2025

THE LEGISLATIVE ASSEMBLY FOR THE

AUSTRALIAN CAPITAL TERRITORY

ELEVENTH ASSEMBLY

Commonwealth funding improvement – Assembly Resolution of 3 September 2025

Government Response

Presented by
Chris Steel MLA
Treasurer
December 2025

Response to Legislative Assembly resolution *Commonwealth funding improvement* of 3 September 2025

The Government continues to actively work to maximise funding for the ACT through the federal financial relations system to address vertical fiscal imbalance so that the ACT receives funding that reflects its unique needs, its service delivery responsibilities and a fair share for Canberrans.

This includes ongoing multilateral and bilateral advocacy and negotiation at the ministerial and senior officials' level on funding for infrastructure, public hospitals, disability and foundational supports. We are also continuing to work to address the impact of incorrect estimates of the ACT's population on our share of GST revenue.

Key initiatives progressed that address the Assembly's Resolution of 3 September 2025 are outlined below.

(2)(a) Seeking minimum 50:50 Commonwealth funding on all ACT infrastructure projects where total project costs exceed $5 million and publicly reporting which projects sought Commonwealth funding, how much was sought and granted.

The ACT Government actively seeks to maximise its share of Commonwealth funding for infrastructure projects, including in some cases up to 100 per cent of a project's total cost, through the Commonwealth's Infrastructure Investment Program (IIP) and local funding programs (for example, the Roads to Recovery program). Where there are eligible Commonwealth programs that support investment in Territory infrastructure, the ACT Government regularly and frequently makes applications.

Not all Territory infrastructure projects are eligible for Commonwealth investment. For example, the Commonwealth Government does not provide regular infrastructure investment in the delivery of public hospital infrastructure. While the ACT Government would welcome any Commonwealth investment in ACT infrastructure projects, many would be ineligible or would not be in the responsibility of the Commonwealth Government to support their delivery.

The ACT Government has a strong joint record of investment with the Commonwealth Government, including delivery of major public transport and road transport infrastructure projects. These include Light Rail Stage 2A and the planning for Light Rail Stage 2B. Commonwealth infrastructure investment has extended in the 2025-26 financial year to include the Canberra Aquatic Centre and the Canberra Convention and Entertainment Centre projects. The ACT is negotiating the FFA Schedule for this funding with the Commonwealth, which will be made public once signed.

Further new Commonwealth investments made this year include $2.8 million in co-funding for Canberra railway Precinct under the Urban Precinct and Partnerships Program. Joint ACT and Commonwealth Government investment in housing infrastructure and housing enabling infrastructure continues to be a priority and subject to significant amounts of joint investment.

Most recently, the Acting Chief Minister wrote to the Commonwealth Infrastructure, Transport, Regional Development and Local Government Minister outlining the ACT's 10-year pipeline of land transport infrastructure projects and a forecast list of projects (see Appendix A). The Government will submit project proposals seeking co-funding for consideration through the Commonwealth's 2026-27 Budget process before the end of 2025.

Information on Commonwealth funding to ACT infrastructure projects is available publicly in many places, including the Budget Outlook, the Federation website and on the Infrastructure Canberra website.

(2)(b) Writing to the Commonwealth Government seeking reimbursement of the $550 million backpay due to population undercounting.

There is no legal mechanism within the GST system for any state or territory to receive backpay of GST due to population undercounting. If such a mechanism were to exist, it would require that GST funding be returned to the Commonwealth from other states and territories to manage the required backpay. The ACT is not actively pursuing the creation of a legal mechanism for the backpay of the $550 million to occur, as it would require agreement from all states and territories and is not reasonably feasible.

Acknowledging the strong views of the Assembly on this matter, the Treasurer has written to the Commonwealth Minister for Finance on this matter (see Appendix B), including raising the requests of the Assembly for other mechanisms for the Territory to receive an equivalent amount of Commonwealth investment in lieu of any 'backpay'.

(2)(c) Advocating to the Commonwealth for a better and fairer counting of the ACT's population which is directly impacting the Territory budget.

The ACT Government continues to advocate strongly for the Commonwealth Government to address the persistent undercount of the ACT's population and the impacts on Commonwealth GST distribution.

In October 2025, I wrote to the Commonwealth Treasurer outlining the ACT Government's concerns about the going underestimation of the ACT population and seeking a meeting to discuss mechanism to reduce the negative impacts on the ACT, including an annual adjustment to the population data used by the Commonwealth Grants Commission and a post-Census balancing adjustment to reconcile population errors following each Census (see Appendix C).

