

**FEDERAL FINANCIAL RELATIONS**

BUDGET PAPER NO. 3

Circulated by

**The Honourable Jim Chalmers MP**

Treasurer of the Commonwealth of Australia

and

**Senator the Honourable Katy Gallagher**

Minister for Finance, Minister for Women,
Minister for the Public Service of the Commonwealth of Australia

For the information of honourable members
on the occasion of the Budget 2023–24

**9 May 2023**

© Commonwealth of Australia 2023

ISSN 0728 7194 (print); 1326 4133 (online)

This publication is available for your use under a [Creative Commons BY Attribution 3.0 Australia](http://creativecommons.org/licenses/by/3.0/au/deed.en) licence, with the exception of the Commonwealth Coat of Arms, third‑party content and where otherwise stated. The full licence terms are available from <http://creativecommons.org/licenses/by/3.0/au/legalcode>.



Use of Commonwealth of Australia material under a [Creative Commons BY Attribution 3.0 Australia](http://creativecommons.org/licenses/by/3.0/au/deed.en) licence requires you to attribute the work (but not in any way that suggests that the Commonwealth of Australia endorses you or your use of the work).

**Commonwealth of Australia material used ‘as supplied’.**

Provided you have not modified or transformed Commonwealth of Australia material in any way including, for example, by changing the Commonwealth of Australia text; calculating percentage changes; graphing or charting data; or deriving new statistics from published statistics – then the Commonwealth of Australia prefers the following attribution:

Source: *The Commonwealth of Australia.*

**Derivative material**

If you have modified or transformed Commonwealth of Australia material, or derived new material from those of the Commonwealth of Australia in any way, then the Commonwealth of Australia prefers the following attribution:

*Based on Commonwealth of Australia data.*

**Use of the Coat of Arms**

The terms under which the Coat of Arms can be used are set out on
the Department of the Prime Minister and Cabinet website (see [www.pmc.gov.au/
honours-and-symbols/commonwealth-coat-arms](https://www.pmc.gov.au/honours-and-symbols/commonwealth-coat-arms)).

**Other uses**

Enquiries regarding this licence and any other use of this document are welcome at:

Manager
Media Unit
The Treasury
Langton Crescent
Parkes  ACT  2600
Email: media@treasury.gov.au

**Internet**

A copy of this document is available on the central Budget website at: [www.budget.gov.au](http://www.budget.gov.au).

Printed by CanPrint Communications Pty Ltd.

# Foreword

This Budget Paper presents information on the Australian Government’s financial relations with state, territory and local governments.

Contents

Foreword iii

Part 1: Australia’s Federal Relations 1

Overview 1

Australian Government funding to the states 3

Measures affecting payments to the states 9

Part 2: Payments for specific purposes 13

Overview 13

Health 17

Education 39

Skills and workforce development 46

Community services 50

Affordable housing 56

Infrastructure 59

Environment, energy and water 72

Contingent payments 95

Other payments 97

Part 3: General revenue assistance 109

Overview 109

GST payments 109

Other general revenue assistance 114

Mirror tax arrangements 115

Appendix A: Parameters and further information 117

Population 117

Data sources 119

Further information 120

Notes 121

List of tables

Table 1.1: Australian Government payments to the states, 2022–23 to
2026–27 6

Table 1.2: Total Australian Government payments to the states as a proportion of GDP 7

Table 1.3: Australian Government’s contribution to state expenditure 8

Table 1.4: Measures affecting payments to the states 9

Table 2.1: Total payments for specific purposes by category, 2022–23 to 2026–27 14

Table 2.2: Payments for specific purposes by sector and category, 2022–23 to 2026–27 16

Table 2.3: Payments to support state health services 17

Table 2.3.1 Health services 20

Table 2.3.2 Health infrastructure 29

Table 2.3.3 First Nations health 33

Table 2.3.4 Other health National Partnership payments 35

Table 2.4: Payments to support state education services 39

Table 2.5: Payments to support state skills and workforce development services 46

Table 2.6: Payments to support state community services 50

Table 2.7: Payments to support state affordable housing services 56

Table 2.8: Payments to support state infrastructure services 59

Table 2.9: Payments to support state environment, energy and water services 72

Table 2.10: Contingent payments to the states 95

Table 2.11: Payments to support other state services 97

Table 3.1: General revenue assistance 109

Table 3.2: Reconciling GST revenue, GST entitlement and GST payments to the states 111

Table 3.3: Reconciliation of the GST entitlement estimates since the October Budget 111

Table 3.4: Policy decisions since the October Budget that affect the GST entitlement 112

Table 3.5: Calculation of GST entitlements 113

Table 3.6: Reconciliation of the GST administration budget 114

Table 3.7: Other general revenue assistance 114

Table 3.8: Mirror taxes accrued on behalf of the states 115

Table A.1: Population by state, at 31 December 117

Table A.2: Population by state, at 30 June 117

Table A.3: Total fertility rate, for years ending 30 June 118

Table A.4: Projected life expectancy at birth, for years ending 30 June 118

Table A.5: Net overseas migration, for years ending 30 June 118

Table A.6: Net interstate migration by state, for years ending 30 June 119

Table A.7: Wage cost indices 119

List of charts

Chart 1.1: Payments for specific purposes 2023–24, by sector 4

Chart 1.2: Total Australian Government payments to the states, 2023–24 7