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Parliamentary Budget Office

Unlegislated measures carried forward in the budget estimates— June 2016 update

An update of the projected impact of unlegislated measures
on current budget estimates and over the medium term

Date issued: 9 June 2016

Unlegislated measures carried forward in the budget estimates

The Parliamentary Budget Office's June 2016 update of the impact of unlegislated measures carried forward in the 2016–17 Budget presents the impact of unlegislated measures that are included in the current budget estimates and projections. It does not include new policy decisions announced in the 2016–17 Budget unless they amend existing unlegislated measures. It also does not include measures that have not yet been introduced or progressed in the Parliament.

Consistent with earlier publications, unlegislated measures are those measures from the 2014–15 Budget and subsequent updates that have failed to pass or require legislation that has not been passed by the announced start date.

Related measures that cannot be implemented without the passage of an unlegislated measure are also included in this update.

This update shows the projected impacts of unlegislated measures carried forward in the 2016–17 Budget forward estimates on both the fiscal and underlying cash balances. Table 1 provides the projected impact of these measures on the fiscal balance. Table 2 provides their projected impact on the underlying cash balance.

Estimates in this update have been adjusted for changes in implementation timing from legislative delays, the impact of the legislation of measures, and changes to parameters and policies in the 2016–17 Budget.

Measures that have been implemented or reversed have been excluded from this update.

The unlegislated 2014–15 Budget measure *Australian Renewable Energy Agency – cessation* has been reversed by the 2016–17 Budget measure *Clean and Renewable Energy Innovation – Clean Energy Finance Corporation and the Australian Renewable Energy Agency* and is excluded from this update.

Similarly, the unlegislated 2014–15 Budget measure *Veterans' Disability Pensions – commencement of payments from date of claim* has been reversed by the 2016–17 Budget measure *Reversal of Backdating of Veterans' Disability Pension Claims*.

The unlegislated 2013–14 Budget measure *Higher Education Support Act 2003 – efficiency dividend* has also been removed from the current budget estimates and is therefore excluded from this update.

An additional item, *Families Package – child care* from the 2015–16 Budget has been added to the list of unlegislated measures since the February 2016 update. The measures associated with this item result in an increase in costs and have been linked by the Government to the unlegislated 2015–16 Mid-Year Economic and Fiscal Outlook (MYEFO) savings measure *Family Payment Reform – a new families package*.

The estimated impacts of eight unlegislated measures relating to higher education have been revised for the delay in their implementation to 1 January 2018 announced in the 2016–17 Budget measure *Higher Education Reform – further consultation*. This measure also included the decision to not proceed with the deregulation of university fees announced in the 2014–15 Budget measure *Expanding Opportunity – expansion of the demand driven system and sharing the cost fairly*.

The budget estimates for the measure *Expanding Opportunity – expansion of the demand driven system and sharing the cost fairly* have retained the reductions in subsidies provided under the Commonwealth Grant Scheme but do not provide for increased student contributions through Higher Education Loan Programme (HELP) loans.

The removal of these increased HELP loans has increased the fiscal balance impact of the measure *Expanding opportunity – expansion of the demand driven system and sharing the cost fairly* by \$1.7 billion over the forward estimates and \$14.8 billion over the period 2016–17 to 2026–27. This change has increased the underlying cash balance impact of the measure by \$80 million over the forward estimates and \$5.9 billion over the period 2016–17 to 2026–27. The increase in the fiscal balance impact is larger than the underlying cash balance impact because the fiscal balance provides an earlier recognition of the cost of issuing new loans compared to the underlying cash balance.

Consistent with the *Charter of Budget Honesty Costing Guidelines*, this report also includes the impact of public debt interest (PDI) for measures involving transactions of financial assets in the form of loans through HELP. Where PDI represents a material proportion of the impact of measures, these impacts are disaggregated in the following tables.

Unlegislated measures carried forward in the budget estimates—June 2016 update

Table 1: An update of the projected fiscal balance impact of unlegislated measures carried forward in the current 2016–17 Budget estimates and over the medium term¹

