Appendix E: Stabilised pool options

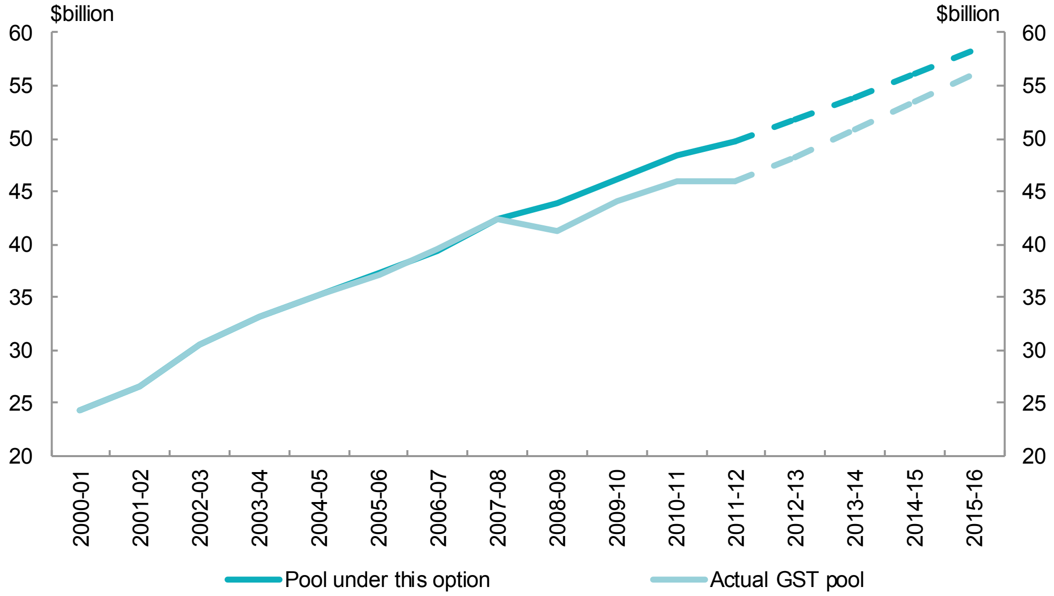
Chapter 11 described a number of options examined by the Panel to ensure that the GST pool is as stable and predictable as possible involving some softening or breaking of the direct link between States' grants and the amount of GST collected in any one year. These options fall into three groups — 'automatic stabiliser' options, 'growth floor' options and 'delinked' options.

The following Figures further illustrate some of the options examined by the Panel. Discussion of these options is included in Chapter 11. Rather than attempting to predict the future pattern of GST growth, the Panel looked at how each of the options would have worked, if they had been in place since the GST's commencement.[1]

Appendix E Figures are Secretariat calculations based on Final Budget Outcomes; Consumer Price Index, Australia, ABS Catalogue no. 6401.0; CGC 2012 Update and Commonwealth Budget Paper No. 3. Figures based on data available at 5 July 2012.

Figure E1 illustrates an automatic stabiliser option in which each year, the Commonwealth guarantees that the GST pool will increase in line with population and consumer prices. If the actual GST pool provides less than that amount, then the Commonwealth 'tops-up' the pool. The Commonwealth then 'claws-back' this top-up amount when pool growth returns to greater than real per capita growth. The claw-back is assumed to operate on a nominal basis.

Figure E1: Automatic stabiliser — Commonwealth guarantees minimum pool growth with nominal clawback



1 In this thought experiment, it is assumed that the different options would have replaced the Guaranteed Minimum Amount and Budget Balancing Assistance arrangements.

Figure E2 illustrates a similar automatic stabiliser option. As in the previous option the Commonwealth underwrites annual growth in the pool at least equal to population and consumer price growth. However, once this guarantee has been triggered, it is replaced by a 'no nominal decline' guarantee until the additional Commonwealth money has been 'clawed-back'. Once the 'claw back' is complete, the arrangement is 'reset' and the initial guarantee is reactivated.

Figure E2: Automatic stabiliser — Commonwealth guarantees minimum pool growth and no nominal decline with nominal clawback

