

Appendix C: Australia's Federal Financial Relations

This appendix provides information on payments to state and territory governments (the states) for specific purposes and general revenue assistance, including the GST entitlement.

Australian Government payments to the states are framed by the Intergovernmental Agreement on Federal Financial Relations (the Intergovernmental Agreement), which has been in place since 1 January 2009. The Intergovernmental Agreement recognises that the states have primary responsibility for many areas of service delivery, but that coordinated action is necessary to address Australia's economic and social challenges.

The Council on Federal Financial Relations (CFFR), comprising the Commonwealth Treasurer as Chair and all state and territory treasurers, is responsible for overseeing the financial relationship between the Commonwealth and the states. On 28 August 2020, CFFR implemented the Federation Funding Agreements (FFA) Framework to govern Commonwealth-state funding agreements. The FFA Framework complements the Intergovernmental Agreement.

More detailed information on Australia's federal financial relations can be found in Budget Paper No. 3, *Federal Financial Relations 2023–24* and on the Federal Financial Relations website at: www.federalfinancialrelations.gov.au.

Overview of payments to the states

Australian Government payments to the states in 2023–24 are estimated to be \$174.5 billion, or 25.3 per cent of total Australian Government expenditure for the year. This amount comprises payments for specific purposes of \$84.2 billion and general revenue assistance of \$90.3 billion.

Table C.1 shows payments for specific purposes and general revenue assistance to the states.

Table C.1: Australian Government payments to the states, 2023–24 to 2026–27

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2023-24									
Payments for specific purposes(a)	23,821	18,416	18,268	10,563	6,041	2,217	1,315	2,056	84,217
GST-related payments(b)	26,245	19,958	19,036	6,419	8,582	3,367	1,873	4,039	89,519
Other general revenue assistance(c)	-	-	-	763	-	-	44	-	807
Total payments to the states	50,067	38,374	37,304	17,745	14,622	5,584	3,231	6,095	174,543

**Table C.1: Australian Government payments to the states, 2023–24 to 2026–27
(continued)**

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2024-25									
Payments for specific purposes(a)	25,321	19,077	19,318	10,294	5,986	2,173	1,403	1,683	87,229
GST-related payments(b)	27,604	21,126	20,083	7,257	9,009	3,521	1,976	4,231	94,807
Other general revenue assistance(c)	-	-	-	687	-	-	45	-	733
Total payments to the states	52,925	40,203	39,402	18,238	14,994	5,694	3,425	5,915	182,769
2025-26									
Payments for specific purposes(a)	24,771	20,268	19,937	9,532	6,314	2,081	1,348	1,604	87,053
GST-related payments(b)	29,364	22,599	21,420	7,737	9,559	3,735	2,115	4,496	101,024
Other general revenue assistance(c)	-	-	-	545	-	-	47	-	591
Total payments to the states	54,136	42,867	41,357	17,814	15,873	5,816	3,509	6,100	188,669
2026-27									
Payments for specific purposes(a)	24,739	21,198	21,275	8,842	6,668	2,039	1,488	1,539	89,362
GST-related payments(b)	29,894	23,049	21,950	9,187	9,852	3,878	2,188	4,751	104,750
Other general revenue assistance(c)	-	-	-	451	-	-	48	-	498
Total payments to the states	54,634	44,247	43,226	18,480	16,520	5,917	3,723	6,290	194,611

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.

c) Includes ACT municipal services and royalty payments. See Table C.6 for further information.

Payments for specific purposes

The Australian Government provides payments to the states for specific purposes in policy areas for which the states have primary responsibility. Payments to the states for specific purposes are estimated to total \$84.2 billion in 2023–24, which is 12.2 per cent of total Australian Government expenditure for the year and an increase of \$1.5 billion (or 1.9 per cent) on the \$82.7 billion the states received in 2022–23.

The Australian Government provides the following types of specific purpose payments to the states:

- National Health Reform funding, largely for public hospital services.
- Quality Schools funding for government and non-government schools.
- National Housing and Homelessness funding for improved housing outcomes.
- Payments for skills and workforce development activities, including through the new National Skills Agreement.
- National Partnership payments in a wide range of service delivery areas, including land transport infrastructure.

Table C.2 shows total payments for specific purposes by category.

