

Part 1: Australia's Federal Relations

Overview

In 2025–26, the Australian Government will provide state and territory governments (states) with \$196.5 billion in total payments, estimated to be 25.0 per cent of total Australian Government expenditure. This includes payments of \$95.9 billion for specific purposes including for schools and hospitals, and general revenue assistance of \$100.6 billion.

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

- contributing \$141.8 billion from 2025–26 to 2028–29 for public health and hospital services under the National Health Reform Agreement
- investing \$137.3 billion from 2025–26 to 2028–29 in Better and Fairer Schools funding
- committing \$58.5 billion from 2025–26 to 2028–29 to invest in nation-building infrastructure
- contributing \$9.8 billion from 2025–26 to 2028–29 for the National Skills Agreement
- making available \$7.5 billion from 2025–26 to 2028–29 for the National Agreement on Social Housing and Homelessness
- committing an additional \$1.8 billion to extend energy bill relief rebates to 31 December 2025
- making available \$3.1 billion from 2025–26 to 2028–29 for the National Access to Justice Partnership
- providing an estimated \$21.8 billion from 2025–26 to 2028–29 in horizontal fiscal equalisation (HFE) transition payments (also known as the No Worse Off guarantee)
- permanently boosting the size of the GST pool distributed among the states, including by \$1.0 billion in 2025–26 (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, such as 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 \$196.5 billion in 2025–26.

Payments to the states in 2025–26 are estimated to be 25.0 per cent of total Australian Government expenditure and 6.8 per cent of GDP.

Payments for specific purposes

In 2025–26, the Australian Government will provide the states with \$95.9 billion in payments for specific purposes. This represents an increase of \$3.5 billion or 3.8 per cent compared with the 2024–25 estimate. This is primarily due to increased National Health Reform funding, additional one-time funding for hospital and related health services and increased Better and Fairer Schools funding. Payments for specific purposes are estimated to make up 12.2 per cent of total Australian Government expenditure in 2025–26 and 3.3 per cent of GDP.

Payments for National Health Reform funding, Better and Fairer Schools funding, the National Skills Agreement, the National Agreement on Social Housing and Homelessness, Energy Bill Relief, and the National Access to Justice Partnership are expected to total \$71.2 billion in 2025–26.

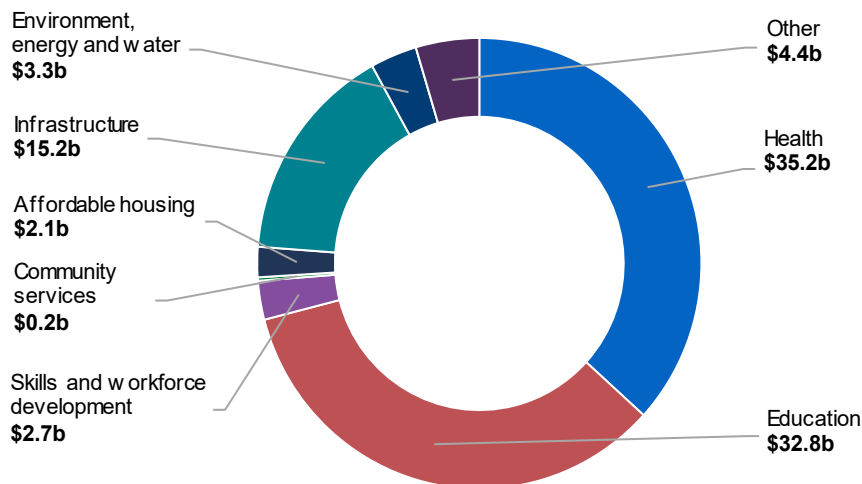
National Partnership payments are expected to be \$24.7 billion in 2025–26.

