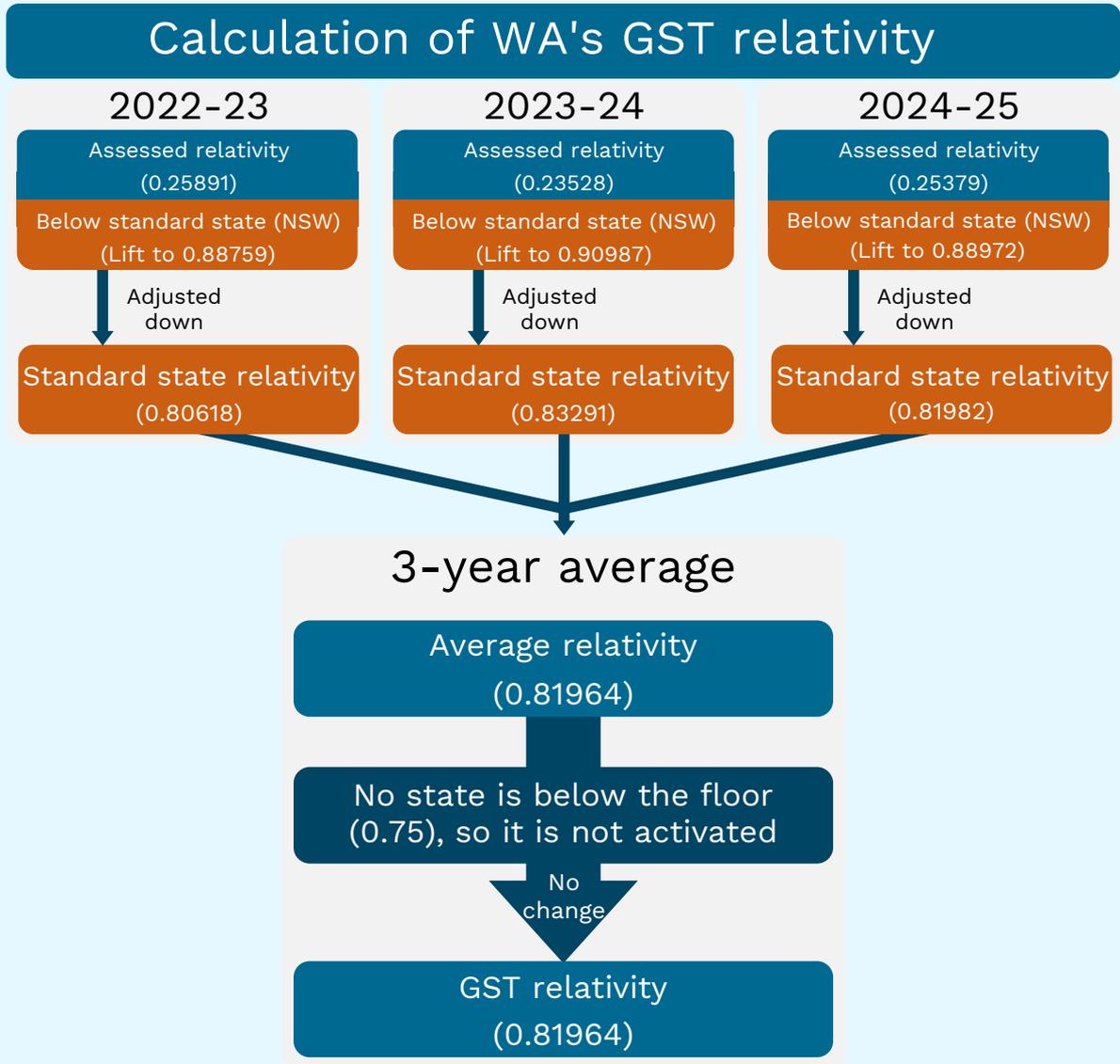
A state’s GST relativity is the average of its 3 standard state relativities.

<sup>11</sup> In 2025, the assessment years were 2021–22, 2022–23 and 2023–24. In 2026, the assessment years are 2022–23, 2023–24 and 2024–25.

## Box B-2 Calculating Western Australia's GST relativity

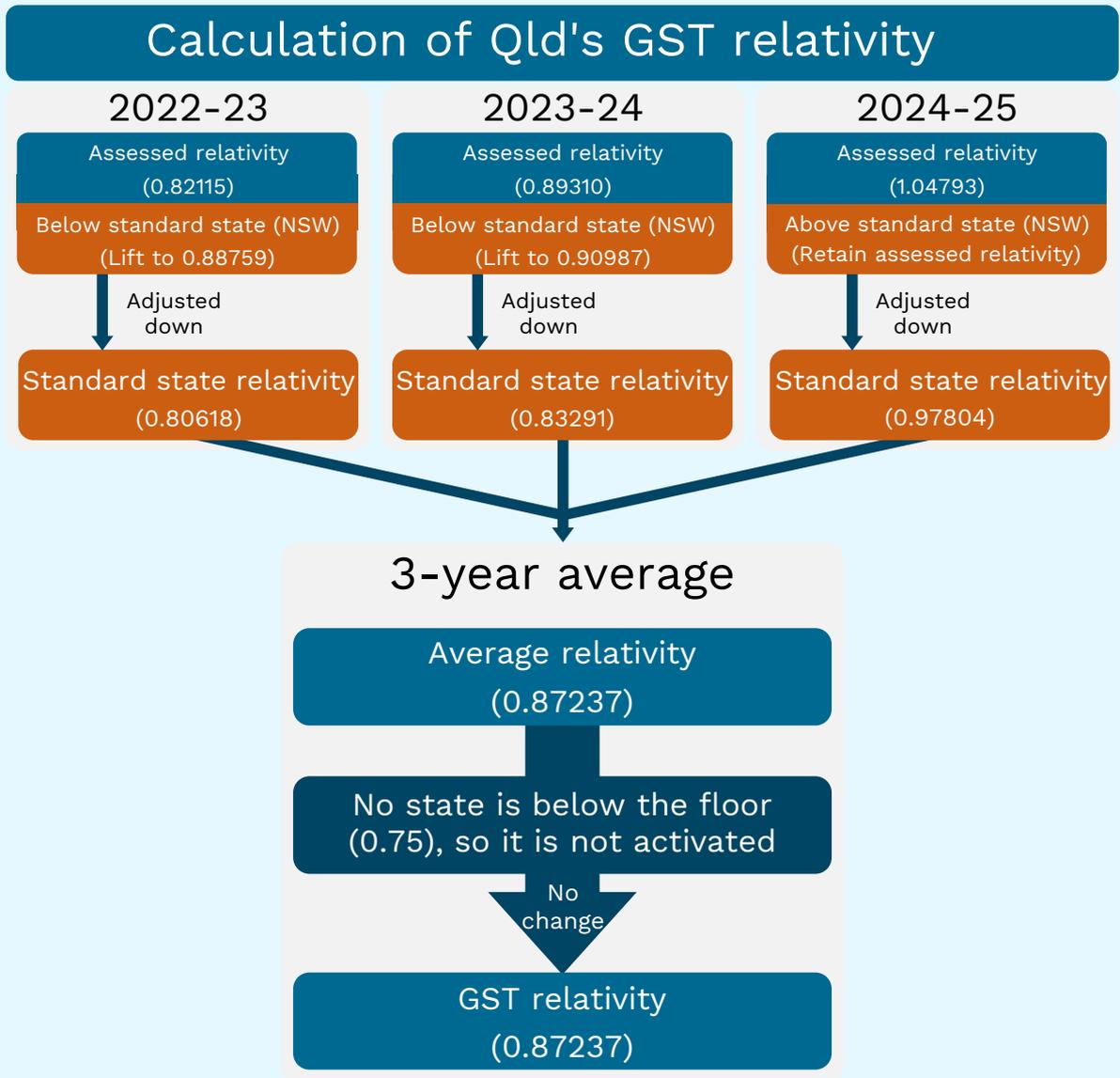
Western Australia's assessed relativity is lifted to the standard state (New South Wales) in each assessment year for the 2026 Update. To accommodate the increase for Western Australia and Queensland, the relativities of all states are reduced on a population share basis, producing a standard state relativity. The resulting number is the GST relativity.

The following diagram illustrates these steps.



### Box B-3 Calculating Queensland's GST relativity

Queensland's assessed relativity is lifted to the standard state (New South Wales) in the first 2 assessment years for the 2026 Update. Its assessed relativity in the third year has not changed as it is above the standard state. To accommodate the increase for Western Australia and Queensland, the relativities of all states are reduced on a population share basis, producing a standard state relativity. The resulting number is the GST relativity.



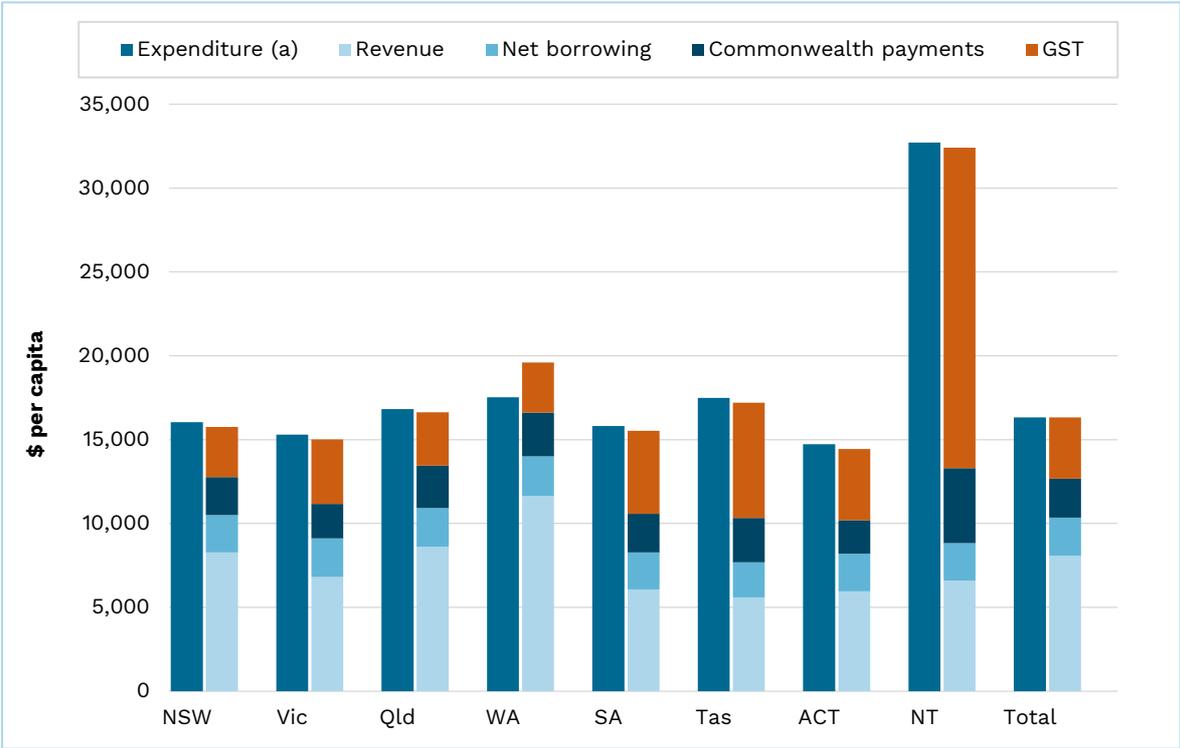
### Assessed state budgets

Assessed relativities reflect differences in states' GST requirements. They are calculated by comparing each state's relative capacity to raise revenue and its share of Commonwealth payments with its relative cost of delivering services and infrastructure. A state's GST need is higher when this gap is larger.

Figure B-1 illustrates the estimated assessed state budgets for 2026–27. The blue bar on the left shows the state's relative cost of delivering services and infrastructure. The bar on

the right shows its relative capacity to raise revenue, its assessed net borrowing, its Commonwealth payments and its revenue from the GST pool.<sup>12</sup>

**Figure B-1 Assessed state budgets per capita 2026–27 (excludes no worse off payments)**



(a) Includes expenses and investment.

Under the previous GST distribution arrangements, each state’s GST entitlement was set so that its assessed revenue (including its recommended GST distribution) equalled its assessed expenditure.

Following the application of the 2018 GST distribution legislation, Western Australia’s GST allocation, combined with its assessed revenues, is estimated to exceed its assessed expenditure. For other states, no worse off payments largely offset the gap between their assessed expenditure and the combined total of their GST distribution and assessed revenues.

<sup>12</sup> The terms used in the paragraph are defined in the glossary, which is available on the CGC website: [www.cgc.gov.au/publications/glossary](http://www.cgc.gov.au/publications/glossary).