Table C.2: Total payments for specific purposes by category, 2023–24 to 2026–27

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2023-24									
National Skills Agreement(b)	626	510	411	218	141	46	38	23	2,012
National Health Reform funding	8,341	6,086	6,841	3,053	1,966	624	494	380	27,785
Quality Schools funding	8,693	7,224	6,271	3,009	2,124	647	436	452	28,856
National Housing and Homelessness funding	516	436	355	190	120	38	30	22	1,706
Energy Bill Relief	361	282	246	83	95	22	11	9	1,110
National Partnership payments(c)	5,284	3,877	4,144	4,011	1,595	840	305	1,171	22,748
Total payments for specific purposes	23,821	18,416	18,268	10,563	6,041	2,217	1,315	2,056	84,217
2024-25									
National Skills Agreement(b)	752	614	497	264	171	57	48	32	2,435
National Health Reform funding	8,897	7,381	7,169	3,209	1,965	642	552	414	30,227
Quality Schools funding	8,983	7,489	6,473	3,113	2,185	664	446	459	29,812
National Housing and Homelessness funding	522	428	353	186	118	36	29	21	1,692
Energy Bill Relief	120	94	82	28	32	22	4	3	385
National Partnership payments(c)	6,048	3,072	4,745	3,495	1,515	752	326	755	22,679
Total payments for specific purposes	25,321	19,077	19,318	10,294	5,986	2,173	1,403	1,683	87,229
2025-26									
National Skills Agreement(b)	762	627	505	267	170	56	47	30	2,464
National Health Reform funding	9,475	7,793	7,612	3,426	2,077	680	583	445	32,089
Quality Schools funding	9,286	7,767	6,691	3,206	2,269	682	454	462	30,816
National Housing and Homelessness funding	534	441	362	191	120	37	30	21	1,736
Energy Bill Relief	-	-	-	-	-	-	-	-	-
National Partnership payments(c)	4,714	3,641	4,767	2,441	1,678	627	235	646	19,947
Total payments for specific purposes	24,771	20,268	19,937	9,532	6,314	2,081	1,348	1,604	87,053

Table C.2: Total payments for specific purposes by category, 2023–24 to 2026–27 (continued)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2026-27									
National Skills Agreement(b)	773	640	513	271	171	56	47	30	2,500
National Health Reform funding	10,094	8,295	8,116	3,650	2,189	718	621	474	34,157
Quality Schools funding	9,595	8,061	6,908	3,304	2,348	700	462	464	31,842
National Housing and Homelessness funding	545	452	369	195	122	38	31	22	1,773
Energy Bill Relief	-	-	-	-	-	-	-	-	-
National Partnership payments(c)	3,733	3,751	5,369	1,422	1,838	528	327	549	19,091
Total payments for specific purposes	24,739	21,198	21,275	8,842	6,668	2,039	1,488	1,539	89,362

- a) As state allocations for a number of programs have not yet been determined, these payments are not included in state totals. As a result, total payments may not equal the sum of state totals.
- b) As at 1 January 2024, the new National Skills Agreement (NSA) comes into effect and replaces the National Agreement for Skills and Workforce Development (NASWD) for all jurisdictions that have signed the agreement.
- c) Includes financial assistance grants for local government and payments direct to local government.

Payments for specific purposes cover most areas of state and local government activity, including health, education, skills and workforce development, community services, affordable housing, infrastructure, and the environment, energy and water. Table C.3 shows total payments for specific purposes by sector.

Table C.3: Payments for specific purposes by sector, 2023–24 to 2026–27

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2023-24									
Health	8,512	6,263	6,963	3,158	2,056	666	538	428	28,605
Education	8,936	7,429	6,440	3,108	2,183	667	450	534	29,804
Skills and workforce development	729	593	482	258	162	58	45	27	2,370
Community services	401	313	254	1,023	94	33	21	87	2,226
Affordable housing	516	436	355	190	120	38	30	333	2,234
Infrastructure	3,679	2,772	3,170	2,547	1,139	642	117	570	14,675
Environment, energy and water	766	446	474	136	217	94	92	40	3,407
Contingent payments	~	~	~	~	~	~	~	~	..
Other(b)	282	163	131	144	68	21	20	37	897
Total payments for specific purposes	23,821	18,416	18,268	10,563	6,041	2,217	1,315	2,056	84,217