Chart 1.1 shows estimated specific purpose payments to the states in 2025–26 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 2025–26, 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 2025–26, the states are expected to receive \$100.6 billion in general revenue assistance, including \$95.2 billion for the GST entitlement. General revenue assistance to the states is estimated to represent 12.8 per cent of total Australian Government expenditure in 2025–26 and 3.5 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, 2024–25 to 2028–29

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2024-25									
Payments for specific purposes(a)	26,468	20,305	19,847	12,356	7,048	2,190	1,433	2,279	92,343
GST-related payments(b)	26,280	23,948	18,917	7,408	9,129	3,589	1,997	4,318	95,587
Other general revenue assistance	-	-	-	648	-	-	45	-	694
Total payments to the states	52,748	44,253	38,764	20,412	16,176	5,779	3,475	6,597	188,624
2025-26									
Payments for specific purposes(a)	27,511	22,689	20,985	10,991	7,536	2,530	1,636	2,551	95,881
GST-related payments(b)	27,668	27,989	16,625	7,835	9,529	3,778	2,064	4,603	100,091
Other general revenue assistance	-	-	-	487	-	-	46	-	534
Total payments to the states	55,179	50,678	37,610	19,313	17,065	6,309	3,746	7,154	196,506
2026-27									
Payments for specific purposes(a)	26,646	22,877	21,419	9,809	7,329	2,529	1,564	2,370	94,617
GST-related payments(b)	28,843	29,351	17,548	9,317	9,939	3,930	2,162	4,821	105,910
Other general revenue assistance	-	-	-	400	-	-	47	-	447
Total payments to the states	55,488	52,228	38,967	19,526	17,268	6,459	3,774	7,191	200,975
2027-28									
Payments for specific purposes(a)	27,257	23,468	22,389	9,620	7,512	2,419	1,487	2,069	97,285
GST-related payments(b)	30,285	30,960	18,561	9,863	10,417	4,110	2,278	5,068	111,542
Other general revenue assistance	-	-	-	369	-	-	48	-	418
Total payments to the states	57,542	54,428	40,950	19,852	17,929	6,529	3,813	7,137	209,245
2028-29									
Payments for specific purposes(a)	28,752	23,254	22,954	9,738	7,251	2,297	1,454	2,224	100,519
GST-related payments(b)	31,716	32,569	19,582	10,415	10,890	4,287	2,393	5,317	117,171
Other general revenue assistance	-	-	-	293	-	-	49	-	343
Total payments to the states	60,468	55,823	42,536	20,446	18,142	6,585	3,897	7,541	218,032

- 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 (GST pool and Commonwealth funded GST pool boost) and HFE transition payments. State allocations are dependent upon the GST relativities for each financial year. They are calculated using the Commonwealth Grants Commission's recommended 2025–26 GST relativities as the starting point. At the time of the 2025–26 Budget, the Treasurer had not yet made a determination of the 2025–26 GST relativities. The estimates do not reflect any attempt to project future GST relativities. See Part 3 for further information.

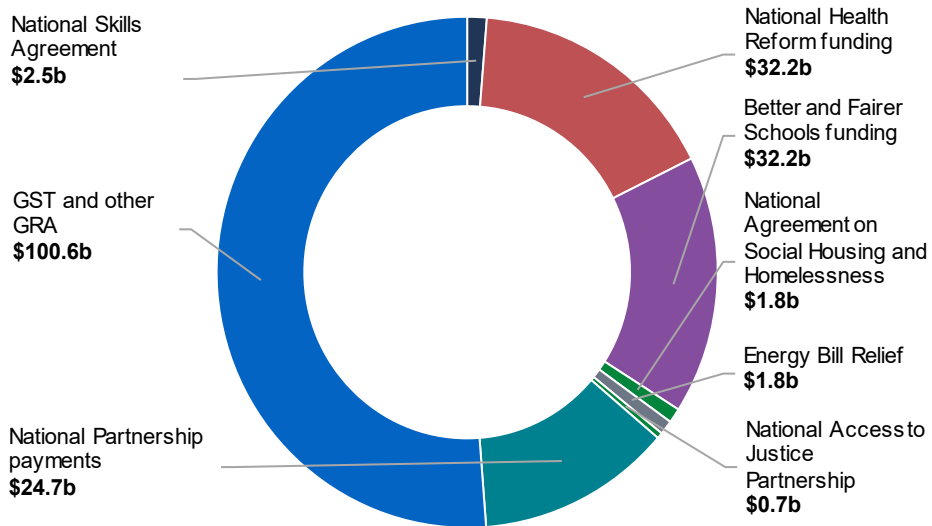
For 2025–26, total payments to the states are estimated to be 6.8 per cent of GDP. Payments for specific purposes are estimated to be 3.3 per cent of GDP and general revenue assistance is estimated to be 3.5 per cent of GDP.

