



Australian Government
Commonwealth Grants Commission

Discussion Paper

New issues in the 2027 Update

September 2026

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Submissions sought by	6 November 2026 Submissions should be placed in your private state channel in CGC Engagement Teams in GovTEAMS with a post notifying Katrina Baldock. Submissions of more than 10 pages in length should include a summary section.
Confidential material	It is the Commission's normal practice to make state submissions available on its website under the CC BY licence, allowing free use of content by third parties.  Further information on the CC BY licence can be found on the Creative Commons website (http://creativecommons.org). Confidential material contained in submissions must be clearly identified or included in separate attachment/s, and details provided in the covering email. Identified confidential material will not be published on the commission's website.

Background

1. In expectation that the Commission will receive terms of reference for a 2027 Update of GST relativities, this paper sets out the new issues and Commonwealth payments identified by the Commission as relevant to this update. The Commission is seeking the views of Commonwealth and state and territory (state) treasuries on these issues.
2. New issues fall into the following categories:
 - data issues
 - wage costs – changed timing of ABS survey
 - data geography – change in compilation of service use data.
 - treatment of new Commonwealth payments.
3. States are asked to provide comments by 6 November 2026. States should upload their submissions to their private CGC Engagement channel in GovTEAMS. The contact officers for queries are Jacob Savage (Jacob.Savage@cgc.gov.au) and Peter Philippa (Peter.philippa@cgc.gov.au).

Wage Costs – changed timing of ABS survey

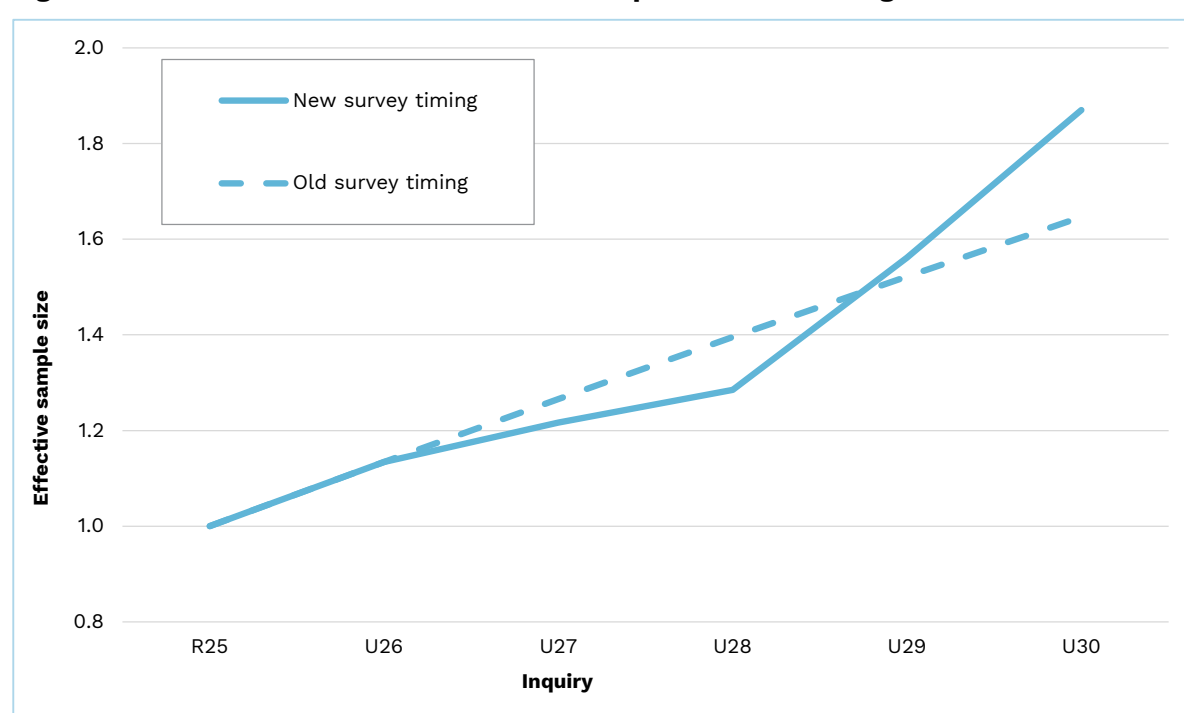
4. The ABS is changing how it collects some labour market data used by the Commission to estimate state wage costs. The annual August Characteristics of Employment survey has been replaced by a new monthly survey of a subset of the Labour Force Survey sample. Once fully implemented, the annual sample will be 50% larger than the historical approach and will be less subject to seasonal or one-off effects on local labour markets. In the transition, there will be a temporary gap in the data available for the Wage Costs Assessment.
5. For the 2027 Update, the new 2026–27 survey data (the interim year, which only contributes to the estimate of the 2025–26 wage levels) will not be available. The Commission therefore proposes to calculate wage cost factors using the existing survey data without adjustment. This should have little effect on the results because the wage cost factors combine several years of data, and the most recent survey year generally makes only a limited contribution to the final estimate.
6. For the 2028 Update, 5 months of 2026–27 data will be available. The Commission proposes to include these data with the historical data in the usual way. The estimation method already gives reduced weight to less precise estimates, so the smaller sample will automatically receive less weight, and no separate adjustment is proposed. The Commission will review the new data when they become available to confirm that they are fit for purpose.
7. The change will temporarily reduce the amount of survey data available for the 2027 and 2028 Updates. Figure 1 shows how the effective sample available for the Wage Costs Assessment changes over time. By the 2029 Update, the larger annual sample from the new monthly collection is expected to make up for the temporary reduction, with more data available than under the previous survey arrangements.
8. Although the data will be more comprehensive, it will not be as contemporaneous. The potential for revisions to wage costs data will change with the new survey and data release timing. States will be consulted on this issue and provided with Commission analysis of the new 2026–27 data as part of the 2028 new issues process.