# Appendix C: GST distribution since 2000–01

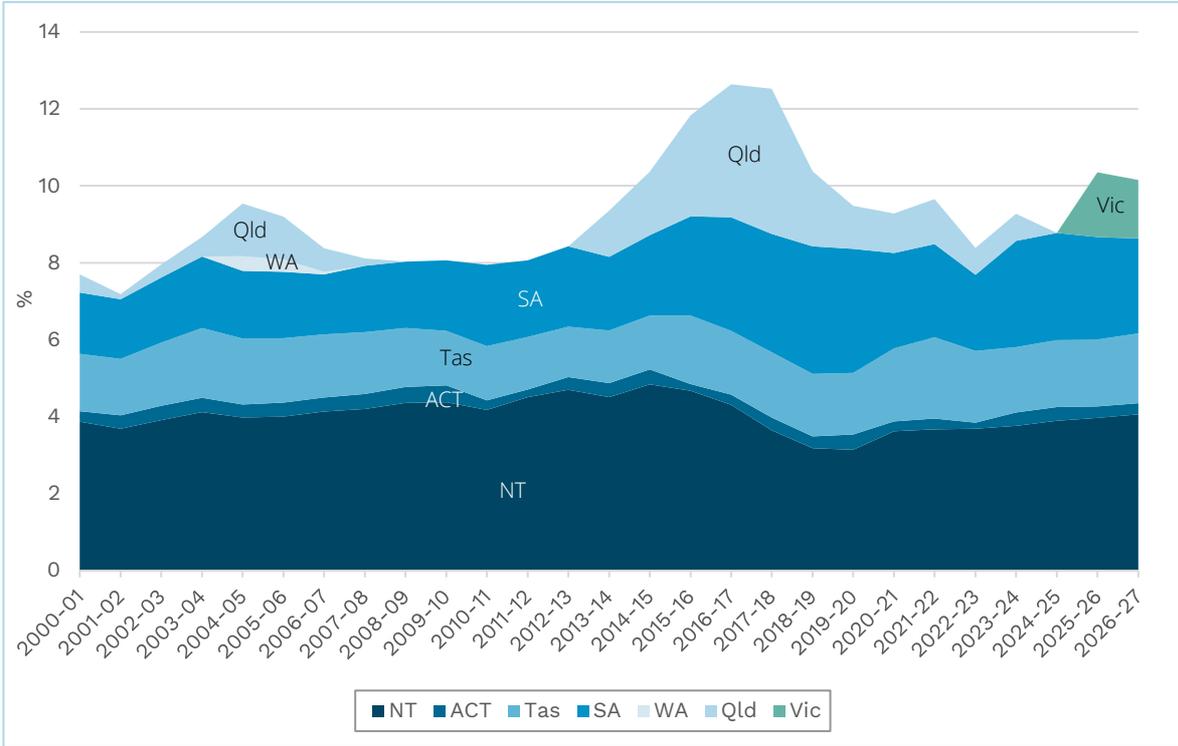
This appendix provides an overview of how states’ GST shares compare over time. A state’s GST share is primarily driven by its relative fiscal capacity, with a lower relative fiscal capacity resulting in a greater (per capita) share of GST revenue. The 2018 GST distribution legislation also affects GST shares.<sup>13</sup> The aim of the GST distribution arrangements is to provide all states with the fiscal capacity to provide a broadly comparable standard of services to their residents.

Figure C-1 and Figure C-2 show how each state’s proportion of GST pool compares to its population share over time.

- Figure C-1 shows when a state receives a larger proportion of the GST pool than if funds were distributed according to population share. This occurs when a state is assessed as having a relatively low fiscal capacity and therefore receives more than an equal per capita distribution, i.e. a GST relativity above one.
- Figure C-2 shows when a state receives a smaller proportion of the GST pool relative to its population share. This occurs when a state is assessed as having a relatively high fiscal capacity, and therefore receives less than an equal per capita distribution, i.e. a GST relativity below one.

For example, in 2000–01, the Northern Territory’s share of the GST pool exceeded its population share by around 4 percentage points and Victoria’s GST share was around 4 percentage points less than its population share.

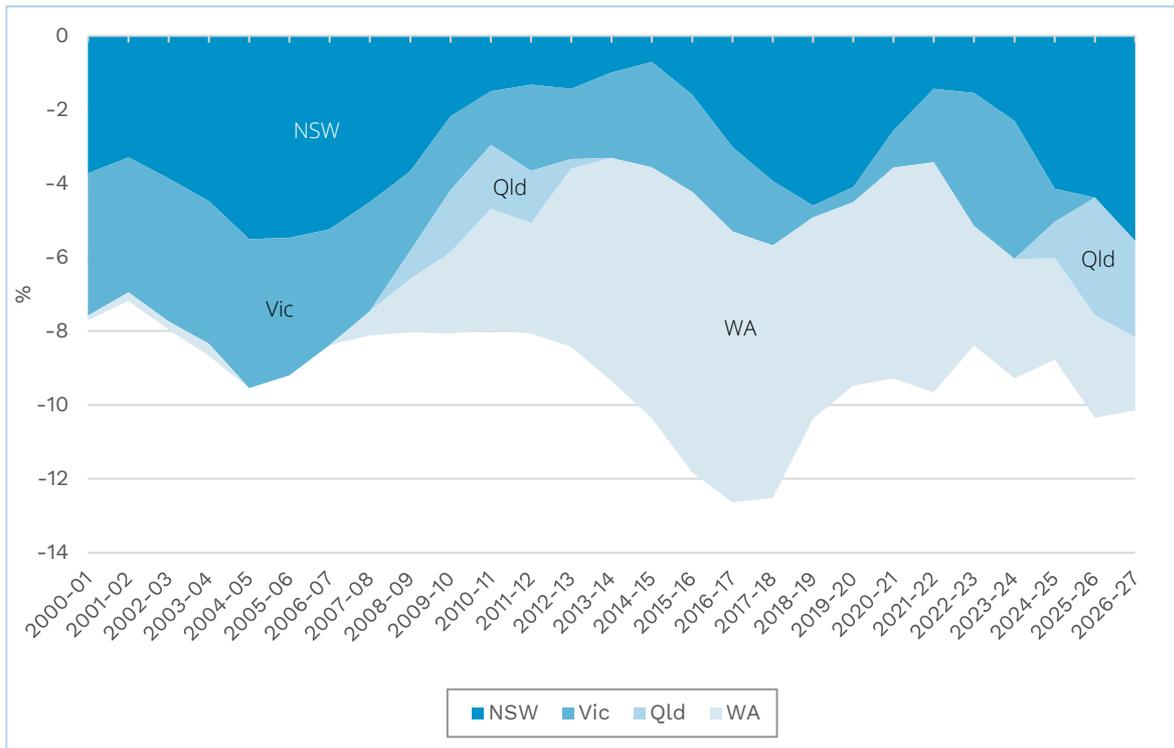
**Figure C-1 Proportion of the GST pool in excess of a state’s population share, 2000–01 to 2026–27 (excludes no worse off payments)**



Note: This refers to GST distribution, which has been different from assessed relativities since the 2018 GST distribution legislation came into effect. It does not include no worse off payments.

<sup>13</sup> For more information on the 2018 GST distribution legislation see: Commonwealth Grants Commission, [Occasional Paper No.4: New arrangements for distributing GST](#), 2023.

**Figure C-2 Proportion of the GST pool less than a state's population share, 2000–01 to 2026–27 (excludes no worse off payments)**



Note: This refers to GST distribution, which has been different from assessed relativities since the 2018 GST distribution legislation came into effect. It does not include no worse off payments.

## States with above-average assessed GST needs

In 2026–27, 5 states will receive more than their population share of GST (a GST relativity above one): Victoria, South Australia, Tasmania, the ACT and the Northern Territory. In 2025–26, these states also had above-average GST needs (Figure C-1).

- Until 2025–26, Victoria’s GST relativity was below one, largely reflecting its compact size and the socio-demographic composition of its population. In 2025–26, Victoria’s GST relativity rose above one for the first time (1.06722). This increase mainly reflected Victoria’s above-average expenses for COVID-19 health and business support, the relative growth of investment needs for urban transport, and a relative decline in Victoria’s mining revenue raising capacity compared with states benefiting from increased capacity in coal royalties. While some of these influences remain, the phasing out of COVID-19 related expenses and reduced disadvantage in royalty-raising, when compared to states with typically high capacity in mining production, have contributed to Victoria’s GST relativity falling to 1.05742 in 2026–27.
- South Australia’s GST relativity has ranged from 1.19971 to 1.47727. This largely reflects its below-average revenue-raising capacity, particularly from mining and property sales, as well as higher spending needs associated with its socio-demographic profile.
- Tasmania’s GST relativity has ranged from 1.58088 to 1.96067. This largely reflects its below-average capacity to raise revenue, particularly from mining and property sales, as well as higher spending needs associated with a large share of the population living in regional areas.
- The ACT’s GST relativity has ranged from 1.09250 to 1.27051. This largely reflects its below-average revenue-raising capacity. It has no capacity to raise revenue from mining royalties or to impose land tax or payroll tax on the Australian Government.

- The Northern Territory's GST relativity has ranged from 4.25816 to 5.66061. Its high assessed GST needs are largely driven by the high cost of delivering services to disadvantaged and remote communities, particularly First Nations populations. As a result, the Northern Territory consistently receives a much larger share of the GST pool relative to its population than other states.

## States with below-average assessed GST needs

In 2026–27, 3 states will receive less than their population share of GST (a GST relativity below one): New South Wales, Queensland and Western Australia (Figure C-2).

- Since 2000–01, New South Wales' GST relativity has ranged from 0.81964 to 0.97500. This largely reflects an above-average capacity to raise revenue from property sales, land tax and payroll tax. It also has below-average spending needs, particularly due to a relatively small share of the population living in regional or remote areas.

Queensland and Western Australia have each had GST relativities above one in some years and below one in others.

- Queensland's GST relativity has ranged from 0.84571 to 1.18769. It has mostly remained above one due to the higher costs of delivering services to large First Nations and regional and remote populations. However, from 2008–09, Queensland's GST relativity was below one for 5 years, and since 2024–25, its GST relativity has also been below one. This largely reflects an increase in the value of coal production and associated royalties.
- Western Australia's GST relativity has ranged from 0.29999 to 1.03811 and has been below one since 2007–08. This has been driven largely by an above-average capacity to raise mining royalties, as well as the strength of its payroll tax base. In general, changes in Western Australia's assessed GST needs closely follow changes in iron ore royalties, which can be volatile, but have generally increased over the past 2 decades. Western Australia also has ongoing high expenditure needs relating to its socio-demographic composition, including its dispersed population and above-average proportion of First Nations people. Following the application of the 2018 GST distribution legislation, Western Australia's relativity each year has been lifted to the GST relativity floor, until 2026–27, where it has been lifted to the standard state, New South Wales.

## GST relativities since 2000–01

Table C-1 shows state GST relativities since 2000–01. The relativities for the last 6 years reflect the application of the 2018 GST distribution legislation.

**Table C-1 GST relativities, 2000–01 to 2026–2027**

Financial Year	NSW	Vic	Qld	WA	SA	Tas	ACT	NT
2000-01	0.88914	0.84510	1.02507	0.98692	1.20433	1.61016	1.17050	4.79406
2001-02	0.90228	0.85168	1.00625	0.97571	1.19971	1.60490	1.21100	4.61547
2002-03	0.88419	0.84227	1.01673	0.97612	1.21719	1.68200	1.22552	4.91642
2003-04	0.86533	0.84243	1.02495	0.96455	1.23997	1.75292	1.23351	5.13490
2004-05	0.83468	0.83641	1.06994	1.03811	1.23041	1.71466	1.21407	5.00304
2005-06	0.83571	0.84900	1.05700	1.03303	1.22712	1.70370	1.22837	5.00537
2006-07	0.84193	0.87451	1.03271	1.00778	1.20839	1.69599	1.22918	5.06502
2007-08	0.86380	0.88206	1.01143	0.93616	1.23141	1.68662	1.24724	5.09597
2008-09	0.88743	0.91347	0.96196	0.85797	1.23192	1.66348	1.25603	5.25758
2009-10	0.93186	0.91875	0.91556	0.78485	1.24724	1.62040	1.27051	5.25073
2010-11	0.95205	0.93995	0.91322	0.68298	1.28497	1.62091	1.15295	5.07383
2011-12	0.95776	0.90476	0.92861	0.71729	1.27070	1.59942	1.11647	5.35708
2012-13	0.95312	0.92106	0.98477	0.55105	1.28472	1.58088	1.19757	5.52818
2013-14	0.96576	0.90398	1.05624	0.44581	1.26167	1.61454	1.22083	5.31414
2014-15	0.97500	0.88282	1.07876	0.37627	1.28803	1.63485	1.23600	5.66061
2015-16	0.94737	0.89254	1.12753	0.29999	1.35883	1.81906	1.10012	5.57053
2016-17	0.90464	0.90967	1.17109	0.30330	1.41695	1.77693	1.15648	5.28450
2017-18	0.87672	0.93239	1.18769	0.34434	1.43997	1.80477	1.19496	4.66024
2018-19	0.85517	0.98670	1.09584	0.47287	1.47727	1.76706	1.18070	4.25816
2019-20	0.87013	0.98273	1.05370	0.51842	1.46552	1.75576	1.23759	4.26735
2020-21	0.91808	0.95992	1.04907	0.44970	1.35765	1.89742	1.15112	4.76893
2021-22	0.95617	0.92335	1.05918	0.41967	1.34719	1.96067	1.16266	4.79985
2022-23	0.95065	0.85861	1.03377	0.70000	1.28411	1.85360	1.09250	4.86988
2023-24	0.92350	0.85169	1.03118	0.70000	1.39463	1.79080	1.19540	4.98725
2024-25	0.86736	0.96502	0.95232	0.75000	1.40312	1.82832	1.20419	5.06681
2025-26	0.86034	1.06722	0.84571	0.75000	1.38876	1.84053	1.17223	5.15112
2026-27	0.81964	1.05742	0.87237	0.81964	1.35920	1.88285	1.16179	5.24149

**Note:** Prior to 2009–10, the Commission was asked to provide relativities to distribute a pool of GST revenue and Health Care Grants. The relativities shown are those applicable for distributing a GST only pool.