The issue has been raised repeatedly with the ABS, which resulted in a June 2025 revision of ABS estimates of the ACT population, raising the estimated ACT population by approximately 4,000 Canberrans since the 2021 Census.

(2)(d) Writing to the Commonwealth Government seeking a waiver on our historic housing debt.

The ACT Government has a debt to the Commonwealth of over $64.9 million for housing, inherited at the time of transition to self-government. In 2025-26, the historical housing loans cost over $8.2 million in principal repayments and over $2.9 million in interest. The interest costs are over $25 million for the term of the loan.

The ACT Government has raised this matter formally with the Commonwealth Government in at least 15 letters as well as numerous meetings and forums, both with the current and previous governments. There have also been multiple Assembly Resolutions on this matter.

The Government continues to advocate for the debt to be forgiven at appropriate opportunities, noting Tasmanian housing debt was extinguished in 2020. The Minister for Housing and Suburban Development has recently written to her Commonwealth counterpart (see Appendix D) to reiterate the Government's request for the historic housing debt to be waived.

(2)(e) Employing new health analysts in Treasury to assist Health directorates achieve the NEP or small jurisdiction equivalent and reporting progress in annual reports.

The Health and Community Services Directorate (HCSD) has recently appointed a health economist and is in the process of recruiting dedicated staff to further strengthen policy analysis and insights regarding health funding.

Progress towards achieving the National Efficient Price (NEP) and small jurisdiction price benchmarks has been bolstered by the ACT Government's recent expansion of activity-based funding (ABF). Enhanced costing data will serve as a vital resource for generating insights through national benchmarking and for identifying underlying drivers of costs within the health system, such as pricing structures, safety, and length of patient stay. The recent release of the Service Funding Agreement[1] and the Commissioning Framework[2] will further support transparency and the ongoing maturity of the ACT's approach towards meeting the NEP.

Treasury works closely with HCSD and CHS on both health funding and expenditure, including through the Local Hospital Network Assurance Committee, which provided coordinated oversight of the ACT's health services.

(2)(g) Completing aged care assessments and NDIS applications for hospitalised patients within a week of first admission and lobbying the Commonwealth for sufficient home care packages and residential places.

The ACT Government is actively engaged in negotiations with the Commonwealth to increase funding for public hospitals through the next National Health Reform Agreement Addendum, at both the ministerial and senior officials' level. States and territories are also advocating for the Commonwealth to increase investment in the aged care system to address the growing cohort of stranded long-stay older patients in public hospitals, including more home care packages and residential places.

On 3 October 2025, the Board of Treasurers (BOT) issued a Communique BOT Communique that outlined work undertaken by the BOT to investigate the underlying drivers of recent cost growth in public hospital services. The work was commissioned to inform negotiations on the next NHRA and included the release of the report 'the Growth and Drivers of Australian Public Hospital Costs and Prices'[3] (the Report).

The Report identified several key cost growth factors that are legitimate, unavoidable, almost certain to persist over the medium-term and beyond the control of states, including:

- The growing cohort of stranded long-stay patients in public hospitals, who are awaiting places in alternative accommodation (such as residential aged care, supported disability accommodation or community supports), which are typically areas of Commonwealth responsibility.
    - 8–10 per cent of public hospital bed days are now occupied by patients awaiting discharge to another setting such as residential aged care facilities.
- National and global clinical workforce shortages which have required the use of temporary contract labour to maintain service delivery and driven wage growth, particularly in the context of high inflation.
- The high-inflation environment in the general economy, which has already increased non-labour costs and continues to influence labour costs.
- A longer-term trend of increasing complexity of the public hospital patient cohort that requires more resource intensive care.

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[1] Available from: https://www.act.gov.au/__data/assets/pdf_file/0004/2900596/Service-funding-agreement-2025-26.pdf

[2] Available from: https://www.act.gov.au/__data/assets/pdf_file/0003/2900595/Commissioning-framework-for-activity-based-funded-services-in-the-ACT.pdf

[3] Available from: https://www.treasury.sa.gov.au/__data/assets/pdf_file/0006/1191165/Duckett-Report-Growth-Drivers-Australian-Public-Hospital-Costs-Prices.pdf

(2)(f) Writing to the Commonwealth Government seeking a fairer allocation in lieu of Commonwealth public servant payroll tax.

The ACT Government continues to advocate for our fair share of funding from the Commonwealth. This includes seeking for the Commonwealth Government to appropriately recognise the ACT's narrow own source tax base relative to other jurisdictions.