Table 1 Survey data availability (Labour force survey sampling units)

Assessment year 3	Survey data (years)							
		2016-17	...	2024-25	2025-26	2026-27	2027-28	2028-29
	2023-24 (R25)	7	...	7	0	0	0	0
	2024-25 (U26)	7	...	7	7	0	0	0
	2025-26 (U27)	7	...	7	7	0	0	0
	2026-27 (U28)	7	...	7	7	5	0	0
	2027-28 (U29)	7	...	7	7	11	6	0
	2028-29 (R30)	7	...	7	7	11	12	6

Note: Rows show assessment year 3; columns show survey-data years. Each cell is the number of sampling rotation units (months) available.

Figure 1 Evolution of the total effective sample size for the Wage Costs Assessment



Source: Commission calculation using ABS data.

Data geography – change in compilation of service use data

Hospital activity data

- The hospital components of the Commission's Health Assessment recognise that expense needs are influenced by the socio-demographic composition (SDC) of the population, including Indigenous status, age, remoteness, and socio-economic status

(SES).¹ The Independent Health and Aged Care Pricing Authority (IHACPA) provides national-level activity data cross-classified by these SDC groups.

10. IHACPA classifies patient-level data to remoteness areas and SES quintiles based on postcodes, using a geographical concordance provided by the Commission, before it aggregates the data to the Commission's SDC groups. The assessment combines the activity data with population data for the same SDC groups. The population data are aggregated from standard ABS statistical geographical areas.² Historically, IHACPA has been unable to provide reliable data based on ABS geography.
11. IHACPA has recently advised that the reliability of its patient-level data classified by ABS Statistical Areas Level 2 (SA2) has significantly improved for 2025–26. The Commission is considering moving to SA2-based data in the 2027 Update. Due to the one-year lag in the health activity data, the data for 2025–26 would be used for year 2 and year 3 in this update.
12. The Commission considers moving to SA2-based data would be a data change not a method change. It is a change to the way IHACPA compiles the data it provides but would not change the SDC drivers recognised in the assessment. The change is expected to improve the quality of data used in the assessment. SA2s are designed for statistical purposes; postcodes are designed for postal administration. SA2s tend to be more comparable in population size than postcodes and should allow the Commission to better capture SES and service use, particularly in remote areas.

Other data

13. The Commission has considered other assessments that use postcode-based data. In consultation with data providers, it has identified 2 other datasets that could be changed to SA2-based data.
 - 2024–25 admitted patient separations data for private health insurance funded patients, provided by the Australian Institute of Health and Welfare (AIHW). These data are used in the non-state sector adjustment for the Admitted Patients component of the Health Assessment.
 - 2025 annual contact hours data provided by the National Centre for Vocational and Educational Research (NCVER). These data are used in the Post-secondary Education Assessment.
14. Similar to the hospital activity data, the Commission expects moving from postcode-based data to data based on ABS statistical geography would improve the quality and fitness for purpose of the data used in these assessments without changing the assessment methods.