Fiscal balance impact (\$ million)	2015–16	2016–17	2017–18	2018–19	2019–20	Total to 2019–20 ²	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27 ²	Original measure
Expense measures															
Pharmaceutical Benefits Scheme — increase in co-payments and safety net thresholds	-	133	262	273	288	957	304	326	347	364	385	403	419	3,505	2014–15 Budget Paper 2, p. 140
Maintain eligibility thresholds for Australian Government payments for three years ^{1a}	-	53	92	65	70	279	70	70	74	74	75	78	81	801	2014–15 Budget Paper 2, p. 204
Increasing the age of eligibility for Newstart Allowance and Sickness Allowance ^{1b}	-	131	161	184	195	671	201	206	210	216	226	235	245	2,211	2014–15 Budget Paper 2, p. 203
Pensioner Education Supplement — cessation	-	42	84	85	86	297	88	89	90	92	93	94	96	939	2014–15 Budget Paper 2, p. 206
Apply the One-Week Ordinary Waiting Period to all Working Age Payments ^{1b}	-	40	59	61	64	225	66	68	70	72	75	79	83	738	2014–15 Budget Paper 2, p. 191
Education Entry Payment — cessation	-	10	19	19	19	67	20	20	20	20	20	21	21	209	2014–15 Budget Paper 2, p. 197
A sustainable Higher Education Loan Programme — HECS-HELP benefit — cessation ^{1c,1d}	-	-	30	31	33	94	35	38	42	45	49	53	57	413	2014–15 Budget Paper 2, p. 77
Expanding opportunity — Higher Education Indexation — revised arrangements ^{1c}	-	-	3	31	91	125	172	266	374	495	628	766	917	3,743	2014–15 Budget Paper 2, p.85
Expanding opportunity — FEE-HELP and VET FEE-HELP loan fee cessation ^{1c,1d}	-	-	-363	-748	-786	-1,897	-838	-899	-968	-1,043	-1,125	-1,214	-1,312	-9,296	2014–15 Budget Paper 2, p. 85
Higher Education — structural adjustment fund ^{1c}	-	-	-42	-58	-	-100	-	-	-	-	-	-	-	-100	2014–15 MYEFO, p. 150
A Sustainable Higher Education System – Research Training Scheme - student contributions ^{1c,1d}	-	-	32	64	67	163	71	76	80	86	92	98	104	770	2014–15 Budget Paper 2, p. 79
A sustainable Higher Education Loan Programme — repayment thresholds and indexation ^{1c,1e}	-	-1	1	26	30	57	31	33	36	39	43	47	53	339	2014–15 Budget Paper 2, p. 77
Expanding opportunity — expansion of the demand driven system and sharing the cost fairly ^{1c,1d,1f}	-	-	448	956	1,059	2,463	1,175	1,300	1,432	1,577	1,735	1,903	2,085	13,670	2014–15 Budget Paper 2, p. 84
<i>Component: Reduction in Commonwealth Grant Scheme subsidies</i>	-	-	564	1,224	1,403	3,192	1,610	1,811	2,000	2,209	2,436	2,680	2,945	18,883	
<i>Component: Non-university higher education provider places</i>	-	-	-63	-131	-143	-336	-155	-167	-179	-190	-202	-215	-227	-1,672	
<i>Component: Additional sub-bachelor places</i>	-	-	-54	-138	-201	-393	-280	-344	-389	-441	-499	-562	-633	-3,541	
Higher Education Reforms — amendments ^{1c,1d,1g}	-	-30	-62	-68	-75	-236	-79	-85	-92	-100	-108	-118	-128	-947	2014–15 MYEFO, p. 151
Simplifying Medicare safety net arrangements	-	67	118	118	119	423	122	123	125	126	128	130	131	1,308	2014–15 Budget Paper 2, p. 145
Increasing the Age Pension qualifying age to 70 years	-	-	-	-	-	-	-	-	-	-	-	930	1,200	2,130	2014–15 Budget Paper 2, p. 202
Fair Entitlements Guarantee - aligning redundancy payments to national employment standards ^{1h}	-	23	26	27	28	105	30	31	32	34	35	37	38	341	2014–15 Budget Paper 2, p. 95
Abolish the Seafarer Tax Offset	4	4	4	4	4	20	4	5	5	5	5	5	5	54	2014–15 Budget Paper 2, p. 212
Families Package – child care ¹ⁱ	-	-142	-44	-1,377	-1,626	-3,189	-1,769	-1,947	-2,127	-2,306	-2,484	-2,651	-2,820	-19,292	2015–16 Budget Paper 2, p. 156-8
Family Payment Reform - a new families package	-	400	1,736	2,189	2,200	6,525	2,221	2,221	2,216	2,227	2,222	2,219	2,214	22,065	2015–16 MYEFO, p. 211–12
Remove Double-Dipping from Parental Leave Pay	-	-	344	364	344	1,052	384	434	483	533	543	603	663	4,695	2015–16 Budget Paper 2, p. 168
Revenue measures															
Research and Development Tax Incentive — reducing the rates of tax offsets	160	170	220	240	240	1,030	250	270	270	290	300	310	320	3,040	2014–15 Budget Paper 2, p.18
Impact of unlegislated measures on the fiscal balance²	164	901	3,129	2,487	2,451	9,132	2,557	2,646	2,719	2,848	2,935	4,027	4,474	31,337	
Impact of unlegislated measures on the fiscal balance (% of GDP)	..	0.1	0.2	0.1	0.1		0.1	0.1	0.1	0.1	0.1	0.1	0.2		
Memorandum items: public debt interest by measure³															
A sustainable Higher Education Loan Programme — HECS-HELP benefit — cessation	-	-	..	1	2	3	4	6	8	11	14	17	21	84	
Expanding opportunity — Higher Education Indexation — revised arrangements	-	-	..	1	3	4	11	26	50	85	131	189	260	755	
Expanding opportunity — FEE-HELP and VET FEE-HELP loan fee cessation	-	-	-3	-13	-26	-42	-54	-90	-130	-176	-227	-283	-343	-1,345	
A sustainable Higher Education Loan Programme — repayment thresholds and indexation	-	1	1	2	4	6	8	11	14	18	63	
Expanding opportunity — expansion of the demand driven system and sharing the cost fairly	-	-	6	24	50	80	104	170	247	333	430	535	652	2,552	
<i>Component: Reduction in Commonwealth Grant Scheme subsidies</i>	-	-	7	29	61	97	133	227	337	465	608	765	939	3,570	
<i>Component: Non-university higher education provider places</i>	-	-	-	2	3	6	7	12	17	23	29	36	43	173	
<i>Component: Additional sub-bachelor places</i>	-	-	-1	-6	-15	-22	-36	-68	-108	-154	-207	-265	-330	-1,191	