While the ACT is compensated for its narrow payroll tax base through the GST distribution system, the ACT Government actively seeks for the ACT to receive its fair share of funding through bilateral funding agreements and GST distribution system. Most recently, the Treasurer wrote to the Commonwealth Treasurer regarding the Productivity Commission (PC) Review into Horizontal Fiscal Equalisation (HFE) and noted that, as a small jurisdiction with a large Australian public sector employment base, the ACT has limited revenue raising capacity (including a narrow payroll tax base) to meet the high costs of delivering public services. As such, it is important that the integrity of the HFE system is maintained, and the ACT is provided appropriate funding through bilateral agreements (see Appendix E).

Appendix A

Yvette Berry MLA
Deputy Chief Minister
Minister for Education and Early Childhood
Minister for Homes, Homelessness and New Suburbs
Minister for Sport and Recreation

Member for Ginninderra

The Hon Catherine King MP
Minister for Infrastructure, Transport,
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CC Tara Cheyne MLA, Minister for City and Government Services
CC Chris Steel MLA, Minister for Transport

Dear Minister ~~King~~ Catherine

Thank you for your letter to Minister Cheyne inviting submission of the ACT's Annual Infrastructure Plan under the Infrastructure Investment Program (IIP). I am pleased to provide the ACT's intended 10-year pipeline of land transport infrastructure projects, attached to this letter.

The ACT Government appreciates the ongoing partnership with the Australian Government for the delivery of nationally significant land transport infrastructure projects. ACT's 10-year Plan identifies how the delivery of ACT projects reflects shared policy objectives and supports addressing issues of national importance, including housing and sustainability. The Plan has been developed and refined from existing policy and tailored to provide the strategic context for ACT's nationally significant land transport infrastructure project proposals.

The ACT Government looks forward to submitting relevant proposals as identified in this Plan by 15 November 2025 for consideration through the Commonwealth's 2026-27 Budget.

If you have any questions regarding the Plan, please contact Bruce Fitzgerald, Deputy Director-General, City and Environment Directorate via email at Bruce.Fitzgerald@act.gov.au.

Thank you for considering ACT's 10-year Plan and I look forward to discussing this plan with you further.

Yours sincerely

Yvette Berry MLA
Acting Chief Minister

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Appendix B

ACT Government

Chris Steel MLA
Treasurer
Minister for Planning and Sustainable Development
Minister for Heritage
Minister for Transport

Member for Murrumbidgee

Our ref: CMTEDD2025/4845

Senator the Hon Katy Gallagher
Minister for Finance
Senator for the Australian Capital Territory
Parliament House
CANBERRA ACT 2600
Via email: senator.katy.gallagher@aph.gov.au

Dear ~~Senator~~ Katy

I write to advise you, as Commonwealth Minister for Finance and as a Senator for the ACT, of a recent resolution of the ACT Legislative Assembly (the Assembly) relating to Commonwealth funding and investment in the Australian Capital Territory.

On 3 September 2025, the Assembly resolved the following:

> *…(2) calls on the ACT Government to seek a fair share of Commonwealth funding by:*
>
> > *(b) writing to the Commonwealth Government seeking reimbursement of the $550 million backpay due to population undercounting;*

Accordingly, I write on behalf of the Assembly to request that the Commonwealth Government reimburse the $550 million for the misallocation of GST distributions because of the systematic undercount of the ACT's population through 2016-17 to 2022-23.

This follows my letter to the Commonwealth Treasurer and Assistant Minister Leigh on 15 October 2025 regarding the persistent and ongoing undercount from the ABS of the ACT's Estimated Resident Population (ERP) and resulting financial impact on the ACT.

The Assembly considers that given the enduring financial disadvantage this has created, the ACT Government should seek to be back paid by the Commonwealth for this persistent undercount.

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The ACT Government acknowledges the legal complexities in any mechanism to create an arrangement to facilitate ‘backpay’ of GST. Members of the Assembly have raised the potential for the Commonwealth Government to receive an equivalent amount of Commonwealth investment in lieu of a specific ‘backpay’ protocol or process.

Beyond this request of the ACT Legislative Assembly, I would welcome the opportunity to further discuss mechanisms to reduce the negative impacts of this population undercount on the ACT including through an annual adjustment mechanism and/or a post-Census balancing adjustment to reconcile ERP errors following each Census, in line with the existing process for reconciling GST advances and final entitlements.

These measures would help ensure a fairer distribution of GST revenue and reduce the scale of adjustments required after each Census. There is already precedent for such an approach — the Commonwealth currently applies annual adjustments for HFE transition payments under the 2018 GST reforms.