New Commonwealth payments

15. Each year, the Commission considers whether new Commonwealth payments should impact the GST distribution.

¹ The hospital components are Admitted Patients, Emergency Departments, Non-admitted Patients. Hospital activity data are also used in the proxy for community and public health activity (excluding ambulatory community mental health).

² Australian Bureau of Statistics, [Australian Statistical Geography Standard \(ASGS\)](#), ABS website, 2026, accessed 2 September 2026.

Treatment of Commonwealth payments commenced in 2025–26

16. The Commission has examined new Commonwealth payments commencing in 2025–26, as listed in the Commonwealth Budget Paper No 3, 2026–27. The proposals in Table A-1 and Table A-2 are based on the 2025 Review guideline.
 - Payments that support state services for which expenditure needs are assessed will impact state fiscal capacities. If needs are not assessed, the payment will have no impact on state fiscal capacities.
 - If a payment contains multiple components that require different treatments, the Commission will collect information to split the payment so that the appropriate treatment can be applied to each component.
17. Under the 2025 Review Commonwealth payments guideline, where there is substantial uncertainty about the payment's purpose or whether relative state expenditure needs are assessed, the default is for the payment to impact the GST distribution. In these cases, it is open to states to provide evidence in support of a no impact treatment.
18. Table A-2 separately lists projects under the city and regional deals that commenced in 2025–26 and the proposed treatment for each project.

Terms of reference requirements

19. The following payments, commencing in 2025–26, were quarantined in previous terms of reference.
 - Terms of reference for the 2026 Update
 - Securing future Glencore Mount Isa operations
 - Securing future Nyrstar operations
 - Bedford Sale Process Support
 - Victorian Renewable Energy Zone Development Plan
 - Terms of reference for the 2025 Review
 - Macquarie Wharf 6 (Port of Hobart wharf development)

Attachment A: Commonwealth payments commenced in 2025–26

Table A-1 Proposed treatment of Commonwealth payments commenced in 2025–26, *Budget Paper No 3, 2026–27*

Commonwealth payment	Description	2025–26 \$m	Proposed treatment	Reason for treatment
Health				
One-time funding for hospital and related health services	One-off funding to states and territories through Schedule K of the National Health Reform Agreement to support the delivery of public hospitals and related health services.	1,701.3	Impact	Public hospital services are a state service, and needs are assessed.
Expansion of St John of God Midland Public Hospital	Funding towards the expansion of the St John of God Midland Public Hospital to deliver more hospital beds, operating theatres, intensive care unit beds, neonatal care beds, and a redesigned obstetrics and neonatal unit.	15	Impact	Investment in hospital infrastructure is a state service, and needs are assessed.
Support for maternity service delivery and infrastructure	Funding to support maternity services on the New South Wales Central Coast and in Hobart, and birthing infrastructure at the new Rouse Hill Hospital.	10	Impact	Maternity health services and hospital infrastructure are state services, and needs are assessed.
Australian Primary Care Prevocational Program	Funding to states and territories to administer primary care training rotations for prevocational doctors and hospital-based junior doctors.	47.9	No impact	The payment predominantly funds GP services, which is a Commonwealth responsibility.
Illicit Tobacco Compliance and Enforcement Package	Funding to strengthen state compliance, enforcement and regulation activities relating to illicit tobacco and nicotine products, including expanding compliance capability, enforcement operations, intelligence sharing, and the handling of seized illicit products.	24.5	Impact	Industry regulation and enforcement are state functions, and needs are assessed.
Education				
Building Early Education Fund	Funding to build and expand early childhood education and care centres in areas of need, including outer suburbs and regional areas. Six states have signed the agreement (not Western Australia or the Northern Territory).	138.5	Impact	Early childhood education and care infrastructure is a state service, and needs are assessed.

