

AUSTRALIAN GOVERNMENT FUNDING TO THE STATES

The Australian Government provides substantial levels of funding to the states in key sectors such as health, education, community services and infrastructure and continues to support important productivity-enhancing projects and reforms. In addition, the Australian Government provides general revenue assistance which can be spent according to states' own budget priorities.

In aggregate, the states are estimated to receive Australian Government payments of \$127.4 billion in 2019–20.

Total payments to the states in 2019–20 are estimated to be 25.4 per cent of total Australian Government expenditure and account for about 44.6 per cent of total state revenue. Australian Government payments effectively support about 46 per cent of state expenditure, as shown in Table 1.3.

Payments for specific purposes

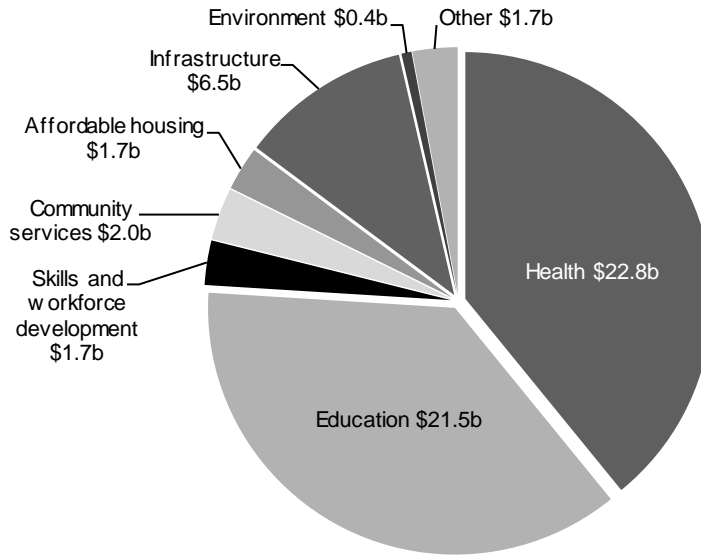
In 2019–20, the Australian Government will provide the states with \$58.3 billion in payments for specific purposes. Payments for specific purposes are estimated to make up 11.6 per cent of total Australian Government expenditure in 2019–20.

National Specific Purpose Payments (National SPPs), National Health Reform, the National Housing and Homelessness Agreement and Quality Schools funding are expected to total \$46.8 billion in 2019–20, an increase of \$1.3 billion or 2.9 per cent compared to 2018–19.

National Partnership payments are expected to be \$11.5 billion in 2019–20. This includes new agreements for the Community Health, Hospitals and Infrastructure projects and disaster risk reduction.

Part 2 of this Budget Paper provides further information on payments to the states for specific purposes. Chart 1.1 illustrates estimated specific purpose payments to the states in 2019–20 by function.

Chart 1.1: Payments for specific purposes 2019–20, by sector



General revenue assistance

General revenue assistance, which principally comprises the GST entitlement, provides untied funding to support the delivery of state services.

In 2019–20, the states are expected to receive \$69.1 billion in general revenue assistance, comprising \$67.2 billion for the GST entitlement and \$1.9 billion for other general revenue assistance. This is an increase of \$1.9 billion (2.9 per cent) from \$67.1 billion in 2018–19. General revenue assistance to the states is estimated to represent 13.8 per cent of total Australian Government expenditure in 2019–20.

Part 3 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.