I look forward to the opportunity to discuss this matter with you further.

Yours sincerely

Chris Steel MLA
Treasurer
17/11/2025

CC: Andrew Barr MLA, Chief Minister
Dr Jim Chalmers MP, Commonwealth Treasurer

Appendix C

ACT Government

Chris Steel MLA
Treasurer
Minister for Planning and Sustainable Development
Minister for Heritage
Minister for Transport

Member for Murrumbidgee

The Hon Dr Jim Chalmers
Treasurer
Commonwealth Government
CANBERRA ACT 2600
Via email: ChalmersDLO@TREASURY.GOV.AU

Our ref: CMTEDD2025/4074

Dear Treasurer ~~Chalmers~~ Jim

I am writing to raise ongoing concerns regarding the accuracy of the Australian Bureau of Statistics' (ABS) Estimated Resident Population (ERP) figures and the resulting financial impacts on the ACT, following the release of the March quarter 2025 ERP data.

While I acknowledge and appreciate the methodological improvements introduced by the ABS for the December quarter 2024 ERP release, I remain concerned that the estimates continue to undercount the ACT's population. This persistent underestimation directly reduces the ACT's share of the national GST pool and undermines the principle of horizontal fiscal equalisation.

The consequences of these inaccuracies are significant. Analysis by ACT Treasury for the 2025-26 Budget indicates that between 2016–17 to 2022–23, the ACT received approximately $550 million less in GST revenue due to ERP underestimation. This shortfall has placed a sustained and systemic burden on the Territory's finances, despite our continued provision of services to all ACT residents and the broader capital region, including the south-east New South Wales catchment.

The ACT's driver licence data has consistently proven to be a strong proxy for net arrivals to the ACT. This data continues to point to a higher population than that reflected in ABS estimates. These indicators suggest that the ERP methodology, particularly in estimating net interstate migration (NIM), continues to underestimate the ACT's population. The March quarter 2025 ERP release marks the eleventh consecutive quarter of negative NIM for the ACT, a similar position prior to last Census before rebasing.

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Member for Murrumbidgee

Given the enduring financial disadvantage this creates, I would welcome the opportunity to further discuss mechanisms to reduce the negative impacts on the ACT. In particular, I propose two practical options for consideration. Firstly, an explicit annual adjustment to the population data used by the Commonwealth Grants Commission (CGC) in its yearly assessments to better reflect known discrepancies. Secondly, a post-Census balancing adjustment to reconcile ERP errors following each Census, in line with the existing process for reconciling GST advances and final entitlements. These measures would help ensure a fairer distribution of GST revenue and reduce the scale of adjustments required after each Census. There is already precedent for such an approach — the Commonwealth currently applies annual adjustments for HFE transition payments under the 2018 GST reforms.

As a small jurisdiction with limited revenue-raising capacity and high service delivery costs, it is critical that the integrity of the GST system is preserved. I believe these proposals offer a practical and cost-neutral pathway to address ongoing difficulties in the current distribution framework.

I look forward to the opportunity to discuss this matter further. For your convenience, I have included additional context in Attachment A.

Yours sincerely

Chris Steel MLA
Treasurer

15 October 2025

Cc Senator the Hon. Katy Gallagher
The Hon. Dr Andrew Leigh MP

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Appendix D

Yvette Berry MLA
Deputy Chief Minister
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Minister for Homes, Homelessness and New Suburbs
Minister for Sport and Recreation

Member for Ginninderra

The Hon Clare O'Neil MP
Minister for Housing
Minister for Homelessness
Minister for Cities
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Our ref: CMTEDD2025/4822

Dear Minister ~~O'Neil~~ Clare

As you are aware, the ACT has a debt to the Commonwealth of over $64.9 million for housing, inherited at the time of transition to self-government. In 2025-26, the historical housing loans cost over $8.2 million in principal repayments and over $2.9 million in interest.

In my letter to you in May of this year, I noted that the former Commonwealth Government waived historic housing debts for Tasmania and South Australia, and that the ACT continues to be disadvantaged by this debt.

In July you advised that while the Commonwealth Government has agreed to lower interest rates, waiving or refinancing state and territory debt has a negative impact on the Commonwealth's debt position, and as such, the Commonwealth Government maintains a high bar for the waiver or refinancing of debt.

However, I note that the money that would be required for repayment of the historic housing debt could be better invested in new or expanded housing and homelessness services in the ACT – particularly to support our commitments to delivering an additional 5,000 public, community and affordable rental dwellings by the end of 2030.

