

# Part 1: Australia's Federal Relations

## Overview

In 2026–27, the Australian Government will provide state and territory governments (states) with \$207.8 billion in total payments, estimated to be 24.9 per cent of total Australian Government expenditure. This includes payments of \$97.5 billion for specific purposes including for schools and hospitals, and general revenue assistance of \$110.3 billion.

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

- contributing \$168.7 billion from 2026–27 to 2029–30 for public health and hospital services under the National Health Reform Agreement
- investing \$147.0 billion from 2026–27 to 2029–30 in Better and Fairer Schools funding
- committing \$53.6 billion from 2026–27 to 2029–30 to invest in nation-building infrastructure
- contributing \$9.4 billion from 2026–27 to 2029–30 for the National Skills Agreement
- investing \$7.7 billion from 2026–27 to 2029–30 for the National Agreement on Social Housing and Homelessness
- contributing \$3.2 billion from 2026–27 to 2029–30 for the National Access to Justice Partnership
- contributing \$1.1 billion from 2026–27 to 2029–30 for the National Agreement on Foundational Supports
- providing an estimated \$21.8 billion from 2026–27 to 2029–30 in horizontal fiscal equalisation (HFE) transition payments (also known as the No Worse Off guarantee)
- continuing its permanent boost to the size of the GST pool distributed among the states, including by \$1.1 billion in 2026–27 (with this pool boost growing annually in line with the underlying growth of the pool).

## **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, including through investments in infrastructure, skills and national competition policy. 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 \$207.8 billion in 2026–27.

Payments to the states in 2026–27 are estimated to be 24.9 per cent of total Australian Government expenditure and 6.7 per cent of GDP.

## Payments for specific purposes

In 2026–27, the Australian Government will provide the states with \$97.5 billion in payments for specific purposes. This represents a decrease of \$4.1 billion or 4.0 per cent compared with the 2025–26 estimate. This is primarily due to the bringing forward of funding under the Financial Assistance Grant program from 2026–27, for early payment in 2025–26, and the application of a temporary fuel and other materials disruption slippage adjustment at the national level in the Infrastructure Investment Program in this Budget. Payments for specific purposes are estimated to make up 11.7 per cent of total Australian Government expenditure in 2026–27 and 3.2 per cent of GDP.

Payments for the National Agreements, including National Health Reform funding, Better and Fairer Schools funding, the National Skills Agreement, the National Agreement on Social Housing and Homelessness, the National Agreement on Foundational Supports and the National Access to Justice Partnership, are expected to total \$77.3 billion in 2026–27.

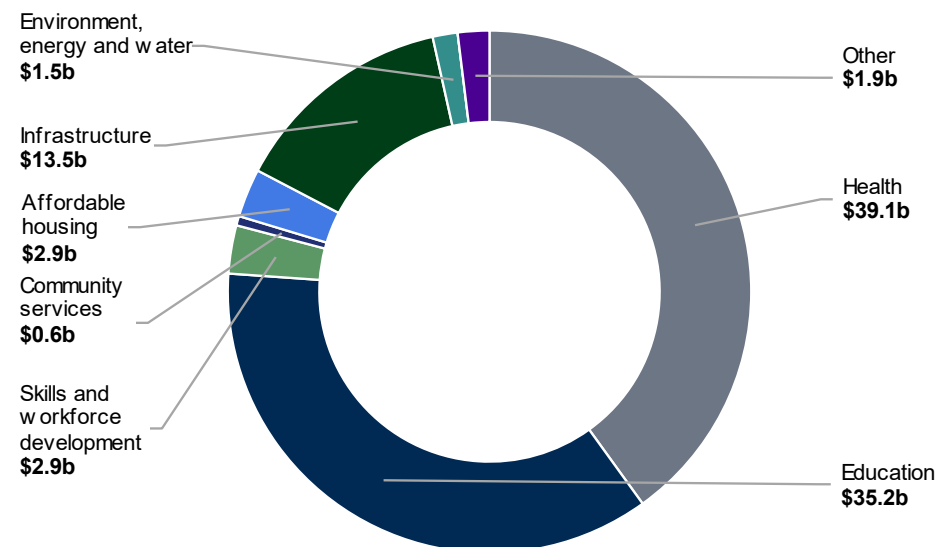
National Partnership payments are expected to total \$20.2 billion in 2026–27.