A relativity floor of 0.70 in 2021–22 was funded from outside of the pool and is not reflected in the numbers in this table. Since 2022–23, the GST relativity floor has been funded from within the GST pool: a floor of 0.70 in 2022–23 and 2023–24 and 0.75 from 2024–25. The 2018 GST distribution legislation also introduced transitional arrangements under which standard state relativities were blended with assessed relativities from 2021–22. From 2026–27, this blending arrangement no longer applies and has been replaced by standard state relativities.

## Appendix D: Quality assurance

This appendix reports on the quality assurance procedures applied in this update. These procedures aim to ensure:

- data used in the Commission's assessments are fit for purpose and of the best possible quality
- analysis is accurate
- reporting of the Commission's findings and reasoning is accurate and transparent.

### Checking calculations

The Commission completed a rigorous internal review of all calculations. For each assessment, internal checks were performed and signed off by the assessment officer, another officer not involved in the original calculation, and the assessment director.

The Commission also engaged officers from the Commonwealth Treasury with the relevant technical expertise to check calculations. This was completed after internal checks.

### Reporting of methods, decisions and results

Transparency and accuracy in reporting assessment methods, decisions and results are important in ensuring high quality outputs.

The Commission undertook a comprehensive program of proofreading and checking of tables and results to ensure they aligned with the original calculations.

The Commission has posted this update, consultation on new issues, and a range of supporting documents on the Commission website ([www.cgc.gov.au](http://www.cgc.gov.au)).

### Quality Assurance Framework

The Commission's Quality Assurance Framework is available on the Commission's website: [Quality Assurance Framework](#).

# Attachment A

## Justice - Addendum

### Review outcomes

- During the 2025 Review, the Commission delayed finalising the review and implementation of method changes to the justice assessment until the 2026 Update to allow the use of data that were not unduly affected by the COVID-19 pandemic and appropriate consultation with stakeholders.
- The following changes were made to the assessment.
  - The police regression will use a combined remote and very remote variable. This change reflects that state data show remote areas cost more to police than very remote areas. The Commission considers it appropriate to combine remote and very remote cost weights as it is too early to determine whether this relationship reflects a permanent change in what states do.
  - Prior to running the police regression, central costs will be allocated on the basis of 50% proportion of full-time equivalent staff and 50% police district expenses. This change recognises the cost of police support services where expenses are driven by staffing rather than remoteness.
  - A 5-tier socio-economic status structure will be used to assess the socio-demographic composition of First Nations offenders. This reflects a linear relationship between socio-economic status and offender rates being observed in state data.
  - Regional costs will not be assessed in criminal courts and other legal services. State data did not show a relationship between remoteness and criminal court expenses. This likely reflects the increasing uptake of audio-visual technology in courts.
  - Defendants with non-stated Indigenous status will be attributed an Indigenous status based on the proportions of stated responses. New data suggested the 2020 Review method was understating the proportion of First Nations offenders. This change also affects the prisoner socio-economic status proxy used in prisons.
  - The general service delivery scale costs gradient will be used in the prisons assessment. The 2020 Review regression used to calculate regional costs was found to be too weak when updated with new data. While the conceptual case for regional and service delivery scale costs in prisons remains strong, applying the combined general regional and service delivery scale costs gradient would overstate the costs of operating remote prisons.
  - A juvenile cost weight will be used in prisons as its inclusion was material.
  - To facilitate the introduction of the juvenile detainee cost weight, the age groups used across the justice assessment will be adjusted. The new age groups will be 0–17, 18–24, 25–44, 45–64 and 65+.
- The Commission considered other changes but did not adopt them.
  - Use rates in police and courts will be based on 2022–23 and 2023–24 data rather than data being requested each year.

- Additional discounts or equal per capita assessments will not be applied in response to policy neutrality or policy barrier concerns in police.
- The police regression model, which recognises reactive and preventative policing activities and accounts for different police district size and population, will be broadly retained.
- Adding a remote offender variable in the police regression did not sufficiently improve the regression to warrant its inclusion given the added complexity.
- Proceedings counts will continue to be used for the Commission’s measure of offenders as it is the best measure to capture people that offend more than once in a single year.
- Traffic and breach of bail offence data will continue to be excluded from police as there are data quality concerns with their use.
- A suitable definition and data could not be identified for introducing a global cities driver in police.
- Finalised defendants (rather than population) will continue to be used as a measure of need in criminal courts as there is a strong conceptual case that defendants drive criminal court expenses.
- Data from all states will continue to be used to determine the socio-demographic composition of defendants. These will continue to be disaggregated by Indigenous status, age, socio-economic status and remoteness.
- State data will continue to be used to split the criminal courts and other legal services budgets as they are the best source of expense data for all court and legal services.
- A separate assessment of community corrections will not be included in prisons as such an assessment is not material.
- No changes will be made to the conceptual framework of the assessed prisoner model to reflect state objectives relating to prisoner welfare, health or reintegration as there is no conceptual case or data that suggest this impacts some states more than others.
- No additional discounts will be applied outside of the already discounted general service delivery scale costs gradient.
- Changes made to the justice assessment method have implications for the Commission’s geography assessment (see Attachment B).
  - A new general service delivery scale costs gradient will be developed for assessing service delivery scale in prisons.
  - Justice data will not be used to inform the general gradients.

## Introduction

- 1 As part of the 2025 Methodology Review, the Commission postponed reviewing and implementing changes to the justice assessment until the 2026 Update. This allowed for the collection of 2022–23 and 2023–24 data, which better reflected service delivery post the COVID-19 pandemic. It also enabled substantive consultation on

potential method changes and for the Commission to process the new justice data for application into the model.

- 2 As a result, the 2024 Update method was used for recommending GST distribution in 2025–26.
- 3 On 15 October 2025, the Commission published the [Overview of the final draft justice assessment](#) for the 2025 Methodology Review.
- 4 The Overview of the final draft justice assessment included a detailed analysis and response to issues raised by states and territories (states) in their [submissions](#) on the Commission’s [justice draft position paper](#). The Overview also considered issues raised in state submissions to the [Draft Report](#) and [consultation paper](#).
- 5 State submissions on the Overview of the final justice assessment can be viewed [here](#).
- 6 This chapter includes:
  - an overview of the issues considered throughout the review
  - the Commission’s response and decisions on each issue
  - GST impacts of method changes.
- 7 State views on the Overview of the final draft justice assessment are included in this chapter.
- 8 A description of the assessment method, incorporating the changes made from the 2025 Review and implemented in the 2026 Update, can be found in the justice chapter of the *Commission’s Assessment Methodology*.

## Issues considered

### Justice model and data issues

- 9 The Commission sought state views on the appropriateness of the 2020 Review justice model if updated with fit-for-purpose data.
- 10 Given the change in justice services during the COVID-19 pandemic, the Commission noted the likelihood that 2019–20, 2020–21 and 2021–22 did not reflect long-term patterns of justice service provision, particularly for police and criminal courts. During this time, resources were reallocated to enforce public health directives and lockdowns, crime patterns changed and some court proceedings were moved online or suspended.
- 11 The Commission raised the issue of whether 2022–23 data should be used to update the justice assessment if they are fit for purpose. It also proposed updating the assessment in the 2026 Update to allow the Commission to collect and process 2023–24 data and consult on potential method changes.

## State views

### Justice model

- 12 Most states broadly agreed that the 2020 Review justice model remained appropriate, although some states raised issues with elements of the model.
- 13 Victoria did not support the model. It said there were weaknesses in the conceptual case for some aspects and that the model was open to policy influence and could be a barrier for reform. Victoria engaged a consultant to review the model and support its submission.<sup>1</sup> Queensland did not support retaining the model without changes to the police assessment.

### Data quality concerns

- 14 Victoria expressed broad concerns regarding the data, saying they were not fit for purpose. It said the assessment was unable to adequately capture the drivers of justice expense needs because of data comparability issues. Victoria recommended the Commission discount, or assess components equal per capita, until the data had reached a sufficient level of maturity.
- 15 Queensland supported not applying any new equal per capita assessments or discounts due to data concerns, and supported the data used in the assessment.

### Updating data used in the assessment

- 16 All states agreed that data from 2019–20 to 2021–22 did not reflect normal justice services and costs. Other than South Australia, all states supported using 2022–23 data in the assessment. South Australia proposed 2022–23 data be analysed for potential COVID-19 influence prior to use.
- 17 Some states raised concerns over using only one year of data.
- 18 The Northern Territory raised the possibility of using annual data to update the assessment. It considered that annual data would better capture short-term and medium-term trends in justice service use, particularly in remote areas.
- 19 Western Australia said it would be prudent to include 2023–24 and 2024–25 data, particularly if 2022–23 data were COVID-19 affected but thought an annual data request could be burdensome. Queensland did not support requesting data from states on an ongoing annual basis.
- 20 There was broad support from all states for delaying the incorporation of changes to the assessment method until the 2026 Update and to include 2023–24 data in addition to 2022–23 data.

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<sup>1</sup> The views of the Victorian consultant have been attributed to Victoria in this document.

## Commission response

### Justice model

- 21 The Commission notes the broad support for the 2020 Review model and considers the overall approach remains appropriate. Although there was broad support for the 2020 Review model, states raised several concerns and made suggestions for improving the model.

### Data quality concerns

- 22 Where possible, the Commission uses data from organisations with nationally consistent frameworks as this increases data comparability and consistency. In the assessment, some data are sourced from the ABS, the Australian Institute of Health and Welfare and the Productivity Commission.<sup>2</sup> However, most data are sourced directly from states.
- 23 The Commission considers variability in costs across states does not necessarily mean uncertainties in the data that would warrant discounting. This variability is likely due partly to states' different policy choices. Using national average data smooths policy differences across states and provides a benchmark to assess needs in the context of diverse approaches to justice administration.
- 24 The Commission considers the data used in the justice assessment are the best currently available and fit for purpose. The Commission has not identified sufficient concerns with the data to support a discount or to pursue an equal per capita assessment.

### Updating data used in the assessment

- 25 The Commission considers that an annual request for state data would be a significant imposition on states given the size and complexity of the request. Furthermore, the time between receiving the data from all states and processing them would be insufficient to meet update requirements.
- 26 Commission analysis of national totals in ABS data on proceedings, defendants and prisoners showed that these measures are relatively stable over a 5-year period. The Commission therefore considers updating data annually would increase the burden on states for little benefit.
- 27 The Commission's analysis indicated ABS data for 2022–23 and 2023–24 are not unduly affected by COVID-19. Analysis of state data indicates that they are also largely unaffected. The similarities between the 2 years of data suggest that both represent the 'normalisation' of justice services following the COVID-19 pandemic.

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<sup>2</sup> Prisoner data are sourced from the ABS. Juvenile detainee data are sourced from the Productivity Commission and the Australian Institute of Health and Welfare. In determining the fixed use rate proportions, ABS data are used in scaling offenders and defendants. In the police regression, ABS Government Finance Statistics data are used to scale state expense data.

- 28 The Commission considers incorporating a second year of data (2023–24) would better reflect current and future state justice needs. The average of 2022–23 and 2023–24 data will be incorporated into the new assessment for the 2026 Update.

### Commission decision

- 29 The Commission will:
- broadly retain the 2020 Review model
  - implement 2025 Review method changes in the 2026 Update with data from 2022–23 and 2023–24
  - not apply discounts or equal per capita assessments in response to policy neutrality concerns
  - not request data from states on an annual basis.

### Police assessment – policy neutrality

- 30 In response to state comments, the Commission considered whether its police assessment could present barriers to policy reform. It also explored the possibility of weighting offences by seriousness.

### State views

- 31 Victoria said a state that implemented policies that reduce offender rates, court attendance and incarceration would have its GST needs negatively impacted because these are the measures the Commission uses to determine assessed expenses. Victoria said it was important not to disincentivise investments in evidence-based measures that cut costs and crime. It suggested that if offence numbers are incorporated into the police assessment method, these should be weighted by seriousness or discounted to account for the impact of state policy on offender numbers.
- 32 Queensland did not support changing the police assessment to account for potential barriers to policy reform.

### Commission response

- 33 The Commission’s assessments are based on national average policies. If one or more states experience a reduction in offenders from one of the sub-population groups, the assessment will capture the change relative to the national average. However, a change in one state is unlikely to materially affect the national average rates.
- 34 The Commission’s 2024 Update police assessment method considers all policing costs, not only costs related to offender rates.<sup>3</sup> If a state chooses to increase spending on diversionary programs to reduce offending, these costs will be captured

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<sup>3</sup> The 2020 Review method was revised in the 2024 Update to account for the suspension of the national capital assessment and the continued use of 2016 Census-based First Nations populations.

as part of policing costs and inform the national average per capita costs for policing in each region.

- 35 In relation to weighting offences by seriousness, the Commission acknowledges there is a conceptual case that the cost of investigating some crimes is more expensive than other crimes. A state may face higher costs beyond its control if these offences are committed more often within its borders than in other states.
- 36 However, the Commission is not aware of any national data that would allow it to determine whether, or by how much, more serious crimes cost more than less serious crimes. It is also likely that the costs associated with 2 crimes of the same seriousness may differ significantly. The Commission therefore considers the weighting of offences by seriousness to be unfeasible given current data availability.<sup>4</sup>
- 37 The Commission does not consider having an equal weight for offences conflicts with the principle of policy neutrality. With an equal weighting of offences, states may choose where they focus police activities.<sup>5</sup> These policy choices form part of the national average policy on what states spend per offender. This cost weight is then applied to each state's assessed offenders rather than its actual offenders. In this way, individual states are only able to influence their assessed GST needs in proportion to how much they affect national average policies.
- 38 Given the impact of individual state policies is mitigated by using national averages, the Commission does not consider a discount to be warranted.