Source: Commonwealth budget papers and Parliamentary Budget Office analysis

1 Estimates in the above table provide the fiscal balance impact of unlegislated measures carried forward in current budget estimates contained in the 2016–17 Budget and have been prepared with the latest information available to the PBO using a range of models. In arriving at the estimates, a number of assumptions have been made about revised implementation timing, the impact of the partial legislation or reversal of measures, changes in policies and parameters in the 2016–17 Budget and differences between fiscal and underlying cash balance impacts. A positive number indicates an increase in revenue or a decrease in expenses. A negative number indicates a decrease in revenue or an increase in expenses. ‘-’ indicates nil whereas ‘..’ indicates not zero but rounded to zero.

2 Totals may not add due to rounding.

3 The following public debt interest (PDI) impacts reflect changes in the financing task associated with loans issued through the Higher Education Loan Programme (HELP). A negative number indicates an increase in PDI. A positive number indicates a decrease in PDI. Increases in PDI have a negative impact on the fiscal balance. Decreases in PDI have a positive impact on the fiscal balance.

Unlegislated measures carried forward in the budget estimates—June 2016 update

Table 2: An update of the projected underlying cash balance impact of unlegislated measures carried forward in the current 2016–17 Budget estimates and over the medium term¹

Underlying cash balance impact (\$ million)	2015–16	2016–17	2017–18	2018–19	2019–20	Total to 2019–20 ²	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27 ²	Original measure
Impact on payments															
Pharmaceutical Benefits Scheme — increase in co-payments and safety net thresholds	-	139	268	274	289	970	305	327	347	365	385	404	420	3,524	2014–15 Budget Paper 2, p. 140
Maintain eligibility thresholds for Australian Government payments for three years ^{1a}	-	50	90	65	69	275	70	70	74	74	75	78	81	797	2014–15 Budget Paper 2, p. 204
Increasing the age of eligibility for Newstart Allowance and Sickness Allowance ^{1b}	-	131	161	184	195	671	201	206	210	216	226	235	245	2,211	2014–15 Budget Paper 2, p. 203
Pensioner Education Supplement — cessation	-	42	84	85	85	296	87	88	89	91	92	93	95	931	2014–15 Budget Paper 2, p. 206
Apply the One-Week Ordinary Waiting Period to all Working Age Payments ^{1b}	-	40	59	61	64	225	66	68	70	72	75	79	83	738	2014–15 Budget Paper 2, p. 191
Education Entry Payment — cessation	-	10	19	19	19	67	20	20	20	20	20	21	21	209	2014–15 Budget Paper 2, p. 197
A sustainable Higher Education Loan Programme — HECS-HELP benefit — cessation ^{1c,1d}	-	-	7	8	9	24	11	13	16	19	22	25	29	159	2014–15 Budget Paper 2, p. 77
Expanding opportunity — Higher Education Indexation — revised arrangements ^{1c}	-	-	3	29	87	119	165	257	364	485	618	759	915	3,681	2014–15 Budget Paper 2, p.85
Expanding opportunity — FEE-HELP and VET FEE-HELP loan fee cessation ^{1c,1d}	-	-	-3	-19	-59	-80	-121	-201	-297	-411	-542	-689	-822	-3,162	2014–15 Budget Paper 2, p. 85
Higher Education — structural adjustment fund ^{1c}	-	-	-42	-58	-	-100	-	-	-	-	-	-	-	-100	2014–15 MYEFO, p. 150
A Sustainable Higher Education System – Research Training Scheme - student contributions ^{1c,1d}	-	-	36	73	74	182	76	78	80	82	84	87	90	759	2014–15 Budget Paper 2, p. 79