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

\$million	2024-25	2025-26	2026-27	2027-28	2028-29
<i>Payments for specific purposes</i>					
National Health Reform funding	30,217	32,221	34,244	36,469	38,840
Better and Fairer Schools funding	31,037	32,178	33,595	35,004	36,509
National Skills Agreement	2,496	2,469	2,525	2,552	2,229
National Agreement on Social Housing and Homelessness	1,779	1,817	1,860	1,897	1,939
Energy Bill Relief	3,546	1,775	-	-	-
National Access to Justice Partnership(a)	569	738	758	774	789
National Partnership payments(b)	22,699	24,683	21,635	20,588	20,213
Total payments for specific purposes	92,343	95,881	94,617	97,285	100,519
Per cent change from previous year	10.1	3.8	-1.3	2.8	3.3
Per cent of GDP	3.3	3.3	3.2	3.1	3.0
<i>General revenue assistance</i>					
GST-related payments(c)	95,587	100,091	105,910	111,542	117,171
Other general revenue assistance	694	534	447	418	343
Total general revenue assistance	96,280	100,625	106,358	111,960	117,513
Per cent change from previous year	5.4	4.5	5.7	5.3	5.0
Per cent of GDP	3.5	3.5	3.6	3.6	3.5
Total payments to the states	188,624	196,506	200,975	209,245	218,032
Per cent change from previous year	7.7	4.2	2.3	4.1	4.2
Per cent of GDP	6.8	6.8	6.7	6.6	6.6

- a) Funding for 2024–25 is provided by the National Legal Assistance Partnership 2020–25 (NLAP), which was included in the National Partnership payments line in the 2024–25 Budget and prior budget updates. From 1 July 2025, the National Access to Justice Partnership (NAJP) provides ongoing funding to the legal assistance sector.
- b) Excludes National Partnership payments made under the National Skills Agreement, Energy Bill Relief, NLAP and NAJP, which are shown separately.
- c) Includes GST entitlement (GST pool and Commonwealth funded GST pool boost) and HFE transition payments. State allocations are dependent upon the GST relativities for each financial year. They are calculated using the Commonwealth Grants Commission’s recommended 2025–26 GST relativities as the starting point. At the time of the 2025–26 Budget, the Treasurer had not yet made a determination of the 2025–26 GST relativities. The estimates do not reflect any attempt to project future GST relativities. See Part 3 for further information.

Chart 1.2: Total Australian Government payments to the states, 2025–26



Note: National Partnership payments made under the National Skills Agreement, Energy Bill Relief and National Access to Justice Partnership are shown separately.

Table 1.3 provides information on the Australian Government’s financial contributions to state expenditure in key sectors in 2023–24 (the latest year for which there are data to enable this calculation). It shows that Australian Government financial assistance in 2023–24 effectively supported 46.3 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)
2023-24				
Health	28,471	25,003	109,091	49.0
Education	32,220	14,473	78,887	59.2
Housing and community amenities	3,720	2,037	10,289	56.0
Transport	11,087	9,882	42,950	48.8
Economic affairs	2,106	4,534	16,726	39.7
Social protection	1,126	10,794	35,932	33.2
Other functions (b)	5,180	24,583	84,446	35.2
Payments for specific purpose	83,910			
General revenue assistance		91,306		
Total			378,321	46.3

Source: Australian Government, *Final Budget Outcome 2023–24* and State and Territory Final Budget Outcomes 2023–24.

Note: Australian Government payments to the states in 2023–24 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 (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) ‘Other functions’ include additional functions not elsewhere itemised.