Commonwealth payment	Description	2025–26 \$m	Proposed treatment	Reason for treatment
Expansion of the Joint Compliance and Monitoring Program	Funding for a joint Commonwealth–state program targeting early childhood education providers at risk of misusing Commonwealth funding and improving administration of the Child Care Subsidy.	5	No impact	Administration and compliance for the Commonwealth Child Care Subsidy is a Commonwealth responsibility and is not a state service.
Funding to establish a Hindu School in Australia	Funding to support the establishment of Australia's first Hindu school.	3.4	No impact	Support for non-government schools is a Commonwealth responsibility, and the payment does not support a usual state service.
Mid-Year Reception in South Australian Non-Government Schools	Temporary funding for non-government schools that provide an 18-month Reception program.	13.3	No impact	Support for non-government schools is a Commonwealth responsibility, and the payment does not support a usual state service.
Schools Pathways Program	Funding to promote defence industry career pathways and encourage participation in science, technology, engineering and mathematics subjects relevant to defence industry.	2	No impact	Defence is a Commonwealth responsibility, and the payment does not support a usual state service.
Skills and Workforce Development				
Advanced Entry Trades Training Program	Funding for VET providers to deliver Recognition of Prior Learning and gap training to 6,000 experienced workers in residential housing and civil construction trades.	19.5	Impact	Post-secondary education is a state function, and needs are assessed.
Clean Energy Capital Investment Fund	Funding for state projects to upgrade facilities and expand clean energy training capacity across renewable energy, electricity network and related construction trades, including in regional, rural and remote communities.	24.5	Impact	Investment in vocational education and training infrastructure is a state service, and needs are assessed.
National Training Centre in New Energy Skills	Funding for a national training centre in Melbourne's west to train and upskill plumbers, gasfitters and refrigeration workers for the changing energy system.	10	Impact	Investment in vocational education and training infrastructure is a state service, and needs are assessed.
TAFE Technology Fund and Mobile TAFE	Funding to upgrade TAFE facilities and deliver mobile training to First Nations learners in outer regional and remote communities.	5.6	Impact	Vocational education and training is a state service, and needs are assessed.

Commonwealth payment	Description	2025-26 \$m	Proposed treatment	Reason for treatment
Thrive and Dandenong Employment Hubs	Funding for time-limited employment hubs in Broadmeadows, Frankston and Dandenong to support people facing barriers to employment, education and economic participation.	1.4	No impact	The payment supports locally delivered employment services, which are not usual state services.
Turbocharging the VET Workforce	Funding for state projects to increase the teacher, trainer and assessor workforce for clean energy occupations.	15	Impact	Vocational education and training is a state service, and needs are assessed.
Community				
Accessible Australia	Funding for accessible infrastructure and amenities that improve access to built and natural environments for people with disability.	6.4	Impact	Community facilities are a state service, and needs are assessed.
Affordable Housing				
100,000 Homes for First Home Buyers – Grant component	Funding to support the delivery of up to 100,000 new homes reserved for first home buyers, including direct construction and enabling infrastructure.	20	No impact	The payment supports private home ownership, for which needs are not assessed, rather than state social housing services.
Stream 1 and Community Enabling Infrastructure	Funding for enabling infrastructure, community amenities and planning capability to support increased housing supply.	206.3	No impact	The payment predominantly supports local government infrastructure and planning, which are not state services.
Infrastructure				
Hillcrest Tragedy Memorial	Funding for a memorial garden commemorating the victims of the Hillcrest Primary School tragedy.	0.9	Impact	Cultural services are a state function, and needs are assessed.
Lake Macquarie Mines Grouting Fund	Funding for a contingency fund to support mine grouting and ground stabilisation in areas affected by historical underground mining in Lake Macquarie.	9.9	Impact	Business development is a state function, and needs are assessed.
National Capital Investment Framework	Funding for priority urban infrastructure projects under the National Capital Investment Framework: the Canberra Aquatic Centre and the Canberra Convention and Entertainment Centre Precinct.	12.1	Impact	Investment in recreational and cultural infrastructure is a state function, and needs are assessed.