The ACT Legislative Assembly passed a motion on 3 September 2025 calling on the ACT Government to write to the Commonwealth Government to seek a waiver of the historic housing debt. As such I ask again, as per my previous correspondence, for the ACT's historic housing debt to be waived as part of an ongoing commitment to improving housing outcomes.

Yours sincerely

Yvette Berry MLA

24 November 2025

CC: Senator the Hon Katy Gallagher, senator.katy.gallagher@aph.gov.au

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Appendix E

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The Hon Dr Jim Chalmers
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Commonwealth Government
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via email: ChalmersDLO@TREASURY.GOV.AU

Our ref: CMTEDD2025/3759

Dear Treasurer ~~Chalmers~~ Jim

Thank you for the opportunity to comment on the draft Terms of Reference (TORs) for the forthcoming Productivity Commission (PC) Review into Horizontal Fiscal Equalisation (HFE). I appreciate your consideration of the Board of Treasurers' proposed TORs on this matter, and the time that you have provided the PC and all states and territories to engage in this important review.

I do not propose any changes to the TORs, and I am confident they provide sufficient coverage of the HFE areas that require examination and will provide the appropriate level of flexibility for states and territories to engage with the process. However, I do request that the PC's reports be provided to the states and territories at the same time they are provided to the Australian Government.

The ACT looks forward to participating in the PC Review into the HFE system to ensure that all Australians are provided with comparable standards of public services, and that states and territories are sufficiently resourced to meet these obligations.

As a small jurisdiction with a large Australian public sector employment base, the ACT has limited revenue raising capacity (including a narrow payroll tax base) to meet the high costs of delivering public services. As such, it is important that the integrity of the HFE system is maintained, and the ACT is provided appropriate funding through bilateral agreements.

Lastly, I would like to reiterate the importance of accurate population estimates to ensuring a fair allocation of funding to states and territories. While we appreciate ongoing collaborative efforts to improve the accuracy of the ABS' Estimated Resident Population, continued work in this area is needed.

Yours sincerely

Chris Steel MLA
Treasurer

29/09/2025

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THE HON DR ANDREW LEIGH MP
ASSISTANT MINISTER FOR PRODUCTIVITY, COMPETITION, CHARITIES AND TREASURY

Ref: MC25-026127

Mr Chris Steel MLA
Treasurer
Minister for Planning and Sustainable Development
Minister for Heritage
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Member for Murrumbidgee
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Chris

Dear ~~Treasurer~~

Thank you for your correspondence on 17 October 2025, concerning the Australian Bureau of Statistics' (ABS) population data and the resulting financial impacts on the ACT. I recognise that this is a long-held concern for the ACT, and that you have been working closely with both the ABS and the Commonwealth Grants Commission regarding the population data used for GST distribution.

As independent agencies, the methods the ABS and Commonwealth Grants Commission use to achieve their objectives are ultimately a decision for these agencies.

The GST distribution legislation (Federal Financial Relations Act 2009) specifies that the '*estimated population of a State on 31 December in a payment year is the population of the State on that date as determined by the Australian Statistician after that date and before 31 August in the following payment year.*' The GST revenue determination uses population data that have been determined by the ABS. Once this determination is made, the GST distribution between states is final.

I note the ABS recently reviewed its Net Interstate Migration model in response to the elevated undercount experienced by the ACT and Tasmania during the 2016 to 2021 intercensal period. Analysis of the ABS' new Net Interstate Migration method shows it would have, if applied, resulted in smaller revisions overall between 2016 and 2021, with the largest improvements in the ACT and Tasmania.

In undertaking the review, the ABS consulted all jurisdictions and explored the suitability of a wide range of data, including driver's licence data. Driver's licence data was found to be not suitable for use in measuring Net Interstate Migration as it is not nationally coherent and has a range of quality limitations. This position was supported by the Australian Statistical

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Advisory Council, which includes representatives from all jurisdictions. The ABS' new method uses address information from tax office records.

The population flows being produced by the new model were assessed against a range of national datasets and found to be showing consistent patterns for all jurisdictions. The ABS will review the ATO-based adjustment every year in the December quarter and revise estimates for the previous 12 months if needed. The effectiveness of the new method will be fully reassessed following the 2026 Census and rebasing process. I encourage you to engage with the ABS at that time. Please contact my office if you need assistance in facilitating conversations with the ABS.

Thank you again for your letter.

Yours sincerely

Andrew Leigh

CC: The Hon Dr Jim Chalmers
Senator the Hon. Katy Gallagher