### **Commission decision**

- 39 The Commission will not make changes to the police assessment in response to concerns regarding potential barriers to policy reform.

### **Police assessment – regression specification**

- 40 In response to state comments, the Commission considered if the regression used in the police assessment reflects what states do.
- 41 Following analysis of 2022–23 and 2023–24 data, the Commission proposed combining the remote and very remote variables. It noted that changes to expense patterns in the Northern Territory were influenced by the greater costs in remote areas compared with very remote areas.
- 42 The Commission also proposed to not include a remote offender variable in the regression.

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<sup>4</sup> The Commission will continue to explore whether suitable data can be identified for use in weighting offences for the next review.

<sup>5</sup> The Commission does not make judgements on what states could or should do.

## State views

### Reactive and preventative policing

- 43 Victoria said the 2020 Review police assessment was based on reactive police measures, such as offender numbers, which were a poor indicator of need. It recommended that, in the absence of robust preventative policing measures, the Commission should adopt a conservative approach and assess police expenses equal per capita or discount the assessment.
- 44 Victoria also recommended using a simplified model based only on police district population and remoteness since it found the offender variable to be ineffective at capturing cost drivers.
- 45 Victoria requested that the Commission further investigate the feasibility of an alternative regression specification that excludes offender-related variables and instead estimates police district costs using the socio-demographic characteristics of each area. Victoria also recommended that variables found to be statistically insignificant be omitted from the model.
- 46 Queensland said that the cost and time attributed to criminal activity within Queensland police services is significantly higher than the approximately 31% of policing costs attributed to criminal policing in the police regression.
- 47 Queensland proposed altering the police assessment to recognise expense needs through a socio-demographic composition assessment of assessed offenders that is weighted by regional costs (instead of applying the cost weights to regional populations).<sup>6</sup> It said that spending on preventative policing is driven by crime propensity rather than population.

### District size and population

- 48 Victoria said that, unless the police regression could be adjusted to account for state policy influences on the size, population and composition of police districts, the regression should not be used, or a discount applied.
- 49 Victoria also recommended that a population variable be added to the regression model to fully account for differences in police district size. It found that adding a population variable to the model produced different cost weights, meaning that weighting by population was not fully mitigating potential biases.

### Combining remoteness areas

- 50 Queensland, Tasmania and the ACT supported combining the remote and very remote variables in the police regression. Tasmania noted its experience was that demand for police services and their related costs is greater in remote areas than in very remote areas.

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<sup>6</sup> In the 2020 Review method, police regional cost weights are applied to regional populations instead of assessed offender numbers.

- 51 While Queensland supported combining the variables, it said that very remote regions incur significantly higher costs than remote regions.
- 52 Western Australia was not opposed to combining the remote and very remote variables.

#### **Additional remote offender variable**

- 53 Most states supported not including a remote offender variable.
- 54 New South Wales said that the assessment already accounts for remoteness costs in the police regression and the inclusion of the variable has little explanatory value. It considered that incorporating a measure for the severity of crime would be useful but acknowledged that this is not possible due to data limitations.
- 55 The ACT supported not including the remote offender variable because it was statistically insignificant when incorporated into the regression model.
- 56 Western Australia was not opposed to the exclusion of the remote offender variable. Western Australia said that while the conceptual case for remote offenders was strong, the relationship was not supported by data.
- 57 Queensland initially suggested including a remote offender variable in the regression and testing for any interactive effects on cost not already captured by the remote population or the offender variable. However, it supported not including an additional cost weight for remote offenders after Commission analysis found that expenses were largely already captured by the remote populations variable. Queensland maintained that costs incurred in policing the most remote regions are not adequately captured by the assessment and suggested that the issue be further explored by the Data Working Group.

### **Commission response**

#### **Reactive and preventative policing**

- 58 The police regression captures all recurrent expenses in the policing task and estimates a national average policing cost per offender and a policing cost for each regional area. It does not assign costs to a specific policing task.<sup>7</sup> This should not be interpreted as a split between the costs associated with policing offenders and the cost of general community policing.
- 59 Assessing all police expenses by only using national average offender numbers or only using police district population characteristics would not adequately recognise all the drivers of police costs. The Commission tested alternative regression models, including one that replaced offenders per capita with variables for the underlying socio-demographic drivers of crime. However, it found these were less accurate at predicting police district costs and would fail to address the costs faced by areas

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<sup>7</sup> Accordingly, these proportions are not comparable to the 2015 Review method which split costs between 'specialised' and 'community' policing.

with higher crime propensity. This continued to be the case after insignificant variables were excluded (see Attachment A).

- 60 The Commission acknowledges that states have different policies for funding police activities and that the difference between offender driven costs and other policing costs will vary. The Commission considers the 2025 Review regression model to be suitable for accounting for such policy differences.

#### **District size and population**

- 61 In the police regression, each of the police district's costs are weighted by the population in the police district. The regression uses the cost per capita to estimate the national average policing cost in each region and national average cost per offender. Using this type of population weighting negates the bias resulting from states having different numbers and population sizes of police districts.
- 62 The Commission considers the difference in cost weights produced by adding a population variable to the model is caused by the strong correlation between population and population-weighted police districts.

#### **Combining remoteness areas**

- 63 The very remote coefficient was lower than the remote coefficient when 2022–23 and 2023–24 data were incorporated into the regression model. The Commission considers the conceptual case for higher costs in very remote areas is strong and that it is too early to determine whether this relationship reflects a permanent change in what states do. Until a long-term trend can be established, the Commission considers it appropriate to combine remote and very remote cost weights. It will revisit this issue with updated data in the next review.

#### **Additional remote offender variable**

- 64 Regression analysis using 2022–23 and 2023–24 data suggested that the costs of running police districts would be estimated more accurately overall through the inclusion of a remote offender variable. The Commission notes that the remote offender variable produced a positive and significant coefficient, but its inclusion resulted in the coefficient for remote areas decreasing substantially and losing significance.
- 65 Instead of assessed spending being attributed to remote populations, a regression with the additional variable would attribute the additional spending to remote offenders. This means that some aspects of regional costs would be applied to offenders and some to population. There would be very low confidence in whether this reallocation of costs was appropriate. The Commission notes that within the total sample of 152 police districts, only a small number serviced remote areas. Such a small sample size makes it difficult to reliably quantify the cost of remote offenders separately from the cost of remote populations. The collinearity between these 2 variables would significantly compromise the precision of the derived cost

weights. The Commission considers the added complexity of including remote offenders is not warranted.

### **Commission decision**

- 66 The Commission will retain the regression model with a combined remote and very remote variable.
- 67 The Commission will not include a remote offender variable in the regression.

### **Police assessment – central costs**

- 68 Following analysis of 2022–23 and 2023–24 data, the Commission proposed allocating police central costs using a 50:50 blend of proportion of police district full-time equivalent staff and police district expenses prior to running the police regression. It noted that determining a precise split of central costs was not possible due to the nature of the central costs data.

### **State views**

- 69 States had differing views, with some advocating for retaining the 2020 Review method (costs attributed on the basis of district expenses) and others supporting a move to recognise and allocate more to full-time equivalent staff.
- 70 Queensland, Western Australia, Tasmania and the Northern Territory supported retaining the 2020 Review assessment, which allocated central costs entirely on the proportion of expenses in police districts. These states suggested that allocating central costs on a 50:50 basis between district costs and full-time equivalent staff would understate regional costs.
- 71 Queensland said that better data on central costs, especially data from states with large remote areas, were required to make an informed decision on the distribution of central costs.
- 72 Given the number and variety of cost centres, the Northern Territory considered it not feasible to investigate all the possible drivers of central costs and considered a broad apportionment approach to be appropriate. Further to this, it noted that there is no clear definition of central costs and that central cost centre structures differ between states. For this reason, the Northern Territory suggested reframing the discussion from apportionment of ‘central costs’ to either ‘statewide services’ or ‘dispersed services’.
- 73 Western Australia conducted analysis on state centrally controlled services data provided by its police force for 2023–24. Western Australia said that these data showed that the majority of its expenses are from specialist policing services with 19% of expenses being attributable to corporate overheads.
- 74 While supporting a retention of the current method, Western Australia and the Northern Territory noted that a 25:75 distribution, with 25% based on full-time

equivalent staff and 75% based on district expenses, could be used as an alternative to retaining the 2020 Review assessment.

- 75 Tasmania said that the 2020 Review method should be retained until more nationally comparable data on central costs became available. Tasmania acknowledged the Commission's need to exercise judgement on this issue.
- 76 New South Wales, Victoria and the ACT supported the Commission allocating central costs on the basis of 75:25, with 75% based on full-time equivalent staff and 25% based on district expenses.
- 77 New South Wales said that specialist or central service costs are driven mostly by service use in metropolitan areas and that regional costs would be overstated in a 50:50 allocation of central costs. It considered that central costs should be apportioned to regions according to service use and that this apportionment should be based, wherever possible, on individual states' data.
- 78 New South Wales disagreed with taking an unweighted average of states' central cost allocation methods. It said that doing so would overstate the allocation methods of less-populous states and a population-weighted approach would be more appropriate as the resulting coefficients would be applied to state populations.
- 79 Victoria said that population size alone is the most appropriate driver of policing costs and full-time equivalent staff is a better representation of population than district expenses. Given the size of central costs expenses and the large impact this adjustment has on distribution, Victoria did not consider the use of judgement to be justified. It recommended that if a 75:25 split was not adopted, that central costs should be excluded from the regression and allocated on an equal per capita basis.
- 80 The ACT said that its central costs split was closer to the 75:25 split suggested by the available data. It recommended that if the Commission chooses to use a 50:50 split, it should address relevant data issues, retest the split, and update the assessment as part of the 2027 Update.
- 81 New South Wales, Queensland and the ACT also suggested that this issue should be referred to the Data Working Group.

### **Commission response**

- 82 The Commission considers that allocating central costs entirely on the basis of police district expenses is no longer appropriate as all states have police support services where expenses are driven by the number of staff. Therefore, allocating some central cost expenses by full-time equivalent staff is supported by a strong conceptual case.
- 83 The Commission considers it appropriate to use an allocation method that includes both district expenses and full-time equivalent staff to recognise that staff use of support services and remoteness drives expenses. It does not consider retaining the 2020 Review model until better data are available to be appropriate because staff

use of support services drives a significant proportion of central costs. The Commission does not consider allocating central costs on an equal per capita basis outside of the regression appropriate. This approach would overlook the drivers of these expenses and undermine the regression's specification, which is designed to capture all costs associated with policing.

- 84 The Commission retains concerns with using an exact split of central cost allocation based on available data. The concerns stem from several issues identified within the state data, including:
- differing levels of central cost function aggregation
  - some central cost functions being plausibly influenced by multiple drivers
  - not all states being able to provide disaggregated central cost data
  - ambiguity on the tasks or functions completed by some state-identified central costs.
- 85 For example, some states have a police command that is responsible for ICT and/or technology and their expenses are recorded as a single central cost. While the management of technology support staff may be driven by full-time equivalent staff, an unknown proportion of the command's costs may be expenses associated with maintaining equipment. These expenses are likely to be higher per capita in remote areas as different forms of equipment are required to conduct police activities, such as satellite-based technology systems. If these police commands include the cost of providing ICT and technology equipment, allocating all costs using a single method would likely misallocate expenses to a single driver. However, the Commission is unable to identify how much of these expenses are included under these commands, if any, and to what degree they differ between states.
- 86 Similarly, some states have a significant proportion of their costs recorded under a miscellaneous budget line item. In some cases, this makes up over 20% of a state's central costs. Allocating these and other large central costs budget items has a significant impact on any split using the available data. Most states were able to provide central costs data by police commands, however the Commission considers more disaggregated data would be required to inform an appropriate treatment of central costs.
- 87 The Commission considers there is strong conceptual case to allocate central costs data on the basis of both full-time equivalent staff and district expenses. However, given the issues with the data, it acknowledges that judgement is required to determine the split. In the absence of better data to calculate a more precise split, the Commission considers a 50:50 split between full-time equivalent staff and police district expenses appropriate. The Commission notes that this is a broad estimate of the national average split, which may not reflect states' individual circumstances. The Commission considers that the same split should be applied across states to ensure consistent treatment.

- 88 The Commission considers that concerns with the clarity and consistency of state data could be addressed as part of future data request processes in consultation with states in preparation for the next review.
- 89 Regarding the use of an unweighted average in its analysis of a potential spilt, the Commission sought to estimate the average experience of all states. Using a population-weighted approach would have weighted the average towards the more populated-states and their geographical and policy settings. This approach would understate the experience of states with larger remote areas and dispersed populations. Given that the regression produces coefficients to estimate the state average costs associated with offenders and policing different remoteness areas, this approach would be inappropriate.

### **Commission decision**

- 90 The Commission will allocate central costs based on a split of 50% full-time equivalent staff and 50% police district expenses.

