

Part 1: Australia's Federal Relations

Overview

In 2023–24, the Australian Government will provide state and territory governments (states) with \$179.9 billion in total payments, including payments of \$87.4 billion for specific purposes including for schools and hospitals, and general revenue assistance of \$92.5 billion.

Through its payments to the states, the Australian Government is:

- contributing \$125.5 billion from 2023–24 to 2026–27 for public health and hospital services
- investing \$119.4 billion in Quality Schools funding from 2023–24 to 2026–27
- committing \$61.0 billion from 2023–24 to 2026–27 to invest in nation-building infrastructure
- permanently boosting the size of the GST pool that is distributed among the states each year. From 2021–22, the Australian Government will inject \$600.0 million annually into the GST pool, followed by a further \$250.0 million annually from 2024–25, with this amount to grow each year in line with the underlying growth of the GST
- providing an estimated \$19.4 billion in horizontal fiscal equalisation (HFE) transition payments from 2023–24 to 2026–27 to support the transition to the new HFE system.

Box 1.1: A better future for the federation

All levels of government have vital roles in delivering the essential services that Australians rely on every day. The Australian Government is bringing the states together to drive the reforms needed to ensure the next generation of growth, jobs, prosperity, and security.

On 28 April 2023, National Cabinet agreed to progress a range of key national priorities which are supported by measures in this Budget. This includes a package of Strengthening Medicare measures, a commitment to an NDIS Financial Sustainability Framework and Better Planning for Stronger Growth reforms. Further detail is available in Budget Paper No. 1, *Budget Strategy and Outlook 2023–24*, Statement 1: *Budget Overview*.

All levels of government face shared fiscal challenges, particularly in the health and care sectors. These fiscal pressures require ongoing collaboration and a focus on shared objectives and interconnected solutions, given the joint roles and responsibilities, as well as a shared ambition to improve fiscal positions over the medium term.

The Australian Government makes payments to the states to deliver services they are responsible for under the Constitution, through GST and other untied assistance, and tied assistance via funding agreements covering key sectors such as health, education, community services and infrastructure. Total assistance to the states grows by \$24.1 billion from 2022–23 to 2026–27. This includes GST-related payments which grow by \$18.3 billion from 2022–23 to 2026–27.

Major commitments in this Budget include the Australian Government providing \$1.5 billion through the Energy Bill Relief Fund to the states to deliver energy bill assistance to eligible households and small businesses. Additionally, the Government is providing up to \$3.4 billion for infrastructure investment to support the delivery of the Brisbane 2032 Olympic and Paralympic Games.

The Australian Government provides funding to the states to support Closing the Gap Commitments and deliver services to Aboriginal and Torres Strait Islander Australians. This includes committing \$150.0 million of the National Water Grid Fund over 4 years to support First Nations communities' access to clean drinking water. In addition, the Australian Government is delivering \$111.7 million for a new one-year remote housing agreement with the Northern Territory Government and providing \$100.0 million over 2 years for urgent work on housing and essential infrastructure on Northern Territory homelands.

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Box 1.1: A better future for the federation (continued)

The Australian Government's contribution to areas of shared responsibility is not limited to direct payments to the states. The Government also directly funds substantial programs in these areas, which it is responsible for administering. For example, in the health sector the Commonwealth separately funds the Medicare Benefits Schedule and the Pharmaceutical Benefits Scheme. The Australian Government also funds the majority of the National Disability Insurance Scheme, with its share growing over the forward estimates.

Australian Government funding to the states

The Australian Government provides substantial funding to the states in key sectors such as health, education and community services, and supports important productivity-enhancing projects and reforms, such as investments in infrastructure and skills. In addition, the Australian Government provides general revenue assistance that states can spend according to their own budget priorities.

The states are estimated to receive total Australian Government payments of \$179.9 billion in 2023–24.

Payments to the states in 2023–24 are estimated to be 26.3 per cent of total Australian Government expenditure and 7.0 per cent of GDP.

Payments for specific purposes

In 2023–24, the Australian Government will provide the states with \$87.4 billion in payments for specific purposes. This represents an increase of \$6.6 billion or 8.2 per cent compared with the 2022–23 estimate primarily due to an increase in infrastructure investment and the new Energy Bill Relief Fund. Payments for specific purposes are estimated to make up 12.8 per cent of total Australian Government expenditure in 2023–24 and be 3.4 per cent of GDP.

National Specific Purpose Payments (National SPPs), National Health Reform, the National Housing and Homelessness Agreement, Energy Bill Relief and Quality Schools funding are expected to total \$61.3 billion in 2023–24.