Measures affecting payments to the states

Table 1.4 lists measures in the 2025–26 Budget that affect payments to the states. Details of the measures are available in Budget Paper No. 2, *Budget Measures 2025–26*, 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 – 2025–26 Uplift	Payments – Health and Aged Care
Medicare Urgent Care Clinics	Part 2 – Health	Strengthening Medicare – Expanding Medicare Urgent Care Clinics	Payments – Health and Aged Care
Multidisciplinary outreach care(a)	Part 2 – Health	Implementation of Aged Care Reforms	Payments – Health and Aged Care
One-time funding for hospital and related health services	Part 2 – Health	National Health Reform Agreement – 2025–26 Uplift	Payments – Health and Aged Care
St George Illawarra Dragons Community and High Performance Centre	Part 2 – Health	Preventive Health, Wellbeing and Sport	Payments – Health and Aged Care
Support for maternity service delivery	Part 2 – Health	Strengthening Medicare – Women’s Health	Payments – Health and Aged Care
Northern Territory Remote Aboriginal Investment – Health component	Part 2 – Health	Northern Territory Remote Aboriginal Investment – future arrangements	Payments – Prime Minister and Cabinet
Rheumatic fever strategy	Part 2 – Health	Closing the Gap – further investments	Payments – Cross Portfolio
Australian Primary Care Prevocational Program	Part 2 – Health	Strengthening Medicare – Health Workforce	Payments – Health and Aged Care
Encouraging more clinical trials in Australia	Part 2 – Health	Medical Research and Clinical Trials	Payments – Health and Aged Care
Illicit Tobacco Compliance and Enforcement Package	Part 2 – Health	Illicit Tobacco Compliance and Enforcement Package – direct and targeted enforcement to counter profits from illicit tobacco	Payments – Cross Portfolio
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
Public dental services for adults	Part 2 – Health	Preventive Health, Wellbeing and Sport	Payments – Health and Aged Care
Better and Fairer Schools funding	Part 2 – Education	Building Australia’s Future – Improving Outcomes in Australian Schools	Payments – Education
Northern Territory Remote Aboriginal Investment – Children and schooling implementation plan	Part 2 – Education	Northern Territory Remote Aboriginal Investment – future arrangements	Payments – Prime Minister and Cabinet
Accessible Australia	Part 2 – Community services	Support for People with Disability	Payments – Social Services
Northern Territory Remote Aboriginal Investment – Community safety implementation plan Place-Based Community Development Place-Based Mediation and Peacemaking Remote Australia Strategies implementation plan	Part 2 – Community services	Northern Territory Remote Aboriginal Investment – future arrangements	Payments – Prime Minister and Cabinet
Port Augusta Safety and Wellbeing Partnership	Part 2 – Community services	Closing the Gap – further investments	Payments – Cross Portfolio
Advancing Prefabricated and Modular Construction Projects	Part 2 – Affordable Housing	Housing Support	Payments – Treasury
Infrastructure Investment Program	Part 2 – Infrastructure	Building a Better Future Through Considered Infrastructure Investment	Payments – Infrastructure, Transport, Regional Development, Communications and the Arts
Hillcrest Tragedy Memorial	Part 2 – Infrastructure	Hillcrest Tragedy Memorial	Payments – Infrastructure, Transport, Regional Development, Communications and the Arts
National Water Grid Fund	Part 2 – Infrastructure	National Water Grid Fund – responsible investment in water infrastructure	Payments – Climate Change, Energy, the Environment and Water
Port Augusta Wharf Refurbishment	Part 2 – Infrastructure	Building a Better Future Through Considered Infrastructure Investment	Payments – Infrastructure, Transport, Regional Development, Communications and the Arts

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

Payment	Section of Budget Paper 3	Measure title	Section of Budget Paper 2
Energy Bill Relief	Part 2 – Environment, energy and water	Energy Bill Relief Fund Extension	Payments – Treasury
Bushfire community recovery and resilience program	Part 2 – Environment, energy and water	Disaster Support	Payments – Home Affairs
Hydrogen Highways(a)	Part 2 – Environment, energy and water	Climate Change, Energy, the Environment and Water – savings	Payments – Climate Change, Energy, the Environment and Water
Management of established pests and weeds	Part 2 – Environment, energy and water	Agricultural Priorities	Payments – Agriculture, Fisheries and Forestry
Assistance for the Whyalla steel industry	Part 2 – Other	Building Australia’s Future – Support for Australian Made Metals	Payments – Industry Science and Resources
Northern Territory Remote Aboriginal Investment – Evaluation	Part 2 – Other	Northern Territory Remote Aboriginal Investment – future arrangements	Payments – Prime Minister and Cabinet
Specialised and trauma-informed legal services for victim-survivors of sexual assault	Part 2 – Other	Strengthening Justice System Response to Sexual Violence	Payments – Attorney General’s
Support to Host Giant Pandas in South Australia	Part 2 – Other	Supporting the Giant Pandas at Adelaide Zoo	Payments – Foreign Affairs and Trade
GST entitlement	Part 3 – GST payments	Strengthening Tax Integrity	Receipts – Treasury
GST entitlement	Part 3 – GST payments	Supporting the Hospitality Sector and Alcohol Producers	Receipts – Treasury

a) Measure redirects funding allocated to states in the *Mid-Year Economic and Fiscal Outlook 2024–25* to fund other Australian Government policy priorities.