Table 1.1: Australian Government payments to the states, 2018–19 to 2022–23

\$million	NSW	VIC	QLD	WA	SA	TAS	ACT	NT	Total
2018-19									
Payments for specific purposes(a)	17,582	14,212	14,469	6,207	4,462	1,443	966	1,254	60,870
GST entitlement(b)	17,953	16,810	14,441	3,216	6,716	2,449	1,308	2,739	65,630
Other general revenue assistance(c)	50	25	-	468	-	-	40	-	1,504
Total payments to the states	35,585	31,046	28,910	9,891	11,178	3,892	2,314	3,993	128,004
2019-20									
Payments for specific purposes(a)	17,492	13,874	12,564	6,712	3,964	1,229	944	1,220	58,305
GST entitlement(b)	18,714	17,266	14,214	3,581	6,759	2,475	1,410	2,781	67,200
Other general revenue assistance(c)	-	-	-	847	-	-	41	252	1,853
Total payments to the states	36,206	31,140	26,777	11,140	10,723	3,704	2,394	4,253	127,358
2020-21									
Payments for specific purposes(a)	18,528	14,674	13,972	6,568	3,958	1,360	1,000	1,184	61,994
GST entitlement(b)	~	~	~	~	~	~	~	~	70,010
Other general revenue assistance(c)	-	-	-	585	-	-	41	-	1,246
Total payments to the states	18,528	14,674	13,972	7,153	3,958	1,360	1,041	1,184	133,250
2021-22									
Payments for specific purposes(a)	18,853	15,494	14,907	7,070	4,050	1,430	1,049	1,200	64,726
GST entitlement(b)	~	~	~	~	~	~	~	~	74,130
Other general revenue assistance(c)	-	-	-	319	-	-	42	-	937
Total payments to the states	18,853	15,494	14,907	7,389	4,050	1,430	1,091	1,200	139,792
2022-23									
Payments for specific purposes(a)	19,976	17,090	15,345	7,463	4,286	1,583	1,110	1,308	68,944
GST entitlement(b)	~	~	~	~	~	~	~	~	78,021
Other general revenue assistance(c)	-	-	-	23	-	-	43	-	586
Total payments to the states	19,976	17,090	15,345	7,486	4,286	1,583	1,153	1,308	147,552

(a) State allocations for a number of programs have yet to be 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) State allocations are dependent upon the GST revenue sharing relativities for each financial year. These relativities are not forecast beyond the Budget year.

(c) As state allocations for royalties are not published due to commercial sensitivities, these payments are not reflected in state totals. Total general revenue assistance does not therefore equal the sum of the state figures.

For 2019–20, total payments to the states are estimated to be 6.4 per cent of GDP. Payments for specific purposes are estimated to be 2.9 per cent of GDP and general revenue assistance is estimated to be 3.4 per cent of GDP.

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

\$million	2018-19	2019-20	2020-21	2021-22	2022-23
<i>Payments for specific purposes</i>					
National SPPs	2,475	1,712	1,564	1,590	1,616
National Health Reform funding	21,708	22,535	23,622	24,815	26,183
Quality Schools funding	19,706	20,944	22,578	23,984	25,436
National Housing and Homelessness funding	1,536	1,565	1,598	1,566	1,591
National Partnership payments(a)	15,445	11,550	12,631	12,772	14,119
Total payments for specific purposes	60,870	58,305	61,994	64,726	68,944
Per cent change from previous year	8.5	-4.2	6.3	4.4	6.5
Per cent of GDP	3.1	2.9	3.0	3.0	3.0
<i>General revenue assistance</i>					
GST entitlement	65,630	67,200	70,010	74,130	78,021
Other general revenue assistance	1,504	1,853	1,246	937	586
Total general revenue assistance	67,134	69,053	71,256	75,067	78,608
Per cent change from previous year	4.6	2.9	3.2	5.3	4.7
Per cent of GDP	3.5	3.4	3.4	3.5	3.5
Total payments to the states	128,004	127,358	133,250	139,792	147,552
Per cent change from previous year	6.4	-0.5	4.6	4.9	5.6
Per cent of GDP	6.6	6.4	6.4	6.4	6.5

(a) Includes financial assistance grants for local government and payments direct to local government.

