

Part 2: Payments for specific purposes

Overview

The Australian Government provides payments to state and territory governments (states) for specific purposes in policy areas for which the states have primary responsibility. These payments cover most areas of state and local government activity, including health, education, skills and workforce development, community services, housing, Indigenous affairs, infrastructure, and the environment.

- Funding for public health and hospital services under the National Health Reform Agreement is the largest specific purpose payment to the states, estimated to be \$32.2 billion in 2025–26.
- Better and Fairer Schools funding is the second largest specific purpose payment to the states, estimated to be \$32.2 billion in 2025–26, comprising funding for government schools of \$12.2 billion and non-government schools of \$19.9 billion.
- In 2025–26, the Australian Government is supporting the states in the skills and workforce development sector by providing \$2.5 billion through the National Skills Agreement.
- In 2025–26, the Australian Government is contributing an estimated \$1.8 billion under the National Agreement on Social Housing and Homelessness. This funding will support the effective operation of Australia’s social housing and homelessness services and help those people at risk of or experiencing homelessness.
- In 2025–26, the Australian Government is committing an additional \$1.8 billion for Energy Bill Relief.
- In 2025–26, the Australian Government is providing \$737.7 million under the National Access to Justice Partnership for improved justice outcomes for people experiencing vulnerability and financial disadvantage.

National Partnership payments to the states are the key vehicle for facilitating reforms or supporting delivery of projects and services. Funding agreements are typically entered into for a fixed period of time, reflecting the nature of the project or reform involved.

To the fullest extent possible, National Partnership payments are aligned to the achievement of milestones and are made after a state has achieved the outcomes or outputs specified in the relevant agreement. National Partnership payments are estimated to be \$24.7 billion in 2025–26.

Funding agreements and other Commonwealth–state agreements are publicly available on the Federal Financial Relations website at: www.federalfinancialrelations.gov.au. Details of the appropriation mechanisms for all payments to the states and the terms and conditions applying to them are set out in Appendix E, available online.

Further information on each of these payments is contained in this Part. Total payments to the states for specific purposes, categorised by function, are set out in Appendix B, available online.

Table 2.1: Total payments for specific purposes by category, 2024–25 to 2028–29

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2024-25									
National Health Reform funding(b)	8,897	7,307	7,072	3,265	2,045	661	544	427	30,217
Better and Fairer Schools funding(c)(d)	9,260	7,795	6,770	3,273	2,269	699	462	507	31,037
National Skills Agreement	772	626	519	271	175	56	45	31	2,496
National Agreement on Social Housing and Homelessness	540	451	355	190	120	37	30	56	1,779
Energy Bill Relief	1,117	935	698	368	248	86	64	30	3,546
National Legal Assistance Partnership 2020-25(e)	155	109	123	69	45	19	12	37	569
National Partnership payments(f)	5,728	3,082	4,309	4,919	2,146	631	275	1,192	22,699
Total payments for specific purposes	26,468	20,305	19,847	12,356	7,048	2,190	1,433	2,279	92,343
2025-26									
National Health Reform funding(b)	9,472	7,774	7,534	3,464	2,178	701	579	519	32,221
Better and Fairer Schools funding(c)(d)	9,595	8,042	6,964	3,430	2,358	742	486	561	32,178
National Skills Agreement	761	626	509	269	171	54	48	30	2,469
National Agreement on Social Housing and Homelessness	551	461	363	194	122	38	31	57	1,817
Energy Bill Relief	579	441	353	175	135	44	32	15	1,775
National Access to Justice Partnership	193	129	158	98	58	24	15	62	738
National Partnership payments(f)	6,360	5,217	5,104	3,359	2,513	927	445	1,307	24,683
Total payments for specific purposes	27,511	22,689	20,985	10,991	7,536	2,530	1,636	2,551	95,881
2026-27									
National Health Reform funding(b)	10,087	8,279	8,022	3,689	2,320	747	617	484	34,244
Better and Fairer Schools funding(c)(d)	10,011	8,392	7,232	3,587	2,462	780	509	622	33,595
National Skills Agreement	781	637	511	281	171	63	47	32	2,525
National Agreement on Social Housing and Homelessness	564	472	372	199	125	39	32	58	1,860
Energy Bill Relief	-	-	-	-	-	-	-	-	-
National Access to Justice Partnership	199	133	162	101	60	25	15	63	758
National Partnership payments(f)	5,004	4,964	5,120	1,951	2,191	875	345	1,112	21,635
Total payments for specific purposes	26,646	22,877	21,419	9,809	7,329	2,529	1,564	2,370	94,617

Table 2.1: Total payments for specific purposes by category, 2024–25 to 2028–29 (continued)