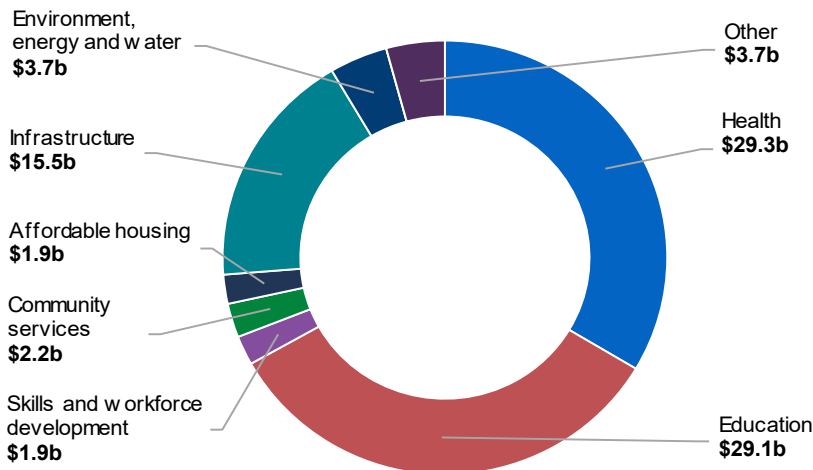
National Partnership payments are expected to be \$26.1 billion in 2023–24.

Chart 1.1 shows estimated specific purpose payments to the states in 2023–24 by sector.

Part 2 of this Budget Paper provides further information on payments to the states for specific purposes.

The conditions for payments to states for specific purposes are documented in agreements between the Commonwealth and the states. The Federation Funding Agreement (FFA) Framework sets out the governance arrangements for these agreements. Further information on the FFA Framework can be found on the Federal Financial Relations website at www.federalfinancialrelations.gov.au.

Chart 1.1: Payments for specific purposes 2023–24, by sector



General revenue assistance

General revenue assistance, which principally comprises the states' GST entitlement, provides untied funding to support the states' delivery of services.

In 2023–24, the states are expected to receive \$92.5 billion in general revenue assistance, including \$86.6 billion for the GST entitlement. General revenue assistance to the states is estimated to represent 13.5 per cent of total Australian Government expenditure in 2023–24 and be 3.6 per cent of GDP.

Part 3 of this Budget Paper contains further details of general revenue assistance to the states.

Payments to the states

Total Australian Government payments to the states are shown in Table 1.1 and as a proportion of GDP in Table 1.2.

Table 1.1: Australian Government payments to the states, 2022–23 to 2026–27

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2022-23									
Payments for specific purposes(a)	22,990	19,927	16,914	8,817	5,686	2,051	1,239	1,897	80,803
GST-related payments(b)	25,986	19,238	18,397	6,183	7,702	3,426	1,662	3,865	86,458
Other general revenue assistance	-	-	-	1,520	-	-	42	-	1,562
Total payments to the states	48,975	39,166	35,311	16,520	13,388	5,478	2,943	5,761	168,824
2023-24									
Payments for specific purposes(a)	24,553	19,894	18,603	11,041	6,103	2,279	1,376	1,926	87,393
GST-related payments(b)	26,783	20,375	19,477	6,520	8,788	3,489	1,922	4,181	91,536
Other general revenue assistance	-	-	-	890	-	-	44	-	934
Total payments to the states	51,336	40,268	38,080	18,452	14,891	5,768	3,342	6,108	179,863
2024-25									
Payments for specific purposes(a)	25,105	20,589	18,960	9,679	5,917	2,109	1,319	1,596	86,485
GST-related payments(b)	27,760	21,254	20,232	7,267	9,085	3,612	2,005	4,342	95,557
Other general revenue assistance	-	-	-	743	-	-	45	-	788
Total payments to the states	52,864	41,844	39,192	17,689	15,001	5,722	3,370	5,938	182,830
2025-26									
Payments for specific purposes(a)	24,682	21,665	19,632	8,885	6,065	2,057	1,317	1,483	86,357
GST-related payments(b)	29,324	22,589	21,430	7,697	9,573	3,816	2,135	4,598	101,162
Other general revenue assistance	-	-	-	574	-	-	46	-	621
Total payments to the states	54,007	44,253	41,062	17,156	15,638	5,873	3,498	6,081	188,139
2026-27									
Payments for specific purposes(a)	25,153	21,851	20,184	8,602	6,251	1,936	1,336	1,442	87,673
GST-related payments(b)	29,807	23,014	21,941	9,117	9,856	3,964	2,208	4,862	104,769
Other general revenue assistance	-	-	-	445	-	-	47	-	493
Total payments to the states	54,961	44,865	42,125	18,164	16,107	5,900	3,592	6,304	192,934