Chart 1.1 shows estimated payments for specific purposes to the states in 2026–27 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](http://www.federalfinancialrelations.gov.au).

**Chart 1.1: Payments for specific purposes 2026–27, 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 2026–27, the states are expected to receive \$110.3 billion in general revenue assistance, including \$109.8 billion for the GST-related payments. General revenue assistance to the states is estimated to represent 13.2 per cent of total Australian Government expenditure in 2026–27 and 3.6 per cent of GDP.

Part 3 of this Budget Paper contains further detail on 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, 2025–26 to 2029–30**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
<b>2025-26</b>									
Payments for specific purposes(a)	28,096	25,790	22,572	11,242	8,166	2,420	1,693	2,523	101,598
GST-related payments(b)	28,268	28,466	16,932	8,055	9,779	3,863	2,125	4,850	102,338
Other general revenue assistance(c)	-	-	-	429	-	-	46	-	475
<b>Total payments to the states</b>	<b>56,364</b>	<b>54,256</b>	<b>39,504</b>	<b>19,725</b>	<b>17,945</b>	<b>6,283</b>	<b>3,865</b>	<b>7,373</b>	<b>204,410</b>
<b>2026-27</b>									
Payments for specific purposes(a)	26,845	24,548	22,754	10,887	7,855	2,557	1,750	2,685	97,519
GST-related payments(b)	28,704	30,144	19,577	9,506	10,186	4,184	2,246	5,273	109,820
Other general revenue assistance(c)	-	-	-	434	-	-	48	-	482
<b>Total payments to the states</b>	<b>55,549</b>	<b>54,692</b>	<b>42,331</b>	<b>20,827</b>	<b>18,041</b>	<b>6,741</b>	<b>4,044</b>	<b>7,957</b>	<b>207,821</b>
<b>2027-28</b>									
Payments for specific purposes(a)	28,638	25,309	25,371	11,173	8,102	2,640	1,710	2,474	103,880
GST-related payments(b)	29,956	31,572	20,501	10,015	10,593	4,337	2,349	5,490	114,812
Other general revenue assistance(c)	-	-	-	359	-	-	49	-	408
<b>Total payments to the states</b>	<b>58,594</b>	<b>56,881</b>	<b>45,872</b>	<b>21,546</b>	<b>18,695</b>	<b>6,977</b>	<b>4,107</b>	<b>7,964</b>	<b>219,100</b>
<b>2028-29</b>									
Payments for specific purposes(a)	29,511	26,042	26,200	11,009	8,047	2,592	1,719	2,523	107,551
GST-related payments(b)	31,364	33,251	21,533	10,636	11,098	4,540	2,474	5,794	120,689
Other general revenue assistance(c)	-	-	-	300	-	-	50	-	350
<b>Total payments to the states</b>	<b>60,875</b>	<b>59,293</b>	<b>47,732</b>	<b>21,945</b>	<b>19,145</b>	<b>7,132</b>	<b>4,243</b>	<b>8,317</b>	<b>228,589</b>
<b>2029-30</b>									
Payments for specific purposes(a)	30,809	26,615	26,336	11,353	8,048	2,856	1,692	2,561	111,580
GST-related payments(b)	32,727	34,871	22,531	11,213	11,570	4,726	2,595	6,070	126,303
Other general revenue assistance(c)	-	-	-	242	-	-	51	-	293
<b>Total payments to the states</b>	<b>63,536</b>	<b>61,487</b>	<b>48,867</b>	<b>22,808</b>	<b>19,618</b>	<b>7,582</b>	<b>4,337</b>	<b>8,631</b>	<b>238,176</b>

a) As 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. Additionally, a general slippage adjustment has been applied to Infrastructure Investment Program spending at the national level from 2025–26 to 2029–30 to take account of historical experiences, including the timing of states claiming payments against milestones and the complexity of delivery. A temporary Fuel and Other Materials Disruption slippage adjustment has also been applied at the national level from 2026–27 to 2028–29 to recognise the uncertain impacts of the Middle East conflict on the availability of key materials for the delivery of projects. State totals are unaffected by the slippage assumptions. The slippage adjustments are unwound from 2030–31.