Table C.3: Payments for specific purposes by sector, 2023–24 to 2026–27 (continued)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2024-25									
Health	9,094	7,484	7,299	3,452	2,030	662	561	428	31,038
Education	9,152	7,640	6,600	3,176	2,226	677	457	477	30,441
Skills and workforce development	753	615	498	266	171	58	48	32	2,452
Community services	38	29	27	14	10	5	3	9	137
Affordable housing	523	428	353	186	118	36	29	21	2,188
Infrastructure	4,421	1,870	3,536	2,691	1,107	541	201	628	15,078
Environment, energy and water	177	109	223	38	44	67	14	7	1,949
Contingent payments	~	~	~	~	~	~	~	~	..
Other(b)	1,163	903	782	470	280	127	92	82	3,946
Total payments for specific purposes	25,321	19,077	19,318	10,294	5,986	2,173	1,403	1,683	87,229
2025-26									
Health	9,491	7,857	7,712	3,621	2,147	692	589	464	32,641
Education	9,408	7,876	6,786	3,253	2,299	692	462	467	31,470
Skills and workforce development	801	659	530	281	179	58	49	32	2,595
Community services	17	12	13	6	5	3	1	3	60
Affordable housing	536	441	362	191	120	37	30	21	1,750
Infrastructure	3,447	2,589	3,725	1,754	1,319	487	129	565	14,156
Environment, energy and water	15	..	119	4	1	5	5	1	896
Contingent payments	~	~	~	~	~	~	~	~	..
Other(b)	1,056	834	690	421	244	107	83	50	3,485
Total payments for specific purposes	24,771	20,268	19,937	9,532	6,314	2,081	1,348	1,604	87,053
2026-27									
Health	10,101	8,299	8,218	3,668	2,281	719	621	490	34,474
Education	9,612	8,076	6,931	3,313	2,356	702	463	465	32,537
Skills and workforce development	811	672	538	284	180	58	49	31	2,631
Community services	1	1	1	1	2	1	1	1	66
Affordable housing	547	452	369	195	122	38	31	22	1,776
Infrastructure	2,560	2,829	4,417	942	1,494	406	237	479	13,408
Environment, energy and water	12	-	84	..	..	5	-	..	869
Contingent payments	~	~	~	~	~	~	~	~	..
Other(b)	1,096	870	717	438	232	111	85	52	3,601
Total payments for specific purposes	24,739	21,198	21,275	8,842	6,668	2,039	1,488	1,539	89,362

a) As state allocations for a number of programs have not yet been determined, these payments are not included in state totals. As a result, total payments may not equal the sum of state totals.

b) Includes financial assistance grants for local governments.

Table C.4 shows total payments for specific purposes by sector and category (National Health Reform funding, Quality Schools funding, National Housing and Homelessness funding, skills and workforce development funding and National Partnership payments).

Table C.4: Payments for specific purposes by sector and category, 2023–24 to 2026–27

\$million	2023-24	2024-25	2025-26	2026-27
<i>Health</i>				
National Health Reform funding	27,785	30,227	32,089	34,157
National Partnership payments	819	811	552	317
Total health payments	28,605	31,038	32,641	34,474
<i>Education</i>				
Quality Schools funding	28,856	29,812	30,816	31,842
National Partnership payments	948	629	653	696
Total education payments	29,804	30,441	31,470	32,537
<i>Skills and workforce development</i>				
National Skills Agreement(a)	2,012	2,435	2,464	2,500
National Partnership payments	357	18	131	131
Total skills and workforce development payments	2,370	2,452	2,595	2,631
<i>Community services</i>				
National Partnership payments	2,226	137	60	66
<i>Affordable housing</i>				
National Housing and Homelessness funding	1,706	1,692	1,736	1,773
National Partnership payments	528	495	13	3
Total affordable housing payments	2,234	2,188	1,750	1,776
<i>Infrastructure</i>				
National Partnership payments	14,675	15,078	14,156	13,408
<i>Environment, energy and water</i>				
Energy Bill Relief	1,110	385	-	-
National Partnership payments	2,297	1,564	896	869
Total environment, energy and water payments	3,407	1,949	896	869
<i>Contingent payments</i>				
National Partnership payments	..	..	..	..
<i>Other</i>				
National Partnership payments(b)	897	3,946	3,485	3,601
Total payments for specific purposes	84,217	87,229	87,053	89,362

a) As at 1 January 2024, the new National Skills Agreement (NSA) comes into effect and replaces the National Agreement for Skills and Workforce Development (NASWD) for all jurisdictions that have signed the agreement.

b) Includes financial assistance grants for local government.

Detailed tables of payments for specific purposes are provided in Annex A (available online).