- a) State allocations for a number of programs have not yet been determined. These payments are not reflected in state totals. As a result, total payments for specific purposes may not equal the sum of the state figures.
- b) Includes GST entitlement and HFE transition payments. State allocations are dependent upon the GST revenue sharing relativities for each financial year. They are calculated using the Commonwealth Grants Commission's 2023–24 GST relativities as the starting point. The estimates do not reflect any attempt to project future GST relativities or GST entitlements. See Part 3 for further information.

Table 1.2: Total Australian Government payments to the states as a proportion of GDP

\$million	2022-23	2023-24	2024-25	2025-26	2026-27
<i>Payments for specific purposes</i>					
National SPPs	1,608	1,670	1,724	1,764	1,798
National Health Reform funding	28,933	28,535	30,456	32,215	34,296
Quality Schools funding	26,911	28,288	29,399	30,358	31,370
National Housing and Homelessness funding	1,646	1,707	1,692	1,731	1,764
Energy Bill Relief	-	1,110	385	-	-
National Partnership payments	21,704	26,083	22,828	20,288	18,445
Total payments for specific purposes	80,803	87,393	86,485	86,357	87,673
Per cent change from previous year	-6.4	8.2	-1.0	-0.1	1.5
Per cent of GDP	3.2	3.4	3.3	3.1	3.0
<i>General revenue assistance</i>					
GST-related payments(a)	86,458	91,536	95,557	101,162	104,769
Other general revenue assistance	1,562	934	788	621	493
Total general revenue assistance	88,021	92,470	96,345	101,782	105,261
Per cent change from previous year	13.5	5.1	4.2	5.6	3.4
Per cent of GDP	3.5	3.6	3.6	3.7	3.6
Total payments to the states	168,824	179,863	182,830	188,139	192,934
Per cent change from previous year	3.0	6.5	1.6	2.9	2.5
Per cent of GDP	6.6	7.0	6.9	6.8	6.6

a) Includes GST entitlement and HFE transition payments.

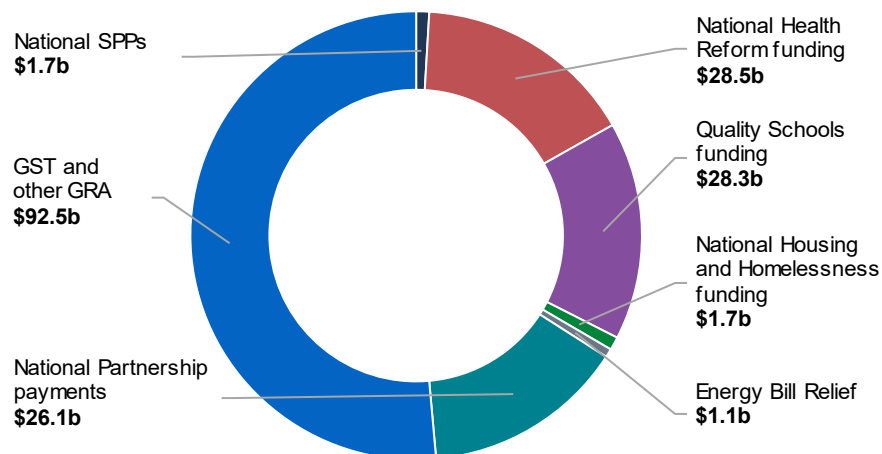
Chart 1.2: Total Australian Government payments to the states, 2023–24

Table 1.3 provides information on the Australian Government’s financial contributions to state expenditure in key sectors in 2021–22 (the latest year for which there are data to enable this calculation). It shows that Australian Government financial assistance in 2021–22 effectively supported 46.1 per cent of states’ expenditure.

Table 1.3: Australian Government’s contribution to state expenditure

	Australian Government tied payments (\$million)	State spending supported by general revenue assistance (a) (\$million)	Total state spending (\$million)	State spending supported by Australian Government payments (per cent)
2021-22				
Health	30,492	21,687	105,848	49.3
Education	27,672	11,080	66,171	58.6
Housing and community amenities	3,779	1,770	9,930	55.9
Transport	7,403	7,214	32,471	45.0
Economic affairs (b)	7,358	7,264	32,600	44.9
Social protection	1,370	8,203	29,873	32.0
Other functions (c)	8,282	20,312	78,862	36.3
Payments for specific purpose	86,355			
General revenue assistance		77,531		
Total			355,755	46.1

Source: Australian Bureau of Statistics (ABS), Government Finance Statistics 2021–22; and Australian Government, Final Budget Outcome 2021–22.