### **Police assessment – global cities**

- 91 In response to state comments, the Commission explored the possibility of a global city assessment. It proposed not to include a global cities driver in the assessment of police expenses.

### **State views**

- 92 Queensland, Western Australia, Tasmania, the ACT and the Northern Territory supported not including a global cities driver in the police assessment.
- 93 Queensland and Western Australia said that the influence of Commonwealth spending on complex crimes, such as terrorism, financial crimes and cybercrimes, makes the relationship between global cities and policing costs unclear.
- 94 Tasmania said that there was no conceptual case for a global cities driver and that costs for providing police services for counterterrorism and complex crime were not unique to major cities.
- 95 The ACT said that exploring data options for assessing counterterrorism and complex crime could be undertaken in the Data Working Group or by adding it to the forward work program. The ACT said that counterterrorism activities occur across all regions and cannot be linked with geographic factors such as globalised or major cities.
- 96 The Northern Territory did not believe that there was sufficient evidence or a conceptual case to support a global cities driver.
- 97 New South Wales said that a global cities driver was required to account for the extra costs associated with providing police services in densely populated areas and central business districts. It considered that while terrorism, organised and drug

related crimes are not unique to major cities, they are more likely to occur in major cities than in regional areas.

- 98 Victoria supported further investigation into whether certain police costs are unique to major cities and the Data Working Group looking at data on complex crimes and Australian Federal Police assistance.

### **Commission response**

- 99 The Commission notes that data on global cities expenses are limited. This is partly due to the absence of a clear definition of what constitutes a global city expense or crime. While certain crimes like terrorism and complex crimes may occur more often in major global-type cities, the Commission does not have data to determine the offence rates of these crimes in different regions even if it had a global city definition. The Commission does not have offender data for all states disaggregated by offence-type and location, nor data on the costs associated with policing these specific types of crime.
- 100 As some states raised in their submissions, Commonwealth assistance in matters relating to more serious crimes that might come under the definition of a global city crime complicates the issue. The Commission would need to determine the impact of this assistance on the offence rates for these crimes and their associated expenses.
- 101 Given the difficulty in defining the scope of a global cities driver and estimating offence-specific costs due to data limitations, the Commission is currently unable to introduce a global cities driver into the police assessment.

### **Commission decision**

- 102 The Commission will not introduce a global cities driver in the police assessment.

### **Police data**

- 103 In response to state comments, the Commission considered the following issues with data, or the treatment of data, used to inform the police assessment:
- the socio-economic status classifications applied to First Nations people
  - the exclusion of traffic and breach of bail offences
  - the use of proceedings data for assessed offenders.
- 104 Following analysis of 2022–23 and 2023–24 data, the Commission proposed using a 5-tier socio-economic status structure for First Nations people.

### **State views**

#### **Socio-economic status classifications applied to First Nations people**

- 105 Most states supported moving to a 5-tier structure to measure the socio-economic status of First Nations offenders. Queensland supported continuing to apply the

socio-economic status approach for First Nations people that best reflects a linear relationship with offence rates.

- 106 Victoria said that the Commission should adopt a 5-tier relationship regardless of the relationship. This would account for the evolving relationship between First Nations interactions with the justice system and socio-economic status. It said the non-linear relationship between socio-economic status and offences did not warrant merging the standard 5-tier socio-economic groups into 3 in the 2020 Review.

#### **Exclusion of traffic and breach of bail offences**

- 107 Western Australia said the Commission should determine whether traffic and breach of bail offence data are robust enough to include in the police assessment. It said their inclusion would provide a more accurate representation of police expenses.
- 108 Queensland supported excluding traffic and breach of bail offence data from the police assessment.

#### **Use of proceedings data for assessed offenders**

- 109 Victoria recommended the Commission use the ABS' offender counts rather than its proceedings count to calculate assessed offenders.<sup>8</sup> It considered proceedings to be an inappropriate measure of cost allocation.
- 110 Queensland supported continuing to use proceedings data in the calculation of assessed offenders.

## **Commission response**

### **Socio-economic status classifications applied to First Nations people**

- 111 Criminologists have identified a relationship between socio-economic status and offence rates.<sup>9</sup> If a socio-economic status structure does not show this relationship, it may mean that the measure is capturing the effects of factors unrelated to socio-economic status, which the Commission cannot control for because of data limitations. This may include the effects of structural inequalities or being removed from culture and/or family.<sup>10</sup>
- 112 Following analysis of 2022–23 and 2023–24 data, the Commission determined that using a 5-tier socio-economic status structure for First Nations people was appropriate. Figure 1 shows that a uniform relationship exists between decreased offence rates and First Nations people living in less disadvantaged areas.

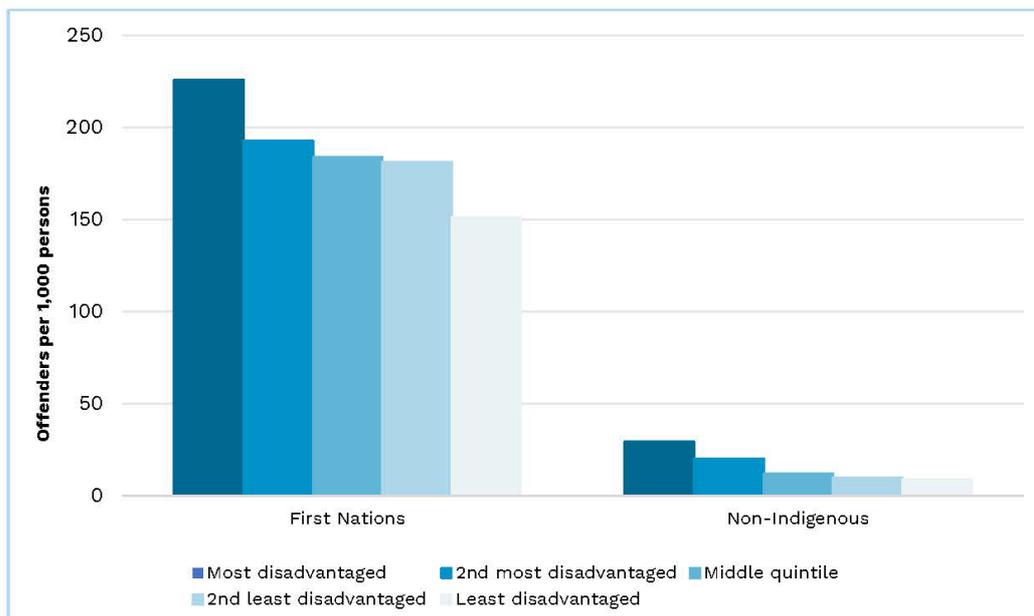
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<sup>8</sup> The Commission scales state-provided data to ABS totals to calculate the Commission's number of assessed offenders.

<sup>9</sup> L Ellis, DP Farrington and AW Hoskins, *Handbook of Crime Correlates*, 2nd Edition, Academic Press, London, 2019, pp 92–102.

<sup>10</sup> Australian Law Reform Commission (ALRC), [Pathways to Justice—Inquiry Into The Incarceration Rate Of Aboriginal And Torres Strait Islander Peoples](#), ALRC, Australian Government, 2018, accessed 6 February 2024.

**Figure 1 Offenders by Indigenous status and socio-economic status, 2022–23 and 2023–24 data**



**Exclusion of traffic and breach of bail offences**

113 The Commission sought advice from the ABS about whether the quality and comparability of states’ traffic and breach of bail offence data still raised concerns. The ABS indicated that it had not recently reviewed the quality and comparability of traffic and breach of bail offence data across states. In the absence of evidence of improvements in the quality and comparability of the data, the Commission considers that these data are not fit for purpose. The Commission will continue to liaise with the ABS on the quality of the data.

114 The Commission does not consider the exclusion of these offences to raise significant issues with the model since they tend to require fewer resources than other types of crime. Furthermore, it is likely the model used in the police assessment would partially capture the effects of these types of offences.

**Use of proceedings data for assessed offenders**

115 The Commission uses proceedings data in the police assessment to ensure it captures costs associated with investigating and charging a single offender on multiple occasions within a single year.<sup>11</sup> Using the ABS’ offenders count would not recognise the costs associated with a second (or more) separate instance of offending and the impact on policing costs.

<sup>11</sup> Each instance of offending would be counted as a separate proceeding regardless of the number of offences an individual is charged with.

## Commission decision

- 116 The Commission will use a 5-tier socio-economic status structure for First Nations people for assessing offenders.
- 117 The Commission will continue to use proceedings counts for its measure of assessed offenders and exclude traffic and breach of bail offence data from the assessment.

## Criminal courts assessment – use of finalised defendants

- 118 In response to state comments, the Commission considered concerns with the use of finalised defendants as a measure of criminal court expense needs.

### State views

#### Use of finalised defendants

- 119 Victoria said finalisations was not an adequate measure of spending needs given the highly variable relationship between criminal court expenses and volume of finalised defendants. Victoria also noted that the 2020 Review state-reported data on court expenses showed a wide variance in the proportion of criminal court expenditure across states. This raised doubts about reliability for making accurate comparative assessments or for drawing broad conclusions about state-level spending practices.
- 120 Victoria recommended the Commission use population as a measure of spending needs. It provided analyses based on data from the *Report on Government Services*, which indicated that population was a better predictor of costs than finalisations. New South Wales supported this proposal.
- 121 Queensland, Western Australia, Tasmania, the ACT and the Northern Territory supported not assessing criminal court expenses in a deliberative equal per capita assessment.
- 122 Queensland said that population explains far less of the variation in court expenses compared to the numbers of finalised defendants or court lodgements. Queensland considered that an equal per capita driver would incorrectly assume that all individuals have the same need for court services, disregarding the influence of socio-economic status, which affect the likelihood of individuals interacting with the criminal court system.
- 123 Tasmania said that the socio-demographic drivers affecting the number of assessed offenders should similarly apply to the criminal courts assessment.
- 124 The ACT supported the continued use of socio-demographic drivers in the assessment. However, the ACT recommended exploring other drivers because finalised defendants alone may not fully reflect the complexity of criminal court costs.

- 125 The Northern Territory said that defendant rates are highly correlated with demographics and that it is not credible to suggest defendant rates have no bearing on court costs.

#### **Specialist courts and diversions programs**

- 126 Victoria also suggested that programs that were used to divert people from the court system, including several of its specialist courts, were not captured in national data.

### **Commission response**

#### **Use of finalised defendants**

- 127 The Commission acknowledges there are policy differences in how states provide their criminal court services that may affect the number of finalised defendants or court costs. These differences include the number of court levels in state systems, the types of cases held at each level (and the method used to finalise them) and the number of staff employed. The Commission considers such differences are responsible for the variation between the cost per finalisation in each state.
- 128 As only a proportion of the population become defendants and the use of criminal court services is driven by the number of defendants, a socio-demographic composition approach to assessing expenses is supported by a strong conceptual case. This is consistent with the police and prisons components that recognise only a proportion of the population become offenders and prisoners. For this reason, the Commission does not consider it appropriate to assess criminal courts using an equal per capita method.

#### **Specialist courts and diversions programs**

- 129 The assessment method includes states' spending for all court-related expenses as defined by Government Finance Statistics data. This enables the Commission to include all criminal court expenses in its assessment, including the costs of running specialist courts and court-based diversion programs.
- 130 While the number of assessed finalised defendants currently excludes finalised defendants in specialist courts and diversion programs, excluding these data produces a more nationally comparable cost per assessed defendant.<sup>12</sup> Given these defendants are finalised in the court that first heard their case, including any additional finalisations would lead to double counting.

### **Commission decision**

- 131 The Commission will continue to use finalised defendants as a measure of criminal court expense needs. It will assess the number of finalised defendants in each state using a socio-demographic composition calculation.

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<sup>12</sup> This exclusion is consistent with the ABS' practice of counting defendants.

## **Criminal courts and other legal services assessments – regional costs**

132 Following analysis of 2022–23 and 2023–24 data, the Commission proposed removing the regional costs driver from the criminal courts and other legal services assessments. It noted that it could no longer identify a relationship between regional costs and remoteness in state data. The change in the relationship appears to be the result of an increase in the uptake of audio-visual technology in court case hearings.

### **State views**

- 133 New South Wales, Victoria, Tasmania and the ACT supported the Commission’s proposal to remove the regional costs gradient from the criminal courts and other legal services assessment.
- 134 New South Wales said that the inclusion of technology in courts has eliminated any additional costs driven by remoteness.
- 135 Queensland, Western Australia and the Northern Territory said that the Commission should retain the regional costs gradient applied to criminal courts and other legal services.
- 136 Queensland said that the Commission should retain the 2020 Review gradient, noting that while structural changes have occurred in courts, implementation challenges remain. The capital works costs for installing audio-visual technology in older courts and prisons, particularly those in remote and regional areas, justify the need to retain a regional costs gradient.
- 137 Western Australia noted that the Perth Magistrates Court served a unique function in that its expenses include substantial overheads that are similar to central costs. It indicated that the Perth Magistrates Court and other states’ metropolitan courts had unique circumstances that significantly impacted the cost per defendant in non-regional areas. Western Australia suggested that further analysis be undertaken on centrally located courts and the function they serve across the states as part of the next review. Due to uncertainty in the cost data, it said that the general regional costs gradient should be applied to the criminal courts and other legal services.
- 138 The Northern Territory said there is a strong conceptual case that remoteness costs exist. The Northern Territory said that the Commission should retain the 2020 Review gradient, apply the general regional and service delivery scale costs gradient or apply just the general service delivery scale costs gradient. The Northern Territory argued that case complexity contributes to costs and obscures the observable relationship between region and costs.