A sustainable Higher Education Loan Programme — repayment thresholds and indexation ^{1c,1e}	-	-1	-1	4	6	9	8	11	14	16	19	24	28	129	2014–15 Budget Paper 2, p. 77
Expanding opportunity — expansion of the demand driven system and sharing the cost fairly ^{1c,1d,1f}	-	-	443	950	1,059	2,453	1,180	1,306	1,435	1,578	1,732	1,896	2,074	13,654	2014–15 Budget Paper 2, p. 84
<i>Component: Reduction in Commonwealth Grant Scheme subsidies</i>	-	-	564	1,223	1,401	3,188	1,605	1,805	1,992	2,200	2,426	2,669	2,933	18,817	
<i>Component: Non-university higher education provider places</i>	-	-	-73	-149	-156	-377	-162	-168	-173	-178	-183	-189	-195	-1,625	
<i>Component: Additional sub-bachelor places</i>	-	-	-48	-124	-185	-358	-263	-331	-384	-444	-511	-584	-664	-3,538	
Higher Education Reforms — amendments ^{1c,1d,1g}	-	-	..	-4	-4	-8	-11	-13	-24	-37	-44	-64	-74	-274	2014–15 MYEFO, p. 151
Simplifying Medicare safety net arrangements	-	66	118	118	119	421	122	123	125	126	128	130	131	1,306	2014–15 Budget Paper 2, p. 145
Increasing the Age Pension qualifying age to 70 years	-	-	-	-	-	-	-	-	-	-	-	930	1,200	2,130	2014–15 Budget Paper 2, p. 202
Fair Entitlements Guarantee - aligning redundancy payments to national employment standards ^{1h}	-	23	26	27	28	105	30	31	32	34	35	37	38	341	2014–15 Budget Paper 2, p. 95
Abolish the Seafarer Tax Offset	-	4	4	4	4	16	4	4	5	5	5	5	5	49	2014–15 Budget Paper 2, p. 212
Families Package – child care ¹ⁱ	-	-120	-201	-1,383	-1,708	-3,412	-1,858	-2,045	-2,235	-2,423	-2,611	-2,787	-2,964	-20,335	2015–16 Budget Paper 2, p. 156-8
Family Payment Reform - a new families package	-	-15	606	1,079	2,130	3,800	2,221	2,226	2,216	2,232	2,232	2,234	2,234	19,395	2015–16 MYEFO, p. 211–212
Remove Double-Dipping from Parental Leave Pay	-	-	324	364	344	1,032	384	434	483	533	543	603	663	4,675	2015–16 Budget Paper 2, p.168
Impact on receipts															
Research and Development Tax Incentive — reducing the rates of tax offsets	150	170	220	230	240	1,010	250	260	270	280	300	300	320	2,990	2014–15 Budget Paper 2, p.18
Impact of unlegislated measures on the underlying cash balance²	150	540	2,224	2,110	3,052	8,076	3,208	3,263	3,294	3,357	3,397	4,401	4,812	33,808	
Impact of unlegislated measures on the underlying cash balance (% of GDP)	0.1	0.1	0.2		0.2	0.1	0.1	0.1	0.1	0.2	0.2		
Memorandum items: public debt interest by measure³															
A sustainable Higher Education Loan Programme — HECS-HELP benefit — cessation	-	-	-	1	2	3	4	6	8	11	14	17	20	83	
Expanding opportunity — Higher Education Indexation — revised arrangements	-	-	-	1	3	3	10	25	48	82	128	185	255	737	
Expanding opportunity — FEE-HELP and VET FEE-HELP loan fee cessation	-	-	-3	-12	-25	-40	-52	-87	-127	-173	-224	-279	-339	-1,321	
A sustainable Higher Education Loan Programme — repayment thresholds and indexation	-	-	-	-	1	1	2	3	5	8	11	14	18	62	
Expanding opportunity — expansion of the demand driven system and sharing the cost fairly	-	-	5	23	48	77	100	166	241	327	423	528	644	2,506	
<i>Component: Reduction in Commonwealth Grant Scheme subsidies</i>	-	-	6	27	59	92	128	220	329	456	598	754	926	3,504	
<i>Component: Non-university higher education provider places</i>	-	-	-	2	3	5	7	12	17	23	29	36	43	170	
<i>Component: Additional sub-bachelor places</i>	-	-	-1	-6	-14	-21	-35	-66	-105	-151	-203	-261	-326	-1,168	