- b) Includes GST entitlement and horizontal fiscal equalisation (HFE) transition payments (also known as the No Worse Off guarantee). State allocations depend on the GST revenue sharing relativities for each financial year. They are calculated using the Commonwealth Grants Commission's 2026–27 GST relativities. The estimates beyond 2026–27 do not reflect any attempt to project future GST relativities or GST entitlements. See Part 3 for further information.
- c) Includes ACT municipal services and royalty payments. See Table 3.7 for further information.

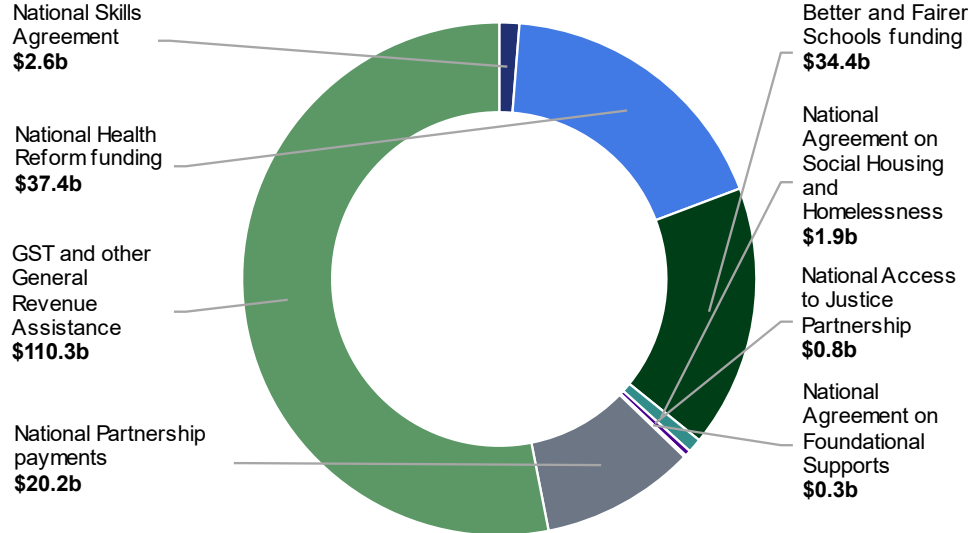
For 2026–27, total payments to the states are estimated to be 6.7 per cent of GDP. Payments for specific purposes are estimated to be 3.2 per cent of GDP and general revenue assistance is estimated to be 3.6 per cent of GDP.

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

\$million	2025-26	2026-27	2027-28	2028-29	2029-30
<i>Payments for specific purposes</i>					
National Health Reform funding	32,214	37,421	40,454	43,690	47,185
Better and Fairer Schools funding(a)	32,979	34,394	35,873	37,471	39,277
National Skills Agreement	2,505	2,614	2,623	2,277	1,933
National Agreement on Foundational Supports	-	280	280	280	280
National Agreement on Social Housing and Homelessness	1,817	1,864	1,905	1,945	1,990
Energy Bill Relief	1,733	-	-	-	-
National Access to Justice Partnership	738	760	777	791	824
National Partnership payments(b)(c)	29,612	20,186	21,969	21,096	20,092
Total payments for specific purposes	101,598	97,519	103,880	107,551	111,580
Per cent change from previous year	4.3	-4.0	6.5	3.5	3.7
Per cent of GDP	3.4	3.2	3.3	3.2	3.2
<i>General revenue assistance</i>					
GST-related payments(d)	102,338	109,820	114,812	120,689	126,303
Other general revenue assistance	475	482	408	350	293
Total general revenue assistance	102,813	110,302	115,220	121,038	126,595
Per cent change from previous year	5.7	7.3	4.5	5.1	4.6
Per cent of GDP	3.5	3.6	3.6	3.6	3.6
<b>Total payments to the states</b>	<b>204,410</b>	<b>207,821</b>	<b>219,100</b>	<b>228,589</b>	<b>238,176</b>
Per cent change from previous year	5.0	1.7	5.4	4.3	4.2
Per cent of GDP	6.9	6.7	6.9	6.9	6.8