Note: Australian Government payments to the states in 2021–22 is unavailable on an ABS Classification of the Functions of Government (COFOG-A) basis. These payments have been adjusted to align with COFOG-A.

a) General Revenue Assistance (GRA) is provided to the states without conditions to spend according to their own budget priorities. For illustrative purposes, GRA is allocated to expense functions based on the ratio of discretionary spending in each function as a share of states’ total discretionary spending.

b) Economic affairs include COVID-19 Business Support Payments for 2021–22.

c) Other functions include additional functions not elsewhere itemised.

Measures affecting payments to the states

Table 1.4 lists measures in the 2023–24 *Budget* that affect payments to the states. Details of the measures are available in Budget Paper No. 2, *Budget Measures 2023–24*, arranged by portfolio. Information on the payments affected is available in Parts 2 and 3 of this Budget Paper.

Table 1.4: Measures affecting payments to the states

Payment	Section of Budget Paper 3	Measure title	Section of Budget Paper 2
National Health Reform funding	Part 2 – Health	COVID-19 Response	Payments – Health and Aged Care
Access to HIV treatment	Part 2 – Health	Enhancing National Strategies for Bloodborne Viruses and Sexually Transmissible Infections	Payments – Health and Aged Care
Medicare Urgent Care Clinic	Part 2 – Health	Medicare Urgent Care Clinics – additional funding	Payments – Health and Aged Care
Mosquito control in Tennant Creek	Part 2 – Health	Dengue and Other Disease Mitigation Through Mosquito Control in Tennant Creek	Payments – Health and Aged Care
Smoking and vaping cessation activities	Part 2 – Health	Vaping Regulation Reform and Smoking Cessation Package	Payments – Health and Aged Care
Essential vaccines	Part 2 – Health	National Immunisation Program	Payments – Health and Aged Care
Public dental services for adults	Part 2 – Health	Long Term Dental Funding Reform Developmental Work and Interim Funding	Payments – Health and Aged Care
On–Country Learning	Part 2 – Education	Better, Safer Future for Central Australia Plan	Payments – Cross Portfolio
Workload Reduction Fund	Part 2 – Education	Teacher Workforce Action Plan	Payments – Education
Alcohol and drug treatment services in the NT	Part 2 – Community Services	Closing the Gap – further investment	Payments – Prime Minister and Cabinet
Extra high visibility police and law enforcement operations	Part 2 – Community Services	Better, Safer Future for Central Australia Plan	Payments – Cross Portfolio
Family, domestic and sexual violence responses	Part 2 – Community Services	Women’s Safety	Payments – Cross Portfolio
National Housing and Homelessness Agreement	Part 2 – Affordable Housing	National Housing and Homelessness Agreement Transitional Funding	Payments – Social Services
Infrastructure Investment Program	Part 2 – Infrastructure	Better, Safer Future for Central Australia Plan	Payments – Cross Portfolio

Table 1.4: Measures affecting payments to the states (continued)

Payment	Section of Budget Paper 3	Measure title	Section of Budget Paper 2
Infrastructure Investment Program	Part 2 – Infrastructure	Building a Better Future Through Considered Infrastructure Investment	Payments – Infrastructure, Transport, Regional Development, Communications and the Arts
Infrastructure Investment Program(a)	Part 2 – Infrastructure	Supporting Transport Priorities	Payments – Infrastructure, Transport, Regional Development, Communications and the Arts
Brisbane 2032 Olympic and Paralympic Games	Part 2 – Infrastructure	2032 Brisbane Olympic and Paralympic Games – venue infrastructure	Payments – Infrastructure, Transport, Regional Development, Communications and the Arts
Cairns Regional Development	Part 2 – Infrastructure	Supporting Transport Priorities	Payments – Infrastructure, Transport, Regional Development, Communications and the Arts
Hobart and Launceston – place based co-investments	Part 2 – Infrastructure	National Approach for Sustainable Urban Development	Payments – Infrastructure, Transport, Regional Development, Communications and the Arts
National Water Grid Fund(a)	Part 2 – Infrastructure	National Water Grid Fund – addressing legacy projects	Payments – Climate Change, Energy, the Environment and Water
National Water Grid Fund	Part 2 – Infrastructure	National Water Grid Fund – delivering commitments	Payments – Climate Change, Energy, the Environment and Water
Energy Bill Relief	Part 2 – Environment, energy and water	Energy Price Relief Plan	Payments – Cross Portfolio
ACT Sustainable Household Scheme	Part 2 – Environment, energy and water	ACT Sustainable Household Scheme	Payments – Climate Change, Energy, the Environment and Water
Borumba Pumped Hydro Project	Part 2 – Environment, energy and water	Energy Price Relief Plan	Payments – Cross Portfolio
Disaster Ready Fund – Round 1	Part 2 – Environment, energy and water	Disaster Support	Payments – Home Affairs
Enhance the National Soil Resources Information System	Part 2 – Environment, energy and water	Partnering to Implement the National Soil Action Plan	Payments – Agriculture, Fisheries and Forestry
Food Waste for Healthy Soils Fund(a)	Part 2 – Environment, energy and water	Climate Change, Energy, the Environment and Water – reprioritisation	Payments – Climate Change, Energy, the Environment and Water
Food Waste for Healthy Soils Fund(a)	Part 2 – Environment, energy and water	National Waste Education Campaign	Payments – Climate Change, Energy, the Environment and Water

