



2016 Update

New Issues for the 2016 Update

Tasmania's Response to Staff Discussion Paper CGC 2015-04-S

Department of Treasury and Finance

September 2015

ISSUES FOR THE 2016 UPDATE

Issues arising from the 2015 Review report

State mining revenue raising activities

Tasmania notes the conclusion of the Commission Staff that the mineral-by-mineral assessment has had no influence on State policies relating to mining royalties. Tasmania supports the Commission Staff proposal to leave the mining revenue assessment unchanged.

Natural Disaster Relief and Recovery Arrangements

Tasmania supports the Commission Staff proposal to monitor the Australian Government's proposed reforms to the Natural Disaster Relief and Recovery Arrangements and review the Commission's assessment methodology in relation to the NDRRA should there be a material change to the funding arrangement.

The current proposal that has been put forward by the Commonwealth Attorney General's Department includes:

- moving from a reimbursement funding model to an upfront recovery funding model for the reconstruction of essential public assets; and
- reallocating part of the funding for restoration activities towards mitigation and betterment activities.

Tasmania considers that, if these changes to the NDRRA are implemented as proposed, they would not change the fiscal capacity of the States and Territories. In this instance, Tasmania would consider that the Commission's current assessment methodology in relation to the NDRRA would remain appropriate.

However, Tasmania also notes that the proposed upfront funding model may result in the States and Territories accumulating interest revenue on NDRRA funding. Under the proposed arrangements, the interest revenue must be used to fund expenditure on natural disasters. Should this proposal proceed, Tasmania would advocate that any interest received on NDRRA funding should be netted off actual expenses for the purpose of the Commission's assessment.

Welfare assessment – SEIFI index for 2016 Update

Tasmania supports the proposed use of proportions of HCC and PCC holders as the 2006 SEIFI adjustment mechanism in the 2016 Update consistent with the 2015 Review Report. Tasmania supported the alternative adjustment mechanism proposed in the 2015 Review New and Supplementary Issues Paper. However, we accept that the Commission’s decision to adopt proportions of HCC and PCC holders as the adjustment mechanism is the outcome of an open and transparent 2015 Review process that considered all states views.

Welfare assessment – Transition to the National Disability Insurance Scheme

Tasmania supported the proposed dual approach to the assessment of disability services across the transition period (commencing 2016–17) in our detailed response to the 2015 Review.

Assessment of Commonwealth payments for Student First (government students) and related expenses.

Tasmania supports the proposed approach to backcasting both revenue and expenditure. The proposal appears to be consistent with the approach outlined in the 2015 Report.

Backcasting of National Health Reform funding

Tasmania supports the proposed treatment of National Health Reform funding as a continued phasing of the pragmatic approaches taken for the 2014 Update and the 2015 Review, which were also supported by Tasmania. We note that the proposed 2014–15 assessment year treatment (to use the 2014–15 Final Budget Outcome NHR payment adjusted for cross-border so as to reflect state of residence, not treatment) adopts a standard assessment year measure in lieu of a “backcast” measure. Tasmania considers this to be appropriate as the 2014–15 Final Budget Outcome provides a reliable index of a 2014–15 NHR payment distribution on an activity based funding basis. Tasmania would not consider the backcasting of 2016–17 Commonwealth Budget projections to provide a robust, reliable alternative.

Roads data – National Transport Commission trend data

Tasmania notes that the Commission has asked the NTC to provide updated data, which will become available after the 2014 SMVU is released in mid-October 2015. Tasmania considers that, for completeness, data reliability should be investigated given the NTC's changed approach to trending (after the SMVU became biannual) and because the 2014 SMVU is a new set of survey estimates.

National partnership payment for Remote Indigenous Housing

Tasmania will provide comments and a data return on 16 October 2015 as requested by the Commission.

Commonwealth payments that commenced in 2014–15

Tasmania endorses the staff proposed treatment of payments commencing in 2014–15 as listed in Table A-1 of the Attachment A of the New Issues paper.

Commonwealth payments commencing in 2015–16 or 2016–17

Tasmania endorses the staff proposed recommendation not to backcast Commonwealth payments commencing in 2015–16 or 2016–17 listed in Table A-2 of Attachment A of the New Issues paper.

In general, Tasmania agrees that the listed payments are not the result of major changes in federal financial relations such as would warrant backcasting.

One exception, conceptually, is drawdowns from the Disability Care Australia Fund. However, backcasting of these drawdowns on an APC basis is ruled out by the 2015 Review Supplementary Terms of Reference which specified "States drawdowns from the DisabilityCare Australia Fund during the transition phase for the National Disability Insurance Scheme should have no impact on the GST relativities."