

**Senate Finance and Public Administration Legislation Committee**  
**ANSWERS TO QUESTIONS ON NOTICE**  
**SUPPLEMENTARY BUDGET ESTIMATES 2012-2013**

**Finance and Deregulation Portfolio**

**Department/Agency: Department of Finance and Deregulation**

**Outcome/Program: 1/1.1**

**Topic: Costings for the Australian Greens and Independents**

**Senator: Ryan**

**Question reference number: F45**

**Type of question: Written**

**Date set by the committee for the return of answer: Friday, 30 November 2012**

**Number of pages: 16**

**Question:**

- a) Provide an update of how many costings the Department has undertaken for the Australian Greens, please include:
  - i. How are costings requests commissioned?
  - ii. What costings have been undertaken? Provide details and a copy of each costings.
  - iii. Have any costings request been unable to proceed? If yes, provided details included details of what the costings were and why it could not be costed.
  - iv. How long is spent undertaken costings for the Australian Greens? How many staff are involved and how many hours? Provide a breakdown for each employment classification.
  
- b) Provide a list of what costings the Department has undertaken for the Australian Greens in 2011-12, please include:
  - i. How are costings requests commissioned?
  - ii. What costings have been undertaken? Provide details and a copy of each costings.
  - iii. Have any costings request been unable to proceed? If yes, provided details included details of what the costings were and why it could not be costed.
  - iv. How long is spent undertaken costings for the Australian Greens? How many staff are involved and how many hours? Provide a breakdown for each employment classification.
  
- c) Provide an update of how many costings the Department has undertaken for the Independents, please include:
  - i. How are costings requests undertaken? Provide details.
  - ii. What costings have been undertaken? Provide details and a copy of each costings, including which Independent requested the costing.
  - iii. Have any costings request been unable to proceed? If yes, provided details included details of what the costings were and why it could not be costed and who requested the costing.

- iv. How long is spent undertaken costings for the Independents? How many staff are involved and how many hours? Provide a breakdown for each employment classification.
- d) Provide a list of what costings the Department has undertaken for the Independents in 2011-12, please include:
  - i. How are costings requests undertaken? Provide details.
  - ii. What costings have been undertaken? Provide details and a copy of each costings, including which Independent requested the costing.
  - iii. Have any costings request been unable to proceed? If yes, provided details included details of what the costings were and why it could not be costed and who requested the costing.
  - iv. How long is spent undertaken costings for the Independents? How many staff are involved and how many hours? Provide a breakdown for each employment classification.

**Answer:**

a)

- i. The Government's agreements with the Australian Greens (Greens) and relevant Independent Members of Parliament (Independents) include arrangements for them to submit policies to the Prime Minister for potential costing. When the Government agrees to cost an item, the costing is undertaken by the Department of Finance and Deregulation or the Department of the Treasury (for revenue costings) at the direction of the Government, either as part of the annual Budget process or as they are received. Finance uses its normal costings processes to undertake and complete such costings.
- ii. As at 15 November 2012, Finance has completed 48 costings related to requests submitted to the Government by the Greens. Of these, 39 were used to inform Cabinet deliberations and therefore cannot be made available. Six costings not used to inform Cabinet deliberations were provided as part of our response to Question on Notice F29 for the 2012-13 Budget Estimates hearings. A further four costings have been completed by Finance (copies are attached).
- iii. Yes. To date Finance has not completed two costings related to requests submitted to the Government by the Greens. One item was not costed on the advice of the responsible minister. The other item was not costed as the costing request to Finance was withdrawn by the responsible minister.
- iv. Costings are part of Finance's core activities and no records are kept on resources used or time spent on specific items.

b)

- i. See the response above to question (a)i.
- ii. Finance undertook 23 costings related to requests submitted to the Government by the Greens in 2011-12. Of these, 22 were used to inform Cabinet deliberations and therefore cannot be made available. One costing was not used to inform Cabinet deliberations and a copy of this was provided as part of our response to Question on Notice F29 for the 2012-13 Budget Estimates hearings.
- iii. All costings related to requests submitted to the Government by the Greens in 2011-12 were completed by Finance.

iv. See the response above to question (a)iv.

c)

i. See the response above to question (a)i.

ii. As at 15 November 2012, Finance has undertaken 22 costings related to requests submitted to the Government by the Independents. As all of these costings were used to inform Cabinet deliberations we are not able to provide copies.

iii. Yes. To date Finance has not completed four costings related to requests submitted to the Government by the Independents. All four were withdrawn from the costings process by the Government.

iv. See the response above to question (a)iv.

d)

i. See the response above to question (a)i.

ii. Finance undertook 17 costings related to requests submitted to the Government by the Independents in 2011-12. As all of these costings were used to inform Cabinet deliberations we are not able to provide copies.

iii. Finance did not complete four costings related to requests submitted to the Government by the Independents. These four items were withdrawn from the costings process by the Government.

iv. See the response above to question (a)iv.