Chart 1.2: Total Australian Government payments to the states, 2019–20

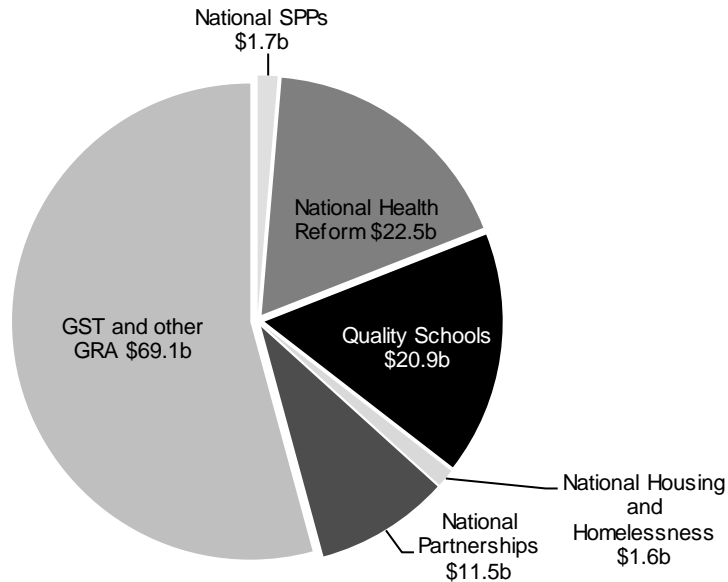


Table 1.3 provides information on the Australian Government's financial contributions to state expenditure in key sectors in 2017–18. It shows that Australian Government financial assistance in 2017–18 effectively supported 46 per cent of states' expenditure.

Table 1.3: Australian Government's contribution to state expenditure

	Australian Government tied payments \$million	State spending supported by general revenue assistance(b) \$million	Total state spending \$million	State spending supported by Australian Government revenue per cent
2017-18				
Education	20,607	12,658	61,298	54.3
Health	20,437	17,439	76,498	49.5
Housing and community amenities	2,128	1,889	8,199	49.0
Transport	6,974	6,261	27,100	48.8
Social protection	2,555	6,328	22,898	38.8
Other functions(a)	3,408	19,622	66,487	34.6
Payments for specific purpose	56,107			
General revenue assistance		64,197		
Total			262,480	45.8

Source: Australian Government and state government Final Budget Outcomes for 2017-18.

Note that 2017-18 data on an ABS Classification of the Functions of Government (COFOG-A) basis is unavailable for the Australian Government and Victoria. Australian Government and Victorian expense by purpose data has been adjusted to align with COFOG-A.

- (a) 'Other functions' includes additional functions not elsewhere itemised but does not include general revenue assistance.
- (b) 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.

MEASURES AFFECTING PAYMENTS TO THE STATES

Table 1.4 lists all measures in the 2019–20 Budget that affect payments to the states. Details of the measures are available in Budget Paper No. 2, *Budget Measures 2019-20*, 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
Community Health, Hospitals and Infrastructure projects	Part 2 – Health	Fighting Cancer – additional infrastructure and services	Expense – Health
Community Health, Hospitals and Infrastructure projects	Part 2 – Health	Guaranteeing Medicare – improved access to diagnostic imaging	Expense – Health
Community Health, Hospitals and Infrastructure projects	Part 2 – Health	Guaranteeing Medicare – strengthening primary care	Expense – Health
Community Health, Hospitals and Infrastructure projects and Grace’s Place	Part 2 – Health	Prioritising Mental Health – caring for our community	Expense – Health
Community Health, Hospitals and Infrastructure projects	Part 2 – Health	Supporting Our Hospitals – additional infrastructure and services	Expense – Health
Community Health, Hospitals and Infrastructure projects	Part 2 – Health	Supporting Our Hospitals – Community Health and Hospitals Program	Expense – Health
Universal Access to Early Childhood Education	Part 2 – Education	National Partnership Agreement on Universal Access to Early Childhood Education – further extension	Expense – Education and Training
Skilling Australians Fund and Skills for Tasmania	Part 2 – Skills and Workforce Development	Skills Package – Strengthening our Modern and Adaptive Skills System	Expense – Education and Training
Remote Housing South Australia	Part 2 – Affordable Housing	Remote Housing in South Australia	Expense – Prime Minister and Cabinet
Adelaide City Deal	Part 2 – Infrastructure	Adelaide City Deal	Expense – Infrastructure, Regional Development and Cities
Albury Wodonga Regional Deal	Part 2 – Infrastructure	Albury Wodonga Regional Deal	Expense – Infrastructure, Regional Development and Cities