- a) Includes funding for non-government representative bodies.
- b) Excludes National Partnership payments made under the National Skills Agreement, National Agreement on Foundational Supports, Energy Bill Relief and National Access to Justice Partnership, which are shown separately.
- c) Includes financial assistance grants for local governments, payments direct to local governments, and payments funded through legislative appropriations other than section 16 (National Partnership payments) of the *Federal Financial Relations Act 2009*.
- d) Includes GST entitlement and horizontal fiscal equalisation (HFE) transition payments (also known as the No Worse Off guarantee). State allocations depend on the GST revenue sharing relativities for each financial year. They are calculated using the Commonwealth Grants Commission's 2026–27 GST relativities. The estimates beyond 2026–27 do not reflect any attempt to project future GST relativities or GST entitlements. See Part 3 for further information.

**Chart 1.2: Total Australian Government payments to the states, 2026–27**



Note: National Partnership payments made under National Agreements are shown separately. These include the National Skills Agreement, National Access to Justice Partnership and National Agreement on Foundational Supports.

Table 1.3 provides information on the Australian Government’s financial contributions to state expenditure in key sectors in 2024–25 (the latest year for which there are data to enable this calculation). It shows that Australian Government financial assistance in 2024–25 effectively supported 47.4 per cent of state 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)
<b>2024-25</b>				
Health	30,889	29,259	125,001	48.1
Education	33,997	14,682	81,224	59.9
Housing and community amenities	4,560	1,483	9,329	64.8
Transport	13,094	8,087	39,107	54.2
Economic affairs	4,706	3,571	16,191	51.1
Social protection	1,132	12,807	42,325	32.9
Other functions (b)	9,035	27,400	97,168	37.5
Payments for specific purposes	97,411			
General revenue assistance		97,288		
<b>Total</b>			410,345	47.4

Source: Australian Bureau of Statistics (ABS), *Government Finance Statistics 2024–25*; and Australian Government, *Final Budget Outcome 2024–25*.

Note: Australian Government payments to the states in 2024–25 are 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 is provided to the states without conditions to spend according to their own budget priorities. For illustrative purposes, general revenue assistance is allocated to expense functions based on the ratio of discretionary spending in each function as a share of states’ total discretionary spending.
- b) ‘Other functions’ include additional functions not elsewhere itemised.

## Measures affecting payments to the states

Table 1.4 lists measures in the 2026–27 Budget that affect payments to the states. Details of the measures are available in Budget Paper No. 2, *Budget Measures 2026–27*, 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	National Health Reform Agreement – hospital funding and Commonwealth investment in the public hospital system	Payments – Health, Disability and Ageing
Access to HIV treatment and prevention	Part 2 – Health	Health Protection	Payments – Health, Disability and Ageing
Additional assistance for public hospitals	Part 2 – Health	National Health Reform Agreement – hospital funding and Commonwealth investment in the public hospital system	Payments – Health, Disability and Ageing
Medicare Urgent Care Clinics	Part 2 – Health	Strengthening Medicare	Payments – Health, Disability and Ageing
National Mental Health and Suicide Prevention Agreement – bilateral schedules	Part 2 – Health	Mental Health	Payments – Health, Disability and Ageing
Reducing Stillbirths	Part 2 – Health	Supporting families who experience stillbirth	Payments – Social Services
Specialist dementia care	Part 2 – Health	Residential Aged Care Supply and Equity of Access	Payments – Health, Disability and Ageing
First Nations Health Reform Fund	Part 2 – Health	National Health Reform Agreement – hospital funding and Commonwealth investment in the public hospital system	Payments – Health, Disability and Ageing
Essential vaccines	Part 2 – Health	Improving Access and Uptake of Medicines and Vaccines	Payments – Health, Disability and Ageing
Illicit Tobacco Compliance and Enforcement Package	Part 2 – Health	Combatting Illicit Tobacco	Payments – Home Affairs
Increasing specialist services for children who have displayed harmful sexual behaviours in the Northern Territory	Part 2 – Health	National Strategy to Prevent and Respond to Child Sexual Abuse – continuation	Payments – Attorney-General's