### **Commission response**

139 While case complexity and some centralised expenses likely affect the cost per defendant and measurable gradient, data limitations prevent the Commission from

quantifying their impact. However, the Commission does not consider that these factors significantly impact the assessment of criminal court expense needs. Data from most states do not indicate substantial overhead expenses are being captured in metropolitan courts. This appears to be unique to the Perth Magistrates Court.

- 140 The Commission tested removing the Perth Magistrates Court from analysis for the purpose of determining its impact. This reduced the cost per defendant in major cities but produced a near-zero regional costs gradient.
- 141 The Commission does not have data to determine how case complexity affects criminal court expenses and so weights all cases equally. Even if an adjustment for case complexity could be applied, the Commission considers it likely that any adjustment would offset any regional costs gradient, leading to a similar outcome as the proposed assessment. For this reason, the Commission does not consider that, in combination, case complexity and regional costs significantly affect the estimated criminal court expense needs.
- 142 Retaining the 2020 Review gradient would not be appropriate as it would be based on non-contemporaneous data that no longer reflect what states do in providing court services. It would also be inappropriate to maintain the gradient in the recurrent assessment to recognise capital works costs as these are covered in the Commission's investment category.
- 143 The conceptual case for regional costs in courts has been weakened by the adoption of audio-visual technology. The increasing use of this technology means that states have reduced court expenses in remote areas, particularly in regard to travel. The Commission considers there to be insufficient grounds for using the general regional costs gradient.
- 144 The Commission will consider criminal court functions and the drivers of criminal court expenses as part of the next review.

### **Commission decision**

- 145 The Commission will no longer include the regional costs driver for criminal courts and other legal services.

### **Criminal courts data**

- 146 In response to state comments, the Commission considered concerns that the criminal courts assessment used data from a limited number of states to determine the socio-demographic profile of defendants and the regional costs gradient. It also proposed attributing Indigenous status to defendants who had not provided their Indigenous status using the proportion of those who did.

## State views

### Data quality and averaging

- 147 Victoria said that using data from only 5 states in the socio-demographic composition calculation and 4 states in the criminal courts regional costs gradient for the 2020 Review failed to accurately capture the average of state policy. It noted that this likely biased the results in the prisons component, which also uses defendants' socio-economic status as a proxy for prisoners' socio-economic status. For this reason, it recommended that socio-economic status not be used in prisons. Victoria noted that if defendant socio-economic status was used as a proxy it should be discounted. Alternatively, it considered modelling should be limited to data available for every state (age and socio-economic status) or data should be imputed for any missing states rather than excluding them from the national average.

### Treatment of non-stated Indigenous status

- 148 Queensland and Western Australia supported attributing Indigenous status to non-stated defendants using the proportion of the stated defendants. Queensland said that this approach would ensure a reasonable and equitable approach to addressing data gaps and maintain the integrity of the assessment.
- 149 The Northern Territory did not support this proposal. It said that the demographic characteristics of non-stated defendants are different to those of stated defendants. The Northern Territory suggested that either the non-stated responses for Indigenous status not be allocated or that socio-economic status proxy used in prisons should exclude the influence of non-stated defendants.

## Commission response

### Data quality and averaging

- 150 In the 2020 Review, the Commission used all fit-for-purpose data available to inform the socio-demographic composition calculation and regional cost gradient in courts. The Commission agrees that, where possible, the assessment should be based on data from all states. However, given the importance of Indigenous status and regional costs, limiting modelling to where data are available for every state would limit the assessments that can be undertaken and would be contrary to the objective of horizontal fiscal equalisation.
- 151 The Commission considers using data from those states able to provide fit-for-purpose data provides a reasonable estimate of the national average if these states form a representative cross-section of all states. For example, this would be the case if the cross-section included states with large remote regions, diverse socio-demographic profiles and highly populated major cities.
- 152 For the 2025 Review, the Commission notes that data from all states were used in the analysis of the socio-demographic composition of defendants and data from 6 states in the analysis of regional costs. This also means that data from all states are used in calculating the proxy for prisoner socio-economic status.

### Treatment of non-stated Indigenous status

- 153 In the 2020 Review, the Commission was concerned that attributing Indigenous status to non-stated finalised defendants by shares of stated defendant responses would overestimate the number of First Nations finalised defendants. After analysing Western Australian traffic offence data, it considered most First Nations offenders may have already been identified in the data.
- 154 Data provided by Western Australia for the 2020 Review showed a large proportion of the state's non-stated defendant responses for traffic offences came from areas where First Nations people make up a smaller proportion of the population.
- 155 Western Australia's 2022–23 data show 24% of finalised defendants (before attributing Indigenous status to non-stated responses) identified as First Nations.<sup>13</sup> This proportion of First Nations responses more closely aligns with 2020 Review data when non-stated responses are attributed by shares of stated defendant responses (23% First Nations) rather than population shares (16% First Nations).
- 156 The Commission also noted that the proportion of non-stated defendant responses has fallen to 7% in the 2022–23 data down from 41% in the 2020 Review data.
- 157 The Commission considers that attributing Indigenous status to non-stated finalised defendants by shares of stated defendant responses would not overestimate the number of First Nations finalised defendants.
- 158 The Commission does not consider the Northern Territory's proposal to not allocate non-stated defendants to be an improvement to the method. As part of creating the defendant socio-demographic composition profiles, state data are scaled to ABS totals to improve the comparability of data. Scaling data with non-stated responses removed would effectively add the influence of non-stated responses in a less precise manner. The Commission's proposed attribution method accounts for different age, socio-economic status and remoteness profiles of defendants.
- 159 The simplest option for removing the influence of non-stated responses would be to not scale to the ABS totals. However, this would have implications for data comparability. The Commission considers the scaling of defendant data an important step in improving data comparability and the robustness of the assessment.

### Commission decision

- 160 The Commission will:
- use data from all states in the socio-demographic composition calculation for the criminal courts component
  - attribute Indigenous status to non-stated finalised defendants by the proportion of the stated defendant responses.

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<sup>13</sup> Western Australia said it made the reasonable assumption that the composition of offenders has not changed structurally from 2016–17 to 2022–23 for traffic offences.

## Other legal services data

- 161 In response to state comments, the Commission considered whether the method used to split criminal courts and other legal services was appropriate.

### State views

- 162 Victoria said the expense split between criminal courts and other legal services was unreliable because it relied heavily on state data that were not comparable. It said the data had high levels of variability, likely due to classification inconsistencies between states.
- 163 Victoria recommended the Commission use the *Report on Government Services* criminal court expenditure data for criminal and civil courts and place any remaining difference between expense totals in *Report on Government Services* data and Government Finance Statistics data into the other legal services component.

### Commission response

- 164 The Commission has previously explored using *Report on Government Services* data for splitting criminal courts and other legal services but found the data unsuitable. There are some legal services related to both criminal courts and other legal services that are excluded from these data. The Commission considers splitting court expenses in this manner does not provide the best estimate of costs incurred by states' criminal courts and other legal services.

### Commission decision

- 165 The Commission will continue to use data provided by states for the 2025 Review to split other legal services expenses from criminal court expenses.

## Prisons assessment – regional and service delivery scale costs

- 166 Following analysis of 2022–23 and 2023–24 data, the Commission considered its approach to assessing regional and service delivery scale costs in the prisons assessment. The Commission proposed to use the general service delivery scale costs gradient (discounted by 25%) to assess service delivery scale costs in prisons and not assess regional costs.

### State views

- 167 Tasmania and the Northern Territory supported the Commission's proposal to use the general service delivery scale costs gradient in the prisons assessment.
- 168 Tasmania said that it supported the conceptual case for service delivery scale costs in prisons and acknowledged that data limitations precluded the option of calculating a prisons-specific service delivery scale costs gradient.
- 169 The Northern Territory said that the lack of observable relationships in prisons was due to data limitations. The Northern Territory supported removing the 2020 Review

prisons regional costs gradient and applying the general service delivery scale costs gradient instead. As an alternative, the Northern Territory suggested the Commission could apply the general regional and service delivery scale costs gradient. The Northern Territory also said that if the service delivery scale costs gradient is adjusted to group together remote and non-remote regions, then the 25% discount should be removed.

- 170 The ACT supported assessing service delivery scale costs in prisons but did not support the use of the general service delivery scale costs gradient in the assessment. The ACT said that there was a lack of evidence that service delivery scale in schools and health are similar to those in prisons. The ACT said that if a gradient were applied, it should be discounted further and the cost weight applied to remote and non-remote areas should be combined.
- 171 The ACT also noted it would be treated as a major city, thereby excluding it from being assessed to incur service delivery scale costs in delivering prison services. The ACT said that it faced cost challenges, such as service delivery scale costs, similar to Tasmania and the Northern Territory due to the fixed costs in providing prison services being allocated across a smaller population. The ACT does not have the scale to efficiently operate a separate remand centre or women's only facility, which is a cost driver that is not recognised in the proposed assessment.
- 172 The ACT recommended that as an alternative to further discounting the general service delivery scale costs gradient, the ACT should be treated as a regional area to address its isolation and small economies of scale.
- 173 Queensland and Western Australia said that the Commission should recognise regional and service delivery scale costs in the prisons assessment.
- 174 Queensland said that there was a strong conceptual case for regional costs in prisons and that it is average policy for states with remote populations to have remote prisons. It said that the 2020 Review model should be retained until a new suitable approach is developed but argued against its use as a benchmark for validating the discounted general service delivery scale costs gradient.
- 175 Western Australia said that the Commission should apply the general regional and service delivery scale costs gradient to the prisons assessment. Western Australia considered that circumstances in prisons had not changed significantly since the last review. It said that limitations in prisons data and the poor explanatory power of the prisons regression do not infer a lack of a relationship between remoteness and increased costs.
- 176 New South Wales argued that the relationship between costs and prison size does not hold across remoteness areas. New South Wales said that prison costs are driven by security classification and prison function as opposed to service delivery scale. New South Wales argued that there should be no general service delivery scale costs gradient applied to prisons but, if it is applied, it should be discounted by 50%.

It said that further discounting was warranted due to uncertainty around relevance of the proxy gradient. This would acknowledge that the estimated economies of scale in the health and education sectors do not apply to justice services.

- 177 Victoria said that the conceptual and empirical evidence to support a remoteness cost weight was weak. Victoria said that many states, including Victoria, do not locate prisoners based on their place of residence nor do they place prisons based on the proximity of the population they will serve.
- 178 Victoria considered that differences in prison size are policy driven and that differences between states in costs per prisoner can be influenced by the types of programs provided, staffing levels and the number and type of facilities available in prisons. It also argued that a gradient with higher cost weights for regional areas was inappropriate given regional prisons were not smaller than those in major cities. Victoria said that the general service delivery scale costs gradient, which is largely based on health and schools data, would not capture a universal cost-relationship between service delivery scale costs and remoteness.

## **Commission response**

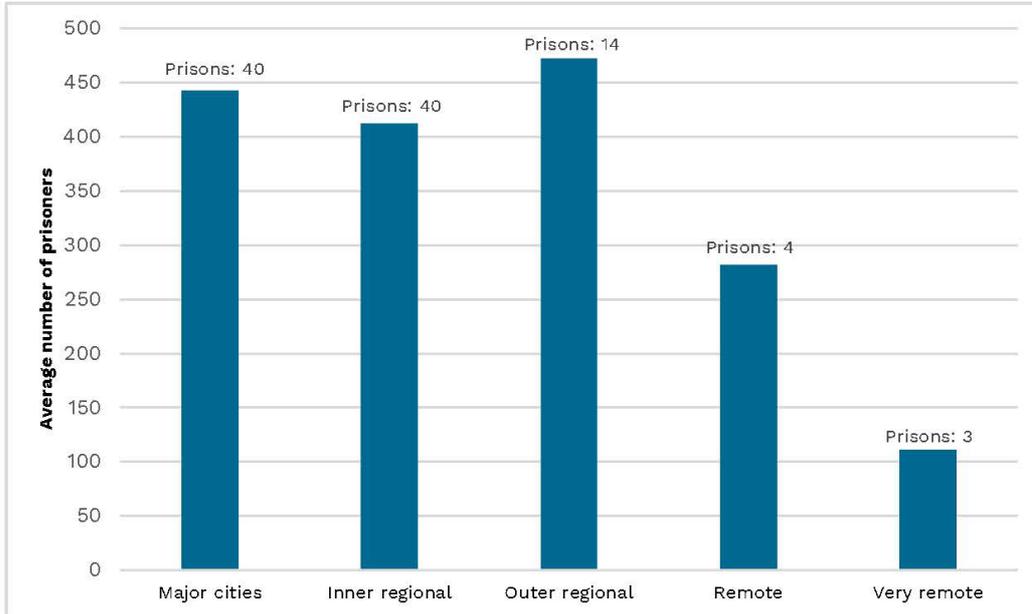
### **Prisons regression**

- 179 The Commission retested the 2020 Review prisons regression using 2022–23 and 2023–24 state data and found that the results produced were not strong enough to incorporate into the justice assessment.
- 180 The Commission explored using other regression models but found the data did not support the use of a regression. This was due to insignificant results and low explanatory power, making it unsuitable for assessing regional and service delivery scale costs.