Table 1.4: Measures affecting payments to the states (continued)

Payment	Section of Budget Paper 3	Measure title	Section of Budget Paper 2
Supporting Emissions Reduction in Queensland's Energy Resources Sector	Part 2 – Environment, energy and water	Working with the Australian Resources Industry on the Pathway to Net Zero	Payments – Industry, Science and Resources
Temporary cap on the price of coal	Part 2 – Environment, energy and water	Energy Price Relief Plan	Payments – Cross Portfolio
World Heritage Sites	Part 2 – Environment, energy and water	Natural Heritage Trust – project funding	Payments – Climate Change, Energy, the Environment and Water
Disaster Recovery Funding Arrangements	Part 2 – Contingent payments	Disaster Support	Payments – Home Affairs
Gas Well Trials(a)	Part 2 – Other	Working with the Australian Resources Industry on the Pathway to Net Zero	Payments – Industry, Science and Resources
National Legal Assistance Partnership 2020–25	Part 2 – Other	Women's Safety	Payments – Cross Portfolio
Commonwealth High Risk Terrorist Offender Regime	Part 2 – Other	Strengthening Australia's Arrangements for High Risk Terrorist Offenders	Payments – Attorney General's
Supplementary funding to South Australia for local roads	Part 2 – Other	Building a Better Future Through Considered Infrastructure Investment	Payments – Infrastructure, Transport, Regional Development, Communications and the Arts
GST entitlement	Part 3 – GST payments	Reform of the Product Stewardship for Oil Scheme	Receipts – Treasury
GST entitlement	Part 3 – GST payments	Powering Australia – amendment to the Electric Car Discount	Receipts – Treasury
GST entitlement	Part 3 – GST payments	Extending and merging the Serious Financial Crime Taskforce and Serious Organised Crime program	Receipts – Treasury
GST entitlement	Part 3 – GST payments	GST compliance program — four-year extension	Receipts – Treasury
GST entitlement	Part 3 – GST payments	Migration – raising the Temporary Skilled Migration Income Threshold (TSMIT)	Receipts – Home Affairs
GST entitlement	Part 3 – GST payments	Tax Integrity – improving engagement with taxpayers to ensure timely payment of tax and superannuation liabilities	Receipts – Treasury
GST entitlement	Part 3 – GST payments	Small Business Support – Helping small business manage their tax instalments and improving cashflow	Receipts – Treasury

Table 1.4: Measures affecting payments to the states (continued)

Payment	Section of Budget Paper 3	Measure title	Section of Budget Paper 2
GST entitlement	Part 3 – GST payments	Indirect Tax Concession Scheme – diplomatic and consular concessions	Receipts – Treasury
GST entitlement	Part 3 – GST payments	Tobacco Excise – measures to improve health outcomes and aligning the treatment of stick and non-stick tobacco tax	Receipts – Home Affairs
GST entitlement	Part 3 – GST payments	Migration Program – 2023–24 planning levels	Receipts – Home Affairs
GST entitlement	Part 3 – GST payments	Visa changes for Graduates and Students – increasing visa duration and work hours	Receipts – Home Affairs
GST entitlement	Part 3 – GST payments	Enhancing Pacific Engagement	Payments – Foreign Affairs and Trade
GST entitlement	Part 3 – GST payments	Visa and Migration System	Payments – Home Affairs

a) Measure redirects funding allocated to states in the October Budget to fund other Australian Government policy priorities.