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

Payment	Section of Budget Paper 3	Measure title	Section of Budget Paper 2
NHRA Enabling Reforms – Digital	Part 2 – Health	National Health Reform Agreement – hospital funding and Commonwealth investment in the public hospital system	Payments – Health, Disability and Ageing
Public dental services for adults	Part 2 – Health	Preventive Health	Payments – Health, Disability and Ageing
Schools Pathways Program	Part 2 – Education	Supporting Defence Industry and Strategic Policy Sector	Payments – Defence
National Skills Agreement(a)	Part 2 – Skills and workforce development	Employment and Workplace Relations and Skills – reprioritisation	Payments – Employment and Workplace Relations
TAFE Technology Fund and Mobile TAFE(a)	Part 2 – Skills and workforce development	Employment and Workplace Relations and Skills – reprioritisation	Payments – Employment and Workplace Relations
National Agreement on Foundational Supports	Part 2 – Community Services	Thriving Kids	Payments – Health, Disability and Ageing
Family, domestic and sexual violence responses agreement – 500 community sector and frontline workers	Part 2 – Community Services	Ending Gender-Based Violence – continued investment	Payments – Cross Portfolio
Our Ways – Strong Ways – Our Voices ACCO network	Part 2 – Community Services	Ending Gender-Based Violence – continued investment	Payments – Cross Portfolio
Housing Support Program – Local Infrastructure Fund	Part 2 – Affordable Housing	Boosting Home Ownership	Payments – Treasury
Supporting youth into Community Housing	Part 2 – Affordable Housing	Supporting Youth into Community Housing	Payments – Treasury
Infrastructure Investment Program	Part 2 – Infrastructure	Building a Better Future through Considered Infrastructure Investment	Payments – Infrastructure, Transport, Regional Development, Communications, Sports and the Arts
Growing Regions Program(a)	Part 2 – Infrastructure	Community Infrastructure	Payments – Infrastructure, Transport, Regional Development, Communications, Sports and the Arts
National Water Grid Fund(a)	Part 2 – Infrastructure	Climate Change, Energy, the Environment and Water – savings	Payments – Climate Change, Energy, the Environment and Water
White City Sports Complex	Part 2 – Infrastructure	Government Response to the Antisemitic Bondi Terrorist Attack	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
Explore the feasibility of new fuel security initiatives	Part 2 – Environment, energy and water	Energy Sovereignty – Fuel Security and Resilience	Payments – Cross Portfolio
Fast-tracking Approvals – Bilateral Agreements and Bioregional Plans	Part 2 – Environment, energy and water	Boosting Productivity – Accelerating Approvals	Payments – Cross Portfolio
Fast-tracking Approvals – Strategic Assessments	Part 2 – Environment, energy and water	Boosting Productivity – Accelerating Approvals	Payments – Cross Portfolio
Food Waste for Healthy Soils Fund(a)	Part 2 – Environment, energy and water	Climate Change, Energy, the Environment and Water – savings	Payments – Climate Change, Energy, the Environment and Water
Implementing Reforms for Regional Forest Agreements	Part 2 – Environment, energy and water	Implementing the Government's Environmental Reforms	Payments – Climate Change, Energy, the Environment and Water
Investing in Australia's First Nations Culture and World Heritage	Part 2 – Environment, energy and water	Investing in Australia's Indigenous Culture and World Heritage	Payments – Climate Change, Energy, the Environment and Water
Low-Carbon Aluminium Credit for the Boyne Smelter	Part 2 – Environment, energy and water	Supporting Australian Industry	Payments – Industry Science and Resources
Pest and disease preparedness and response programs(a)	Part 2 – Environment, energy and water	Agriculture, Fisheries and Forestry Portfolio – reprioritisation	Payments – Agriculture, Fisheries and Forestry
Recycling Modernisation Fund – Plastics technology stream(a)	Part 2 – Environment, energy and water	National Solar Panel Recycling Pilot	Payments – Climate Change, Energy, the Environment and Water
Urban Rivers and Catchments Program(a)	Part 2 – Environment, energy and water	Climate Change, Energy, the Environment and Water – savings	Payments – Climate Change, Energy, the Environment and Water
Yellow crazy ant control	Part 2 – Environment, energy and water	Protecting Australia's Native Species – continuing funding	Payments – Climate Change, Energy, the Environment and Water
Sustainable rural water use and infrastructure program(a)	Part 2 – Environment, energy and water	Climate Change, Energy, the Environment and Water – savings	Payments – Climate Change, Energy, the Environment and Water
Addressing Misuse of the Protection Visa System	Part 2 – Other	Strengthening the Integrity of the Migration System	Payments – Home Affairs
Assistance for the Liberty Bell Bay smelter	Part 2 – Other	Supporting Australian Industry	Payments – Industry Science and Resources
Assistance for the Whyalla steel industry	Part 2 – Other	Supporting Australian Industry	Payments – Industry Science and Resources
Commonwealth Community Safety Order Scheme (CSO)(a)	Part 2 – Other	Home Affairs – savings	Payments – Home Affairs