### **Regional and service delivery scale costs**

- 181 The Commission considers there is a strong conceptual case for service delivery scale and regional costs in prisons. State-provided data and submissions clearly indicate that it is average policy for states with large remote areas to have remote prisons or workcamps, and that those prisons are generally smaller than prisons in regional and major city areas (see Figure 2).

**Figure 2 Average prison size by remoteness area, 2022–23 and 2023–24 data**



182 Figure 3 shows that broadly, smaller prisons continue to be costlier on a per prisoner basis than larger prisons. 2022–23 and 2023–24 data showed no consistent relationship between remoteness and per prisoner costs.

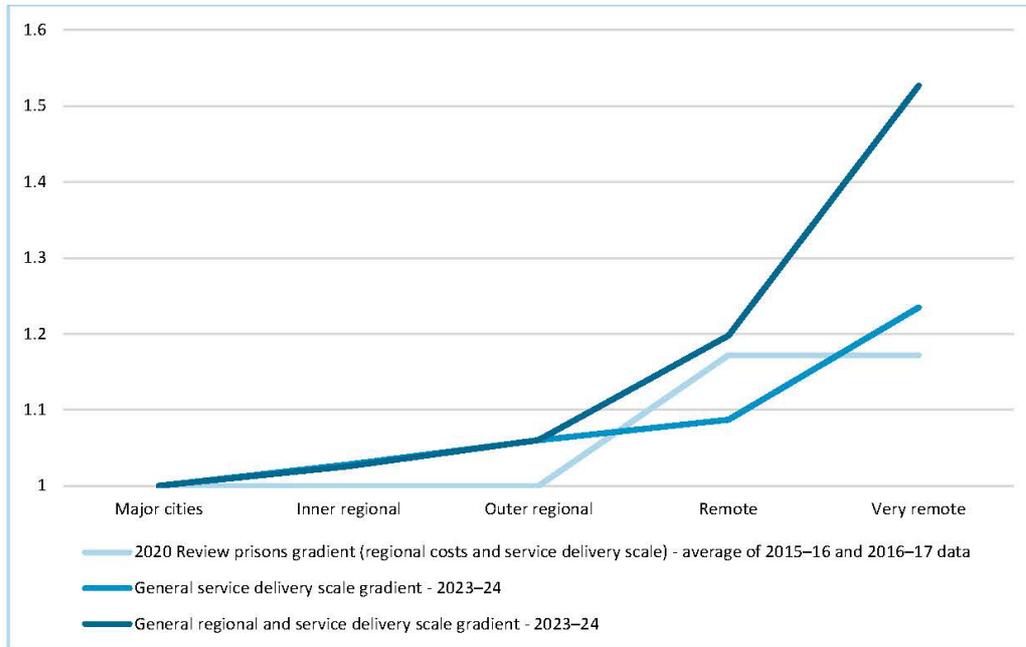
**Figure 3 Cost per prisoner by remoteness area and prison size, 2022–23 and 2023–24 data**



- 183 The Commission acknowledges that economies of scale are not entirely uniform across the data. Data showed that the smallest very remote prisons were the least expensive of all prisons while the second smallest prisons cost less, on average, than prisons in the middle 20%. Given the small number of prisons in Australia and data quality concerns, a clear linear relationship is not necessarily expected. However, an observable trend is present.
- 184 The Commission acknowledges that several factors influence where a prisoner is imprisoned, but for remote prisoners there is a reasonable link between their usual address and their placement in a remote prison. This view is supported by several state submissions, which refer to prisoner placement policies and legislative requirements.
- 185 The Commission considers that other prison or prisoner characteristics, such as security classification, can significantly influence costs and that prison sizes can be policy influenced. It also acknowledges that issues of data comparability can undermine the reliability of measures and assumptions derived from them.
- 186 However, the Commission considers that if data were more comparable and other drivers of cost could be accurately controlled for, that evidence of economies of scale in prisons would exist because the conceptual case is strong. It also notes that under the proposed assessment, states building more smaller prisons than required under average policy would not increase their GST distribution through such policy choices.
- 187 In response to concerns raised by the ACT, the Commission acknowledges a conceptual case that smaller states may face higher per capita costs due to system-level rather than prison-level factors. The Commission's analysis of state prison data indicates the presence of economies of scale at the prison level. However, it has not explored whether economies of scale also exist at the system level. The Commission notes that states with larger populations often have prisons that serve specialised functions, such as holding remand prisoners. Smaller states may not be able develop their prison systems in the same way. In a small state, a prison may need to serve multiple functions that would be performed by several prisons in a larger state. This may increase the per prisoner costs in smaller states. This may be an area warranting consideration the next review.
- 188 While the Commission acknowledges that there is a conceptual case for regional and service delivery scale costs, it is concerned that applying the combined general regional and service delivery scale costs gradient will overstate the need of states with more remote areas and produce an inferior horizontal fiscal equalisation outcome.
- 189 Figure 4 below shows that the 2025 Review general service delivery scale costs gradient is more consistent with the 2020 Review gradient, which was derived using prison specific data. Combined with the inability to identify the presence of regional

costs separate from service delivery scale in the available data, the Commission proposes to apply the service delivery scale general gradient only.

**Figure 4 Comparison of regional and service delivery scale costs gradients in the prisons assessment**



Note: The general service delivery scale costs gradient and the general regional and service delivery scale costs gradient are updated annually with new data. General gradients are unique for each assessment year and would be applied to the assessed prisoners calculated for the corresponding assessment year (for example, the 2023–24 service delivery scale general gradient would be applied to assessed prisoners and juvenile detainees for 2023–24).

190 Regarding Victoria’s concerns on the appropriateness of the gradient, the Commission accepts that regional prisons are not always smaller than those in major cities and that this is inconsistent with the assumption that costs always increase by remoteness. However, the general service delivery scale costs gradient is already discounted by 25% to account for the use of proxy data. The degree of additional uncertainty in the data cannot be quantified. As such, the Commission proposes to not add an additional discount to the general service delivery scale costs gradient.

### Commission decision

191 The Commission will apply the general service delivery scale costs gradient for prisons and not assess regional costs in prisons.

## Prisons assessment – juvenile detainees and community corrections

192 The Commission asked states whether it would be appropriate to apply a juvenile detainee cost weight if it is material. It considered that changes to the age of criminal responsibility did not warrant a change in the age groups used in prisons.

- 193 In response to state comments, the Commission proposed a separate assessment for non-custodial services.

## State views

### Juvenile cost weight and age group

- 194 Most states supported applying a juvenile detainee cost weight if it is material. Queensland proposed an alternative method for calculating cost weights, based on cost per bed night in youth detention.
- 195 Victoria said it did not support the application of a cost weight because the *Report on Government Services* juvenile detention expenditure data were not comparable across states.
- 196 The ACT said it did not support the proposed assessment of juvenile detainees because the application of a cost weight would not recognise other relevant cost drivers other than population characteristics of young people. The ACT had the second highest expenditure (approximately double the national average) on youth justice services per young person in the population in 2023–24. It said this was due to other cost drivers relevant to providing youth justice services that are not accounted for, such as alternative supports, service delivery scale and human rights adjustments.
- 197 All states that responded supported not changing the juvenile detainee age groups in response to changes to the minimum age of criminal responsibility across states.

### Community corrections

- 198 New South Wales, Western Australia and the ACT supported the inclusion of a community corrections assessment, if material, in the justice method.
- 199 New South Wales said the use of weighted average service levels across all states ensures that the assessment will be policy neutral.
- 200 Queensland did not support the incorporation of a community corrections assessment into the justice method. It said that materiality in this assessment is driven by New South Wales' policy to use community corrections orders at a much higher rate than other states. It suggested there needs to be a consideration of the complexity and policy neutrality of data.
- 201 Victoria argued that data on community corrections are not comparable between states due to differences in state classifications of community corrections orders, particularly with New South Wales' policy choices. It said if an assessment is material, an adjustment to account for differences in state classifications should be considered and the method be consulted on further with states.

## Commission response

### Juvenile cost weight and age group

- 202 The Commission notes the Productivity Commission's *Report on Government Services 2024* juvenile detention expenditure data are published with a qualifier saying the data are not comparable across states.<sup>14</sup> The Productivity Commission advised that data are not comparable because states have different funding structures for their youth justice services.
- 203 Despite the Productivity Commission's caveat, the *Report on Government Services* juvenile detention expenditure data are currently the best available for determining the cost differences between adult prisoners and juvenile detainees. The Commission considers that using national average data from the *Report on Government Services* to calculate juvenile detainee cost weights is appropriate and will reduce the impact of state policy influences.
- 204 The Commission tested the impact of adding a juvenile detainee cost weight and found it to be material, moving \$47 per capita for the Northern Territory. It will therefore introduce the cost weight in the assessment.
- 205 The Commission considered Queensland's proposed method of using cost per bed night but found that this method would overstate juvenile detainee costs when applied to the daily average number of juvenile detainees. The cost weight used in the assessment will be calculated using the difference in average daily costs between juvenile detainees and adult prisoners.
- 206 The Commission accepts that, in addition to the population characteristics of young people, factors such as geographic characteristics and service delivery scale may influence the cost of providing youth justice services. However, the Commission considers age to be the primary policy-neutral driver of costs in this area. As the assessment of this driver results in only a small effect on the GST distribution, the Commission considers that any additional cost drivers, if present, are unlikely to be material.
- 207 To facilitate the introduction of the juvenile detainee cost weight, the Commission will use new age groups across the justice assessment. The new age groups will be 0–17, 18–24, 25–44, 45–64 and 65+. The juvenile detainee cost weight will be applied to all assessed prisoners in the 0–17 age group.

### Community corrections

- 208 The Commission considers there is a conceptual case for community corrections orders to be assessed in the prisons assessment. However, the Commission found an

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<sup>14</sup> This refers to the Steering Committee for the Review of Government Service Provision 2024, *Report on Government Services 2024*, Productivity Commission, Australian Government, 2024, Part F Community services, youth justice data on 'Cost per young person subject to detention-based supervision, 2022–23', table 17A.21. The table notes include the qualifier that data 'are not comparable across jurisdictions but are comparable (subject to caveats) within jurisdictions over time'.

assessment of community correction orders using 2022–23 and 2023–24 data was not material, moving \$21 per capita for one state.

### **Commission decision**

- 209 The Commission will apply a juvenile detainee cost weight in the prisons assessment and adjust the age groups used in the justice assessment. It will not include a separate assessment for community corrections.

### **Prisons assessment – other issues**

- 210 In response to state comments, the Commission considered the appropriateness of its assessed prisoners model and other potential drivers of costs in prisons.

### **State views**

#### **Assessed prisoners model**

- 211 The ACT stated that the Commission’s assessed prisoners model substantially underestimates the number of First Nations people held in its custody. It noted that the model produces a share of First Nations detainees, relative to total detainees in the ACT, that is lower than the national average. The ACT said this is inconsistent with actual data and indicates that the model may not be appropriate.

#### **Prisoner welfare**

- 212 The ACT also said the Commission should explore other relevant cost drivers beyond remoteness and service delivery scale. It identified detainee health, welfare and educational opportunities as areas that significantly impact the cost of prison services. The ACT had the highest cost per prisoner per day in 2023–24, at close to twice the national average. It said that diseconomies of scale, alongside investments made over time to ensure a human-rights compliant prison, contributed to its relatively high cost.
- 213 The ACT also said that these factors impacted the cost of providing youth justice services and recommended that the Commission update the conceptual framework for the prisons assessment to reflect the implications of the ratification of the *Optional Protocol to the Convention Against Torture and Other Cruel, Inhuman or Degrading Treatment or Punishment*, 2017.

### **Commission response**

#### **Assessed prisoners model**

- 214 The Commission assesses the ACT to have a ratio of First Nations prisoners to total prisoners of 27%. This is below the national average of 36%. ABS data reported the actual ratio of First Nations prisoners to total prisoners in the ACT in 2023–24 to be about 32%. Differences between actual and assessed prisoners are expected. This is because assessed prisoners are derived in a way that removes the influence of individual state policies such as incarceration rates, sentencing and remedial

programs in prisons. This is not an indication that the model is inappropriate. The Commission will continue to apply national average incarceration rates to maintain policy neutrality in the assessment.

#### **Prisoner welfare**

- 215 The Commission notes that complying with human-rights requirements, providing educational services and attending to prisoner welfare and health would contribute to the costs of operating prisons. It also notes that all states undertake activities within their provision of correctional services that promote prisoner welfare, health and reintegration. Currently, the Commission considers there are no available data to quantify state needs in meeting such obligations, nor a conceptual basis for why a particular state's need to meet them would differ from the national average.

#### **Commission decision**

- 216 The Commission will continue to use national average imprisonment rates, disaggregated by First Nations status, age and socio-economic status, to assess numbers of prisoners. It will not change the conceptual framework for the assessment to reflect state objectives relating to prisoner welfare, health or reintegration.

#### **Discounting**

- 217 States proposed a number of discounts throughout the 2025 Review process. A full list of state-proposed discounts and Commission responses can be seen in the Overview of the final draft justice assessment.
- 218 The Commission does not consider that further discounting the justice assessment is warranted, except for the discount applied to the general service delivery scale costs gradient.

#### **Commission decision**

- 219 The Commission will not apply any discounts to the updated justice assessment method outside of the already discounted general service delivery scale costs gradient.