Part 1: Australia's Federal Relations

Payment	Section of Budget Paper 3	Measure title	Section of Budget Paper 2
Drought Communities Program and National Partnership for the National Water Infrastructure Development Fund – Capital Component	Part 2 – Infrastructure and Part 2 – Environment	Assistance for Farmers and Farm Communities in Drought – additional funding	Expense – Infrastructure, Regional Development and Cities
Barkly Regional Deal	Part 2 – Infrastructure	Barkly Regional Deal	Expense – Infrastructure, Regional Development and Cities
Geelong City Deal	Part 2 – Infrastructure	Geelong City Deal – additional funding	Expense – Infrastructure, Regional Development and Cities
Hinkler Regional Deal	Part 2 – Infrastructure	Hinkler Regional Deal	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – Australian Capital Territory infrastructure investments	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – New South Wales infrastructure investments	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – Northern Territory infrastructure investments	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – Princes Highway	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – Queensland infrastructure investments	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – Road Safety and Upgrade Package	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – Roads of Strategic Importance – next priorities	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – South Australian infrastructure investment	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – Tasmanian infrastructure investments	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – Urban Congestion Fund – next priorities	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – Victorian infrastructure investments	Expense – Infrastructure, Regional Development and Cities

Budget Paper No. 3

Payment	Section of Budget Paper 3	Measure title	Section of Budget Paper 2
Infrastructure Investment Program	Part 2 – Infrastructure	Infrastructure Investment Program – Western Australian infrastructure investments	Expense – Infrastructure, Regional Development and Cities
Infrastructure Investment Program	Part 2 – Infrastructure	Population Package	Expense – Cross Portfolio
Marinus Link	Part 2 – Environment	Climate Solutions Package	Expense – Environment and Energy
Disaster Risk Reduction	Part 2 – Environment	Natural Disaster Resilience Funding	Expense – Home Affairs
Grants assistance to primary producers impacted by the Queensland floods	Part 2 – Environment	North Queensland Flood Recovery Package	Expense – Cross Portfolio
Yellow crazy ant control	Part 2 – Environment	Practical Environment Restoration	Expense – Environment and Energy
Pest and disease preparedness and response programs	Part 2 – Environment	Red Imported Fire Ants Eradication Program – acceleration	Expense – Agriculture and Water Resources
Disaster Recovery Funding Arrangements	Part 2 – Contingent	Disaster Recovery Funding Arrangements – Funding for Northern Queensland Floods	Expense – Home Affairs
National mechanism for Commonwealth legal assistance	Part 2 – Other	Expensive Commonwealth Criminal Cases Fund – additional funding	Expense – Attorney-General's
National mechanism for Commonwealth legal assistance	Part 2 – Other	Family Advocacy and Support Services – Dedicated Men's Support Workers	Expense – Attorney-General's
Family law information sharing	Part 2 – Other	Fourth Action Plan (2019-22) to reduce violence against women and their children	Expense – Social Services
Financial Assistance Grants	Part 2 – Other	Local Government Financial Assistance Grants – prepayment	Expense – Infrastructure, Regional Development and Cities
National mechanism for Commonwealth legal assistance	Part 2 – Other	Single National Mechanism for Commonwealth Legal Assistance	Expense – Attorney-General's

Part 1: Australia's Federal Relations

Payment	Section of Budget Paper 3	Measure title	Section of Budget Paper 2
GST entitlement	Part 3 – GST Payments	Better Distribution of Medical Practitioners	Expense – Home Affairs
GST entitlement	Part 3 – GST Payments	Extension of Temporary Graduate visa period for regional graduates	Revenue – Home Affairs
GST entitlement	Part 3 – GST Payments	Increasing Work and Holiday Visa Cap for Indonesia	Revenue – Home Affairs
GST entitlement	Part 3 – GST Payments	Indirect Tax Concession Scheme – diplomatic, consular and international organisation concessions	Revenue – Treasury
GST entitlement	Part 3 – GST Payments	Tax Integrity – increasing engagement and on-time payment of tax and superannuation liabilities	Revenue – Treasury