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

Payment	Section of Budget Paper 3	Measure title	Section of Budget Paper 2
Commonwealth High Risk Terrorist Offender Regime	Part 2 – Other	Home Affairs – additional resourcing	Payments – Home Affairs
Countering Violent Extremism initiatives – National Support and Intervention Program	Part 2 – Other	Government Response to the Antisemitic Bondi Terrorist Attack	Payments – Cross Portfolio
Financial Assistance Grants	Part 2 – Other	Financial Assistance Grants to Local Government	Payments – Infrastructure, Transport, Regional Development, Communications, Sports and the Arts
Financial assistance to local governments – 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, Sports and the Arts
Henderson Stage 1 Funding	Part 2 – Other	2026 National Defence Strategy and Integrated Investment Program	Payments – Defence
Indigenous Tourism Fund(a)	Part 2 – Other	Closing the Gap – further investments	Payments – Cross Portfolio
Northern Presence Combatting Illegal Foreign Fishing	Part 2 – Other	Supporting Border Security	Payments – Home Affairs
GST entitlement	Part 3 – GST payments	Boosting Productivity – better selecting migrants and recognising their skills	Receipts – Home Affairs
GST entitlement	Part 3 – GST payments	Migration – uplift of Visa Application Charge for Temporary Graduate visas	Receipts – Home Affairs
GST entitlement	Part 3 – GST payments	Strengthening the Integrity of the Migration System	Receipts – Home Affairs
GST entitlement	Part 3 – GST payments	Electric car discount – more sustainable fringe benefits tax treatment of electric cars	Receipts – Treasury
GST entitlement	Part 3 – GST payments	Indirect Tax Concession Scheme – diplomatic and consular concessions	Receipts – Treasury
GST entitlement	Part 3 – GST payments	Protecting the tax system against fraud	Receipts – Treasury
GST entitlement	Part 3 – GST payments	Taking Pressure Off Australians – temporary reduction of fuel excise and heavy vehicle road user charge	Receipts – Treasury

a) Measure redirects funding allocated to states in the *Mid-Year Economic and Fiscal Outlook 2025–26* to fund other Australian Government policy priorities.