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total(a)
2027-28									
National Health Reform funding(b)	10,743	8,817	8,543	3,929	2,470	795	657	515	36,469
Better and Fairer Schools funding(c)(d)	10,456	8,757	7,506	3,705	2,559	808	527	688	35,004
National Skills Agreement	786	649	522	287	174	53	48	31	2,552
National Agreement on Social Housing and Homelessness	575	481	379	203	128	40	32	59	1,897
Energy Bill Relief	-	-	-	-	-	-	-	-	-
National Access to Justice Partnership	203	136	166	103	61	26	15	65	774
National Partnership payments(f)	4,493	4,629	5,273	1,393	2,120	697	208	711	20,588
Total payments for specific purposes	27,257	23,468	22,389	9,620	7,512	2,419	1,487	2,069	97,285
2028-29									
National Health Reform funding(b)	11,441	9,390	9,098	4,184	2,631	847	700	548	38,840
Better and Fairer Schools funding(c)(d)	10,955	9,127	7,785	3,823	2,676	838	546	759	36,509
National Skills Agreement	686	574	462	244	151	45	41	26	2,229
National Agreement on Social Housing and Homelessness	588	492	387	208	130	41	33	61	1,939
Energy Bill Relief	-	-	-	-	-	-	-	-	-
National Access to Justice Partnership	207	139	169	105	62	26	15	66	789
National Partnership payments(f)	4,875	3,532	5,052	1,174	1,601	500	119	764	20,213
Total payments for specific purposes	28,752	23,254	22,954	9,738	7,251	2,297	1,454	2,224	100,519

- a) As state allocations for several 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. Additionally, a slippage adjustment has been applied to Infrastructure Investment Program spending (included in the National Partnerships payments line) at the national level in 2024–25 to 2027–28 to take account of historical experiences, including the timing of states claiming payments against milestones and the complexity of delivery. State totals are unaffected by the slippage assumption. The adjustment has been unwound over 2028–29 to 2033–34.
- b) National Health Reform Agreement funding estimates are based on the one-year extension to the 2020–2025 Addendum. The Commonwealth has provisioned in the aggregate budget estimates its expected increased contribution as part of the new 5-year Addendum, which is under negotiation with the states.
- c) This table does not include additional funding that may result from ongoing negotiations with states on the *Better and Fairer Schools Agreement – Full and Fair Funding 2025–2034* and its supporting bilateral agreements.
- d) Includes funding for non-government representative bodies.

- e) To be replaced by the National Access to Justice Partnership (NJAP) from 1 July 2025, which provides ongoing funding to the legal assistance sector. Funding for the National Legal Assistance Partnership 2020–25 (NLAP) was included in the National Partnership payments line in the 2024–25 Budget and prior budget updates.
 - f) Includes financial assistance grants for, and/or payments direct to, local governments, and/or payments funded through appropriations in addition to section 16 of the *Federal Financial Relations Act 2009*. Excludes National Partnership payments made under the NSA, Energy Bill Relief, NLAP and NAJP, which are shown separately.
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Table 2.2: Payments for specific purposes by sector and category, 2024–25 to 2028–29

\$million	2024-25	2025-26	2026-27	2027-28	2028-29
<i>Health</i>					
National Health Reform funding(a)	30,217	32,221	34,244	36,469	38,840
National Partnership payments	1,294	3,013	689	663	115
Total health payments	31,511	35,234	34,932	37,133	38,955
<i>Education</i>					
Better and Fairer Schools funding(b)	31,037	32,178	33,595	35,004	36,509
National Partnership payments	682	648	660	669	690
Total education payments	31,719	32,826	34,255	35,674	37,199
<i>Skills and workforce development</i>					
National Skills Agreement	2,496	2,469	2,525	2,552	2,229
National Partnership payments(c)	144	202	218	172	178
Total skills and workforce development payments	2,639	2,671	2,743	2,723	2,407
<i>Community services</i>					
National Partnership payments	232	236	236	225	230
<i>Affordable housing</i>					
National Agreement on Social Housing and Homelessness	1,779	1,817	1,860	1,897	1,939
National Partnership payments	1,073	263	246	185	193
Total affordable housing payments	2,852	2,080	2,106	2,083	2,133
<i>Infrastructure</i>					
National Partnership payments(d)	15,609	15,150	14,574	14,230	14,564
<i>Environment, energy and water</i>					
Energy Bill Relief	3,546	1,775	-	-	-
National Partnership payments(d)(e)	2,179	1,482	1,296	646	346
Total environment, energy and water payments	5,725	3,257	1,296	646	346
<i>Contingent payments</i>					
National Partnership payments	559
<i>Other</i>					
National Access to Justice Partnership(f)	569	738	758	774	789
National Partnership payments(d)(g)	928	3,689	3,716	3,797	3,895
Total other payments	1,498	4,427	4,474	4,571	4,684
Total payments for specific purposes	92,343	95,881	94,617	97,285	100,519

- a) National Health Reform Agreement funding estimates are based on the one-year extension to the 2020–2025 Addendum. The Commonwealth has provisioned in the aggregate budget estimates its expected increased contribution as part of the new 5-year Addendum which is under negotiation with the states.
- b) This table does not include additional funding that may result from ongoing negotiations with states on the *Better and Fairer Schools Agreement – Full and Fair Funding 2025–2034* and its supporting bilateral agreements.
- c) Excludes National Partnership payments made under the National Skills Agreement, which are shown separately.
- d) Includes financial assistance grants for, and/or payments direct to, local governments, and/or payments funded through appropriations in addition to section 16 of the *Federal Financial Relations Act 2009*.
- e) Excludes National Partnership payments made under Energy Bill Relief, which are shown separately.
- f) 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.
- g) Excludes National Partnership payments made under the NLAP and NAJP, which are shown separately.