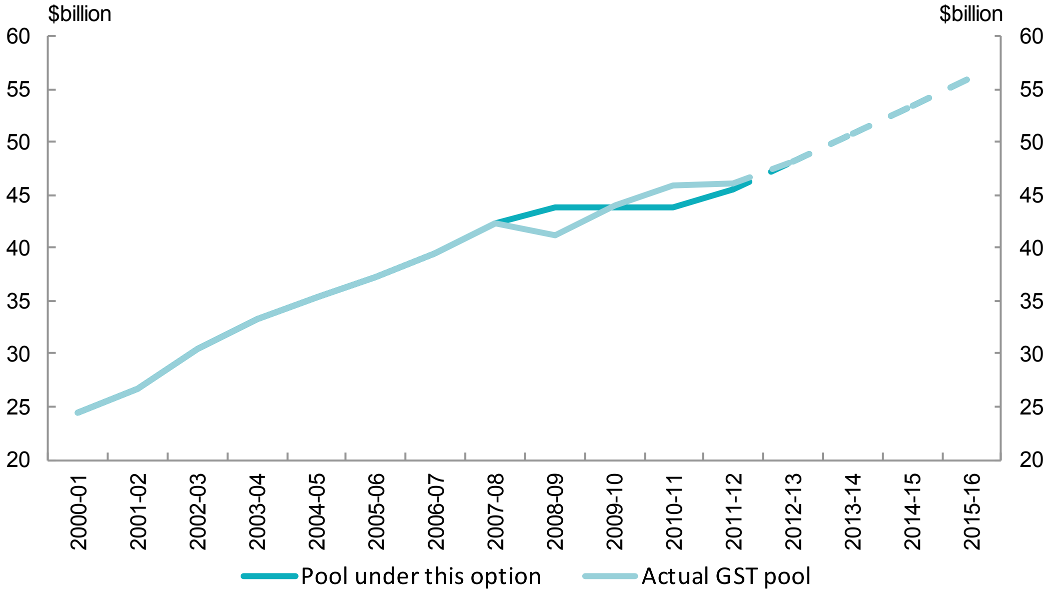


Figure E3 illustrates a growth floor option in which the Commonwealth underwrites a minimum level of growth in the pool (linked to population and consumer price growth). If actual GST collections are lower than this, the Commonwealth would 'make up the difference'. If actual collections are stronger than the guaranteed minimum amount, this surplus is shared equally between the Commonwealth and the States. There is no claw-back of previous years' outcomes under this option.

Figure E3: Growth Floor — Commonwealth underwrites minimum pool growth real per capita growth with no nominal clawback

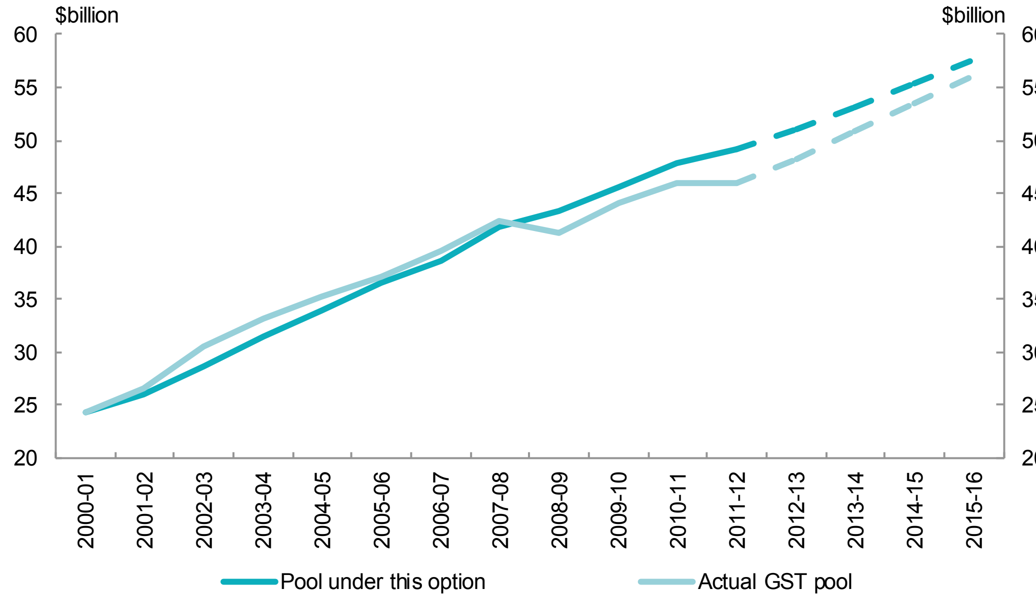
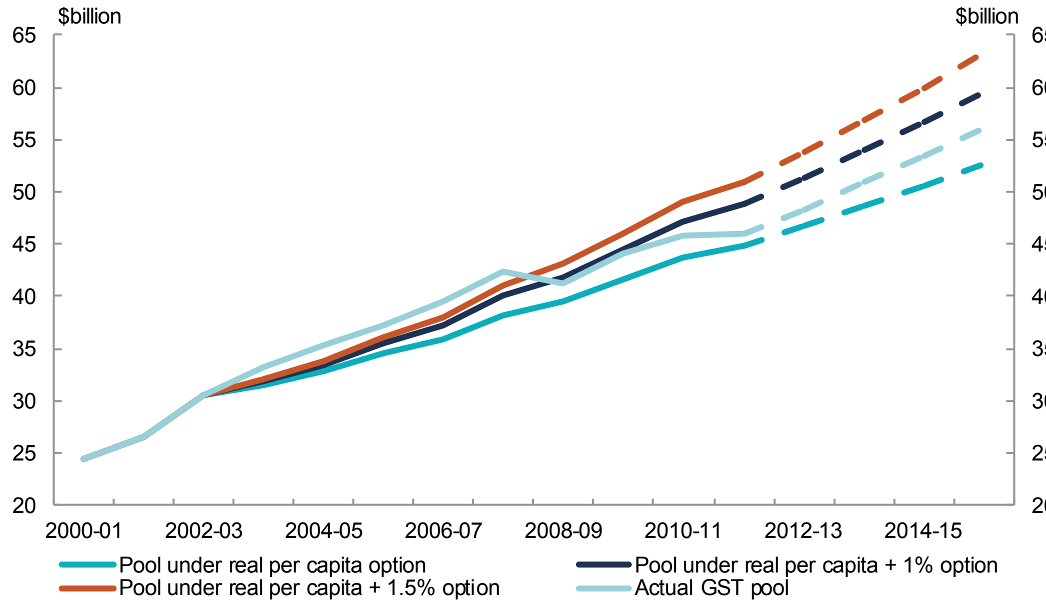


Figure E4 illustrates various grant pool options in which there is no link to GST collections. This option shows how the grant pool would have varied since 2002-03 if this GST amount ($30.5 billion) had been indexed to either population plus consumer price growth, population plus consumer price growth plus 1% or population growth plus consumer price growth plus 1.5 per cent.[2]

Figure E4: Delinked grant pool options



2 In this option 2002-03 is used as the base year because 2000-01 and 2001-02 are not considered typical.