Source: Commonwealth budget papers and Parliamentary Budget Office analysis

1 Estimates in the above table provide the underlying cash balance impact of unlegislated measures carried forward in current budget estimates contained in the 2016–17 Budget and have been prepared with the latest information available to the PBO using a range of models. In arriving at the estimates, a number of assumptions have been made about revised implementation timing, the impact of the partial legislation or reversal of measures, changes in policies and parameters in the 2016–17 Budget and differences between underlying cash and fiscal balance impacts. A positive number indicates an increase in revenue or a decrease in expenses. A negative number indicates a decrease in revenue or an increase in expenses. ‘-’ indicates nil whereas ‘.’ indicates not zero but rounded to zero.

2 Totals may not add due to rounding.

3 The following public debt interest (PDI) impacts reflect changes in the financing task associated with loans issued through the Higher Education Loan Programme (HELP). A negative number indicates an increase in PDI. A positive number indicates a decrease in PDI. Increases in PDI have a negative impact on the underlying cash balance. Decreases in PDI have a positive impact on the underlying cash balance.

Notes to tables

- a This measure was amended in the 2015–16 Budget to exclude certain payments including the Age and Disability Support Pensions and Carer payments and further in the 2015–16 Mid-Year Economic and Fiscal Outlook (MYEFO) to exclude Family Tax Benefit payments. This impact is reflected in the figures against this measure in the table above.
- b This measure was amended in the 2015–16 Budget. It is also impacted by interactions with Youth Employment Strategy measures in the 2016–17 Budget. The impacts of these changes are reflected in the figures against this measure in the table above.
- c The start date of this measure was deferred by one year from 2016 to 2017 through the 2015–16 MYEFO measure *Higher Education Reform – delay* and a further year from 2017 to 2018 through the 2016–17 Budget measure *Higher Education Reform – consultation*. The impact of these changes is reflected in the figures against this measure in the table above.
- d This measure includes public debt interest (PDI) associated with loans issued through the Higher Education Loan Programme (HELP) which is disaggregated in the memorandum items to this table. Consistent with *Charter of Budget Honesty Costing Guidelines*, PDI impacts are only presented in the memorandum items to this table where policies explicitly affect interest payments or involve transactions of financial assets such as loans and PDI represents a material proportion of the impact of a policy on the budget.
- e This measure was amended by the 2014–15 MYEFO measure *Higher Education Reforms – amendments* to continue indexing student HELP debts by Consumer Price Index rather than bond rate as proposed in the original measure. This impact of this change is reflected in the figures against this measure in the table above.
- f This measure was amended by the 2014–15 MYEFO measure *Higher Education Reforms – amendments*. This measure was further amended by the 2016–17 Budget measure *Higher Education Reforms – further consultation* to not proceed with the deregulation of university fees announced in this measure originally.
- g Residual of the 2014–15 MYEFO measure *Higher Education Reforms – amendments* after adjusting for amendments to the 2014–15 Budget measures, *A Sustainable Higher Education Loan Programme – repayment thresholds and indexation and Expanding Opportunity – expansion of the demand driven system and sharing the cost fairly*. The residual figures presented against this measure in the table above primarily represents the impact of pausing indexation of HELP debts for primary carers with children under five.
- h This measure has been partially implemented with the component to align the maximum redundancy pay entitlement under the Fair Entitlements Guarantee scheme with the maximum set by the National Employment Standards still subject to the passage of legislation. The impact of this unlegislated component is reflected in the figures presented against this measure in the table above.
- i This impact reflects the combined financial impact of the 2015-16 Budget measures *Families Package – child care – Workforce Participation Stream and Families Package – Child Care Safety Net* adjusted for changes to these measures in the 2015–16 MYEFO from the measure *Child Care System – changes* and the delay in implementation timing from the 2016-17 Budget measure *Jobs for Families Package – deferred implementation*. This measure is included on the list of unlegislated measures because it is linked to the 2015–16 MYEFO measure *Family Payment Reform – a new families package*.

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