## GST impacts of method changes

220 The impact on the GST distribution from method and data changes is shown in Table 1.

**Table 1 Impact on GST distribution of data and method changes to the recurrent justice assessment, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
\$m	218	-232	97	-68	-40	55	-15	-15	370
\$pc	25	-32	17	-22	-21	95	-31	-55	13

Note: The sum of the total impact of data and method changes shown in Tables 2 and 3 differ slightly from the total in this table due to rounding.

## Data changes

221 The impact of updates to data on GST distribution in 2025–26 is shown in Table 2.

**Table 2 Impact on GST distribution of data changes, justice, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
Police (a)	59	-141	71	-21	-21	29	-11	35	195
Criminal courts (b)	19	-68	17	12	-9	4	-3	28	80
Prisons (c)	88	36	-25	-42	2	13	2	-75	142
<b>Total</b>	<b>166</b>	<b>-173</b>	<b>63</b>	<b>-52</b>	<b>-28</b>	<b>47</b>	<b>-12</b>	<b>-11</b>	<b>276</b>
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
Police	7	-19	12	-7	-11	50	-23	132	7
Criminal courts	2	-9	3	4	-5	7	-6	105	3
Prisons	10	5	-4	-13	1	23	5	-277	5
<b>Total</b>	<b>19</b>	<b>-24</b>	<b>11</b>	<b>-17</b>	<b>-15</b>	<b>81</b>	<b>-24</b>	<b>-41</b>	<b>10</b>

(a) Updated ERP based on 2021 Census, state police district expense and offender data.

(b) Updated ERP based on 2021 Census, state criminal cost and other legal services expense data, and defendant data.

(c) Updated ERP based on 2021 Census, ABS prisoner data and state defendant socio-economic status data.

222 Most of the change from data updates can be explained by a combination of the following.

- Updating state police costs and offender data in the police regression increased the cost weight for offenders, increasing the assessed GST needs of states with greater shares of assessed offenders, such as Tasmania and the Northern Territory. It also increased the regional cost weight applied to inner and outer regional populations and decreased the cost weight applied to very remote areas. This increased the assessed GST needs of states with a greater share of regional populations such as Tasmania and decreased the needs of states with greater shares of very remote populations such as the Northern Territory.
- Updated offender and defendant data in the police and criminal courts assessment indicates that First Nations people are coming into contact with the justice system at higher rates than was reported in 2016. This increases the

relative use rates of First Nations populations and increases the assessed GST needs of states with larger First Nations populations, such as the Northern Territory.

- Updated defendant data also indicates an increase in First Nations defendants experiencing lower levels of socio-economic disadvantage relative to First Nations defendants experiencing higher levels of socio-economic disadvantage. This reduces the use rates of First Nations populations experiencing the most socio-economic disadvantage and decreases the assessed GST needs of states with large First Nations populations experiencing high levels of disadvantage, such as the Northern Territory. For the Northern Territory, this impact is fully offset by the increase in the First Nations use rates in criminal courts.
- Updated data on defendant socio-economic status are used to determine prisoner socio-economic status in the prisons assessment. Table 2 reflects the impact of changes in use rates of the First Nations socio-economic populations.
- The proportion of the population that identifies as First Nations is greater in the 2021 Census than in the 2016 Census. This has the effect of reducing the relative use rate of offenders, defendants and prisoners that identify as First Nations. It reduces the assessed GST needs of states with larger First Nations populations, such as the Northern Territory. For the Northern Territory, the increase in use rates of First Nations offenders and defendants due to updating offender and defendant data offsets this impact. However, in the prisons assessment the impact of updating First Nations defendant socio-economic status further compounds the reduction in assessed GST needs.

## Method changes

223 The impact on the GST distribution from the method changes is shown in Table 3.

**Table 3 Impact on GST distribution of method changes, justice, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m	\$m
<b>Police</b>	<b>15</b>	<b>8</b>	<b>-18</b>	<b>-3</b>	<b>-1</b>	<b>1</b>	<b>-1</b>	<b>-2</b>	<b>24</b>
New allocation of central costs method	16	16	-4	-14	-1	-2	2	-14	34
Combining remote and very remote	-2	0	1	0	-3	0	0	3	5
Changing socio-economic status structure	0	-8	-16	10	4	3	-3	10	26
<b>Criminal courts and OLS (a)</b>	<b>18</b>	<b>1</b>	<b>5</b>	<b>-9</b>	<b>-1</b>	<b>2</b>	<b>0</b>	<b>-15</b>	<b>26</b>
New non-stated method	4	-11	6	0	-2	1	0	3	13
Removing regional costs in criminal courts	13	11	-1	-8	0	1	1	-17	26
Removing regional costs in OLS (a)	1	1	0	-1	0	0	0	-1	2
<b>Prisons</b>	<b>16</b>	<b>-68</b>	<b>50</b>	<b>-4</b>	<b>-9</b>	<b>8</b>	<b>-4</b>	<b>10</b>	<b>84</b>
New non-stated method	12	10	3	-10	-2	1	1	-15	27
Replacing regional costs with the general service delivery scale costs gradient	-12	-13	10	0	-1	6	-2	12	27
Adding juvenile detainee cost weight	16	-65	37	7	-6	1	-3	14	74
<b>Changing age groups (b)</b>	<b>3</b>	<b>-1</b>	<b>-3</b>	<b>0</b>	<b>-1</b>	<b>-2</b>	<b>1</b>	<b>3</b>	<b>7</b>
<b>Total</b>	<b>52</b>	<b>-59</b>	<b>33</b>	<b>-16</b>	<b>-12</b>	<b>8</b>	<b>-3</b>	<b>-4</b>	<b>94</b>
	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc	\$pc
<b>Police</b>	<b>2</b>	<b>1</b>	<b>-3</b>	<b>-1</b>	<b>0</b>	<b>1</b>	<b>-1</b>	<b>-6</b>	<b>1</b>
New allocation of central costs method	2	2	-1	-4	0	-3	4	-53	1
Combining remote and very remote	0	0	0	0	-2	-1	0	11	0
Changing socio-economic status structure	0	-1	-3	3	2	5	-5	36	1
<b>Criminal courts and OLS (a)</b>	<b>2</b>	<b>0</b>	<b>1</b>	<b>-3</b>	<b>-1</b>	<b>3</b>	<b>1</b>	<b>-56</b>	<b>1</b>
New non-stated method	0	-2	1	0	-1	2	-1	10	0
Removing regional costs in criminal courts	2	1	0	-3	0	1	1	-63	1
Removing regional costs in OLS (a)	0	0	0	0	0	0	0	-3	0
<b>Prisons</b>	<b>2</b>	<b>-9</b>	<b>9</b>	<b>-1</b>	<b>-4</b>	<b>14</b>	<b>-8</b>	<b>38</b>	<b>3</b>
New non-stated method	1	1	0	-3	-1	2	2	-56	1
Replacing regional costs with the general service delivery scale costs gradient	-1	-2	2	0	0	10	-4	43	1
Adding juvenile detainee cost weight	2	-9	6	2	-3	2	-7	50	3
<b>Changing age groups (b)</b>	<b>0</b>	<b>0</b>	<b>-1</b>	<b>0</b>	<b>-1</b>	<b>-4</b>	<b>2</b>	<b>11</b>	<b>0</b>
<b>Total</b>	<b>6</b>	<b>-8</b>	<b>6</b>	<b>-5</b>	<b>-6</b>	<b>14</b>	<b>-7</b>	<b>-14</b>	<b>3</b>

(a) OLS refers to the other legal services component.

(b) Introducing the juvenile detainee cost weight required a change to the age groups across components. This line represents the combined impact of this change.

## Police

- 224 Allocating police central costs on the basis of a 50% proportion of police district expenses and 50% proportion of full-time equivalent staff increased the relative expenses allocated to major cities and outer regional areas, and lowered expenses allocated to remote areas. This reduced the assessed GST needs of states with larger remote populations, such as Western Australia and the Northern Territory. It increased the needs of states with larger non-remote populations, such as the ACT.
- 225 Combining remote and very remote costs increased the assessed expense needs of very remote populations and decreased the needs of remote populations. This change increased the assessed GST needs of the Northern Territory and decreased the needs of South Australia.
- 226 Increasing the socio-economic status structure of First Nations offenders from a 3-tier system to a 5-tier system increased the use weights applied to First Nations populations experiencing the highest level of socio-economic disadvantage and decreased the use weights applied to First Nations populations experiencing the lowest levels of socio-economic disadvantage. This change increased the assessed GST need of states with a greater proportion of First Nations populations experiencing the highest levels of socio-economic disadvantage, such as the Northern Territory. It reduced needs for states with a below-average proportion of this population, such as the ACT.

## Criminal courts and other legal services

- 227 Under the new method of allocating non-stated Indigenous status responses by proportions of stated responses, states with a higher proportion of First Nations people tended to have increased assessed GST needs (such as Queensland, Tasmania and the Northern Territory).
- 228 Determining whether non-stated responses are allocated to First Nations defendants or non-Indigenous defendants under the method depends on the composition of each individual socio-demographic sub-group. The largest increases in numbers of defendants that identify as First Nations are in major cities and inner regional areas. These areas also experienced the largest decrease in non-Indigenous defendants. In some states, such as New South Wales and Queensland, the combination of changes increased the assessed GST needs, but in others, such as Victoria, needs were reduced.
- 229 Removing the regional costs gradient from the assessments of criminal courts and other legal services decreased the assessed GST needs of states with larger remote populations, such as Western Australia and the Northern Territory, and increased the needs for states with a smaller proportion of remote populations, such as New South Wales and Victoria.

## Prisons

- 230 Introducing an assessment of the additional costs of juvenile detainees increased the assessed GST needs of states with a greater share of the assessed juvenile detainee population, such as the Northern Territory. This was largely driven by states' relative shares of the 0–17 aged population, predominately those who experience disadvantage and/or who identify as First Nations.
- 231 The new method of allocating non-stated Indigenous status of defendants in the criminal courts assessment impacts the prisons assessment because defendant data are used to impute the socio-economic profile of prisoners. The change reduced the share of prisoners who identify as First Nations who experience the highest level of socio-economic disadvantage. This reduced the assessed GST needs of states with a greater proportion of First Nations populations experiencing the highest level of socio-economic disadvantage, particularly the Northern Territory. It increased needs for states with a below-average proportion of this population, such as the ACT.
- 232 Replacing the regional costs gradient with the general service delivery scale costs gradient increased the assessed cost per prisoner in regional areas and very remote areas and reduced the assessed cost per prisoner in remote areas. This increased the assessed GST needs of states with greater shares of regional populations, such as Tasmania, and/or very remote populations, such as the Northern Territory.

## Investment in justice

- 233 There are no method changes to the investment assessment. However, changes to the recurrent justice assessment flow through to the investment assessment. States that receive an increase in GST due to the recurrent method changes receive an increase in GST due to the resultant change in the investment. This is shown in Table 4.

**Table 4 Impact on GST distribution from justice method changes on investment, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
\$m	32	-19	3	-15	-2	6	-1	-4	41
\$pc	4	-3	1	-5	-1	11	-1	-14	1

## Attachment A

**Table A-1 Alternative police regression model, 2022–23 and 2023–24**

	Estimate	Standard error	Significance
Intercept	451	20	***
Inner regional	176	54	**
Outer regional	428	77	***
All remote	1,875	160	***
Adjusted R squared	0.571		
Sample size	152		

Note: \*\*\* represents statistically significant coefficients at a 0.001 confidence, \*\* at a 0.01 confidence.

## Attachment B: Implications for geography

### Geography

234 The Commission uses general costs gradients to capture regional costs and service delivery scale costs in assessments where there is a conceptual case that these costs exist, but data do not allow these costs to be directly measured. The general gradients take a weighted average of the cost gradients from assessments where specific gradients can be measured. In the 2025 Review, the criminal courts and prisons components of justice contributed to the general gradients.

#### Data used in the calculation of the general gradient

235 The changes to the justice assessment method result in specific regional costs and service delivery scale costs no longer being calculated within the criminal courts or prisons assessments. Therefore, these components will no longer contribute to the general gradient calculation. This is consistent with the Commission's decision in the 2025 Review to remove justice from the general gradients if regional costs or service delivery scale costs are no longer calculated in the justice assessments.

236 The following assessments will continue to be used in the general gradients:

- schools
- admitted patients
- emergency departments
- non-admitted patients
- post-secondary education
- investment (Rawlinsons).

#### General service delivery scale costs gradient

237 In the prisons component of the justice assessment, there is a conceptual case for service delivery scale costs. However, available data are not able to directly capture such costs. Therefore, the Commission will apply a general service delivery scale costs gradient to the prisons component.

238 The Commission will have 3 general gradients:

- regional costs gradient
- service delivery scale costs gradient (new)
- regional and service delivery scale (combined) gradient.

239 The components that contribute to the service delivery scale costs gradient are:

- schools
- admitted patients
- emergency departments

- non-admitted patients.

### GST impacts

240 The impact on the GST distribution related to geography as a result of the method changes in the justice assessment is shown in Table B-1.

**Table B-1 Impact on GST distribution from removing justice from the general gradient, 2025–26 to 2026–27**

	NSW	Vic	Qld	WA	SA	Tas	ACT	NT	Total effect
\$m	-8	-6	2	3	0	1	-1	8	14
\$pc	-1	-1	0	1	0	2	-1	30	1

Note: The impact of replacing regional costs with the general service delivery scale costs gradient in prisons and removing the regional gradient in criminal courts is captured in the GST impacts for the justice assessment.