The Australian Government provides funding under the Disaster Recovery Funding Arrangements (DRFA) to assist the states in relief and recovery efforts following natural disasters. The Government recognises a liability equal to the present value of future payments expected to be made to the states under the DRFA. The liability is based on estimated data provided by the states. It includes both known and future estimated expenditure for relief and recovery measures prior to states submitting a claim to the Government. Estimated DRFA cash payments shown in Table C.5 illustrate when

the Government expects to reimburse the states for costs incurred in relation to past disasters. Expense estimates are presented in Table C.A.8 in Annex A (available online).

Table C.5: Estimated DRFA cash payments, 2023–24 to 2026–27

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2023-24	2,068.3	570.8	1,122.4	73.3	38.4	16.8	-	10.7	3,900.6
2024-25	1,112.4	530.1	1,159.3	419.1	33.0	6.0	-	2.6	3,262.5
2025-26	230.5	-	3.9	41.1	-	2.2	-	-	277.7
2026-27	-	-	-	6.0	-	-	-	-	6.0
Total	3,411.1	1,100.9	2,285.5	539.5	71.4	25.0	-	13.3	7,446.7

General revenue assistance

General revenue assistance is provided to states, without conditions, to spend according to their own budget priorities. In 2023–24, the states are expected to receive \$90.3 billion from the Australian Government in total general revenue assistance, which is estimated to represent 13.1 per cent of total Australian Government expenditure in that year. The main form of general revenue assistance is the GST entitlement, which in 2023–24 is estimated to be \$84.7 billion.

Estimated general revenue assistance provided to the states by the Australian Government is shown in Table C.6. Detailed tables of GST and other general revenue assistance are provided in Annex A (available online).

Table C.6: General revenue assistance, 2023–24 to 2026–27

\$million	2023-24	2024-25	2025-26	2026-27
GST entitlement	84,675	89,462	95,325	101,239
HFE transition payments(a)	4,844	5,345	5,699	3,511
Other general revenue assistance				
ACT municipal services	44	45	47	48
Royalty payments	763	687	545	451
Total other general revenue assistance	807	733	591	498
Total	90,326	95,540	101,616	105,249

a) Estimates of the horizontal fiscal equalisation (HFE) transition payments for 2024–25 and later years are based on the 2023–24 GST relativities and adjusted to take into account the transition to the new HFE system. The 2026–27 HFE transition payment is assumed to be half of that implied using the 2023–24 relativities.

GST payments

Under the *Federal Financial Relations Act 2009*, the states are entitled to receive payments from the Australian Government equivalent to the revenue raised from the GST in any given financial year, subject to some minor adjustments.

Table C.7 reconciles GST revenue and the states' GST entitlement.

Table C.7: Reconciling GST revenue and the states' GST entitlement

\$million	2023-24	2024-25	2025-26	2026-27
GST revenue	88,180	92,580	98,830	104,970
<i>less</i> Change in GST receivables	4,101	3,988	4,431	4,715
GST receipts	84,079	88,592	94,399	100,255
<i>less</i> Non-GIC penalties collected	90	100	110	120
<i>less</i> GST collected by Commonwealth agencies but not yet remitted to the ATO	-1	2	-1	-5
<i>plus</i> GST pool boost	685	972	1,035	1,099
States' GST entitlement	84,675	89,462	95,325	101,239

Table C.8 reconciles the change in the estimates of the states' GST entitlement since the 2023–24 Budget. Since the 2023–24 Budget the GST entitlement has been revised down by \$1.9 billion in 2023–24 and by \$2.9 billion over the four years to 2026–27.

Table C.8: Reconciliation of the GST entitlement estimates since the 2023–24 Budget

\$million	2023-24	2024-25	2025-26	2026-27
GST entitlement at 2023-24 Budget	86,621	90,208	95,495	101,288
<i>Changes between 2023-24 Budget and 2023-24 MYEFO</i>				
Effect of policy decisions	-50	-145	-250	-320
Effect of parameter and other variations	-1,896	-601	80	272
Total variations	-1,946	-746	-170	-48
GST entitlement at 2023-24 MYEFO	84,675	89,462	95,325	101,239

Parameter and other variations have decreased the GST entitlement by \$2.1 billion over the four years to 2026–27.

Specific policy decisions taken since the 2023–24 Budget that affect the GST entitlement are shown in Table C.9. These decisions are estimated to decrease the amount of the GST entitlement by \$765 million over the four years to 2026–27.