Commonwealth payment	Description	2025–26 \$m	Proposed treatment	Reason for treatment
North Queensland Cowboys Community and Performance Centre	Funding to construct the North Queensland Cowboys Community, Development and High-Performance Centre at West Barlow Park in Cairns, including a permanent headquarters and training facilities for the club's National Rugby League Women's team.	0.5	Impact	Investment in recreational and cultural infrastructure is a state function, and needs are assessed.
Port Augusta Wharf Refurbishment	Funding to refurbish the heritage-listed Port Augusta Wharf to improve safety, accessibility and access for pedestrians, light vehicles and watercraft.	6	Impact	Investment in recreational and cultural infrastructure is a state function, and needs are assessed.
The Fox – National Gallery of Victoria Contemporary	Funding towards The Fox – National Gallery of Victoria Contemporary, a new public museum and cultural hub for contemporary art and design in Melbourne.	30	Impact	Investment in recreational and cultural infrastructure is a state function, and needs are assessed.
Environment, energy and water				
Algal Bloom Support Package	Funding for South Australian initiatives responding to the harmful algal bloom, including measures to support community wellbeing, environmental protection and business and industry resilience.	66.3	Split treatment	This payment supports many initiatives to aid the recovery from, and future resilience to, the algal bloom in South Australia. The support is wide ranging and broadly goes towards efforts in environmental protection and resilience (42%), industry support (29%), and a range of miscellaneous supports including those for local communities and local government support (29%). The Commission does not assess needs for environmental protection (non-deliberative EPC) or local government functions (not state services) but does assess needs for industry support. The Commission proposes to split the payment, treating the industry support component as impact (29%) and the other components as no impact (61%).
Bushfire Community Recovery and Resilience Program	Funding to complete community-led bushfire recovery and resilience projects in New South Wales and Victoria that were not completed under the Black Summer Bushfire Recovery Program.	17.1	No impact	The payment supports natural disaster mitigation and relief spending. Natural disaster mitigation expenses and natural disaster relief outside of the DRFA are state services, but needs are not assessed.
Local Environment Projects – Heritage	Funding for conservation, management and maintenance projects at Port Arthur, Woolmers Estate and Brickendon Estate within the Australian Convict Sites World Heritage Property.	9.7	Impact	Recreational and cultural services are a state function, and needs are assessed.

Commonwealth payment	Description	2025–26 \$m	Proposed treatment	Reason for treatment
National Circularity Centre	Funding for a National Circularity Centre in Bega, including education, hospitality, tourism and heritage facilities, and a collaborative research hub for the circular economy.	2.8	Impact	Business development is a state function, and needs are assessed.
National Hydrogen Technology Skills Training Centre	Funding to establish a National Hydrogen Technology Skills Training Centre in Victoria to support hydrogen workforce development and training.	2	Impact	Vocational education and training is a state service, and needs are assessed.
Other purposes				
Assistance for the Liberty Bell Bay smelter	Funding for certain employee costs during the administration and sale process for the Bell Bay manganese smelter.	nfp	Impact	Business development is a state function, and needs are assessed.
National Support and Intervention Program	Funding for states to deliver a consolidated countering violent extremism intervention program for people at risk of radicalising to violent extremism in the community or custodial settings.	23.8	Impact	The payment supports public order and safety services. Needs are assessed through the deliberative EPC assessment for other expenses.
Step Together Project	Funding to nationalise the Step Together program, which provides a helpline, online referral tool and digital support for families and friends of people showing signs of violent extremism.	3	Impact	The payment supports public order and safety services. Needs are assessed through the deliberative EPC assessment for other expenses.
Henderson Stage 1 Funding	Funding for the design and early works for interim facilities for non-defence industries displaced by Defence use of the Australian Marine Complex–Common User Facility in Henderson.	30	No impact	For this component of a broader investment package, the state is undertaking services on behalf of Defence, which is a Commonwealth responsibility.
Remediation master plans for Hunter mine sites	Funding for post-mining land use master plans for 2 Hunter region mine sites to support rezoning, attract new industry and create local jobs.	4	Impact	Business development is a state function, and needs are assessed.

Table A-2 Proposed treatment of city and regional deals commenced in 2025–26

Commonwealth payment	Description	2025–26 \$m	Proposed treatment	Reason for treatment
Albury-Wodonga				
Vic- Advanced Manufacturing Centre of Excellence, Phase 1	Funding for a manufacturing centre of excellence to enable advanced manufacturing within a suite of labs that provide the Albury-Wodonga region with introductory programs and basic prototyping capabilities.	1.5	Impact	Vocational education is a state service, and needs are assessed.
South East Queensland (SEQ)				
Public Art Initiatives	Funding to enhance place-making and promote a more liveable South East Queensland through public art and architecture.	5	No impact	Public art installations are a local government service.
Toowoomba Railway Parklands	Funding to explore options for the regeneration of the Toowoomba Railway Parklands Priority Development Area to enable an increase of housing availability.	2	No impact	The payment supports local government planning and development approval functions, for which needs are not assessed.
Barkly				
Student Boarding Facility	Funding for the Tennant Creek Student Boarding Facility. The project will deliver a boarding facility in Tennant Creek, providing accommodation for up to 40 students (20 male and 20 female) attending Tennant Creek High School.	4.7	Impact	Investment in school education is a state service, and needs are assessed.

Source: Department of Infrastructure.