Table C.9: Policy decisions since the 2023–24 Budget that affect the GST entitlement

\$million	2023-24	2024-25	2025-26	2026-27
Australia's Humanitarian Program	..	..	5	5
Migration System Reforms	..	-45	-105	-175
Migration – closure of the Pandemic Event visa	-50	-100	-150	-150
Indirect Tax Concession Scheme – diplomatic and consular concessions	..	..	..	..
Minor amendments to existing measures	*	*	*	*
Total	-50	-145	-250	-320

Detailed information on specific policy decisions taken since the 2023–24 Budget is included in MYEFO 2023–24, *Appendix A: Policy decisions taken since the 2023–24 Budget*.

Distribution of the GST among the states

The Australian Government distributes the GST among the states based on the GST revenue sharing relativities recommended by the Commonwealth Grants Commission. Table C.10 shows the calculation for the distribution of the states' estimated GST entitlement in 2023–24. This method of calculation is prescribed in the *Federal Financial Relations Act 2009*.

Table C.10: Calculation of GST entitlements ^(a)

	Estimated 31 December 2023 population (1)	GST relativities (2)	Adjusted population (1) x (2)	Share of adjusted population	Share of GST pool \$million
2023-24					
NSW	8,415,999	0.92350	7,772,175	29.0%	24,535
VIC	6,896,362	0.85169	5,873,563	21.9%	18,541
QLD	5,507,751	1.03118	5,679,483	21.2%	17,929
WA	2,905,058	0.70000	2,033,541	7.6%	6,419
SA	1,865,729	1.39463	2,602,002	9.7%	8,214
TAS	576,174	1.79080	1,031,812	3.8%	3,257
ACT	471,276	1.19540	563,363	2.1%	1,778
NT	254,190	4.98725	1,267,709	4.7%	4,002
Total	26,892,539	na	26,823,647	100.0%	84,675

a) Amounts shown are estimates of each state's GST entitlement, based on the estimated total GST entitlement and state populations. These amounts do not take into account the 2022–23 balancing adjustment of \$351 million which was made to the states' GST advance payments in 2023–24.

The calculation of the final GST entitlement for 2022–23 is shown in Table C.11. The Assistant Treasurer made a determination giving effect to this entitlement on 26 October 2023. The table also includes the distribution of the balancing adjustment, taking account of differences between advances of GST paid to each state and each state's final entitlement for 2022–23.

Table C.11: Calculation of the GST entitlement and balancing adjustment, 2022–23

	31 December 2022 population	GST relativities	Adjusted population (1) x (2)	Share of adjusted population	Share of GST pool \$million	GST advances \$million	Balancing adjustment \$million (5) - (6)
2022-23	(1)	(2)	(3)	(4)	(5)	(6)	(7)
NSW	8,238,801	0.95065	7,832,216	29.8%	24,453	24,521	-68
VIC	6,704,281	0.85861	5,756,363	21.9%	17,972	18,034	-62
QLD	5,378,277	1.03377	5,559,901	21.2%	17,359	17,448	-89
WA	2,825,178	0.70000	1,977,625	7.5%	6,174	6,183	-8
SA	1,834,275	1.28411	2,355,411	9.0%	7,354	7,388	-34
TAS	571,596	1.85360	1,059,510	4.0%	3,308	3,339	-31
ACT	460,855	1.09250	503,484	1.9%	1,572	1,581	-9
NT	250,149	4.86988	1,218,196	4.6%	3,803	3,853	-50
Total	26,263,412	na	26,262,706	100.0%	81,995	82,346	-351

GST administration

States compensate the Australian Government for the costs incurred by the Australian Taxation Office (ATO) for administering the GST, including costs incurred by the Department of Home Affairs. In practice, this is achieved by the Australian Government reducing the monthly GST payments to the states by the GST administration costs. The GST administration budget for the ATO is estimated to be \$650 million for 2023–24, as shown in Table C.12.

Table C.12: GST administration budget^(a)

\$million	Actual		Estimates		
	2022-23	2023-24	2024-25	2025-26	2026-27
Administration budget at 2023-24 Budget	677	719	724	736	734
Changes from 2023-24 Budget to MYEFO					
Parameter variations	-	-	7	11	13
Other variations	-	-69	-22	-24	-23
Total variations	-	-69	-15	-13	-9
Administration budget at 2023-24 MYEFO	677	650	709	723	725
less Prior year adjustment	-23	-24	-	-	-
<i>equals</i> State government payments	655	626	709	723	725

a) Other variations include forecasting changes primarily due to recruitment limitations and lower than expected overhead costs attributed to GST.