**NEW POLICY PROPOSAL COSTING FOR AUSTRALIAN GREENS**

Name of policy costed:	An increase in all other similar Commonwealth allowance payments of \$50 a week, commencing 1 July 2013
Person making the request:	Senator Milne, Leader of the Australian Greens
Date received from Prime Minister's office:	9 October 2012
Summary of policy:	The proposal is to increase Commonwealth allowance payments (with the exception of Newstart Allowance (NSA) and Youth Allowance (YA)) by \$50 a week, commencing 1 July 2013.
Additional information requested (including date):	Not applicable
Additional information received (including date):	Not applicable

**FINANCIAL IMPLICATIONS (Outturn prices)(a)**

Impact on	2012-13	2013-14	2014-15	2015-16	2016-17
Underlying Cash Balance (\$m)	-1.2	-567.5	-559.2	-566.3	-586.1
Fiscal Balance (\$m)	-1.2	-567.1	-558.8	-565.4	-585.6

(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

Costing assumptions:

- For the purposes of this costing, the following allowances were assumed to meet the criteria of being Commonwealth allowance payments "similar" to NSA and YA, in that these payments are aimed at individuals in similar circumstances:
  - ABSTUDY;
  - Austudy;
  - Disability Support Pension (DSP) under 21 years of age;
  - Military Rehabilitation and Compensation Act Education and Training Scheme (MRCAETS);
  - Parenting Payment Partnered;
  - Partner Allowance;
  - Sickness Allowance;
  - Special Benefit;
  - Veterans' Children Education Scheme (VCES); and
  - Widow Allowance.
- The costing assumes that all recipients of the respective payments would receive the full \$50 per week increase, irrespective of their current allowance rate (i.e. an individual who receives \$200 per week and an individual who receives \$20 per week would be entitled to receive the full \$50 per week increase). An alternative policy that increased maximum rates by \$50 per week with proportional increases for individuals on part-payment would reduce the estimated costs.

- The costing assumes no change to indexation arrangements. The \$50 per week increase in 2013-14 is assumed to be indexed in the subsequent financial years by the forecast percentage change in the Consumer Price Index (CPI), consistent with the existing indexation arrangements for the respective payments.
- The costing assumes that current income taper rates would continue to apply and that recipients would lose a percentage of their benefit as their personal income increases beyond income free areas. However, due to the higher level of benefit provided, the income test cut-off point where part payment cuts out would also increase. As a result, individuals who currently earn income in excess of the existing income test cut-off point but below the proposed income test cut-off point would become eligible for the respective payments. These individuals have been classified as new recipients for the purpose of this costing.
- The costing includes no departmental costs for the agencies who administer the payments listed on the opening page.

#### **Existing recipients:**

- The estimated number of recipients in 2013-14 to 2015-16 has been calculated by using the actual average number of recipients in 2011-12 (sourced from Centrelink data), and applying the growth rates that were agreed during the 2012-13 Budget estimates update in May 2012. For 2016-17, the estimated recipient numbers were derived from projected working age population growth rates in the 2010 Intergenerational Report.

- The estimated number of affected existing recipients are:

	2013-14	2014-15	2015-16	2016-17
ABSTUDY	12,563	12,763	12,763	12,763
Austudy	41,170	41,641	41,972	42,176
DSP under 21	27,399	27,647	27,898	28,151
MRCSETS and VCES	1,245	1,117	989	861
Parenting Payment Partnered	90,914	88,725	87,601	88,494
Partner Allowance	5,153	459	-	-
Sickness Allowance	6,875	6,706	6,994	7,065
Special Benefit	6,426	6,690	6,959	7,239
Widow Allowance	25,243	22,627	20,477	20,686

#### **New recipients:**

- The estimated number of new recipients is based on the estimated number of individuals whose personal income exceeds the current income test cut-off point for the relevant payment but below the proposed income test cut-off point in the event of a \$50 per week increase and who are willing to receive income support (evidence suggests a portion of individuals who are eligible to receive income forgo it). The final figure derived for the new recipients is based on Centrelink data on the average number of current recipients who receive less than \$50 per week of the relevant payment.

- The estimated number of new recipients are:

	2013-14	2014-15	2015-16	2016-17
ABSTUDY	999	1,015	1,015	1,015
Austudy	2,600	2,634	2,657	2,670
DSP under 21	184	185	187	189
Parenting Payment Partnered	14,513	14,165	13,981	14,123
Sickness Allowance	401	391	408	412

Special Benefit	274	285	297	309
Widow Allowance	559	501	453	458

- There would be no new recipients for Partner Allowance as the payment is closed to new entrants. There would also be no new recipients for MRCAETS and VCES as these payments are not means tested and hence it is assumed that no additional individuals would take-up payment.
- The new recipients are assumed to receive the average amount of the relevant payment currently paid to existing recipients who receive less than \$50 per week. This amount would be indexed in subsequent financial years by the forecast percentage change in the CPI.
- All new recipients would be eligible to receive the Clean Energy Supplement (CES) to meet the impacts of carbon pricing on living expenses. The CES would be automatically applied to regular payments and would start in 2013-14. All new recipients would also be eligible to receive the new Income Support Supplement (announced in the 2012-13 Budget) in September and March each financial year, with the first payment to this cohort to occur on 20 September 2013. Both the CES and Income Support Supplement are already factored into the estimates for existing recipients.

**Service delivery costs:**

- The service delivery financial impact of this proposal (borne by the Department of Human Services) is estimated to be \$28.0 million over five years from 2012-13. These costs are included in the aggregate figure in the financial table on page 1. The profile of this expenditure in fiscal terms is:

2012-13(\$m)	2013-14(\$m)	2014-15(\$m)	2015-16(\$m)	2016-17(\$m)
-1.2	-6.6	-6.4	-6.4	-7.4

- These costs cover items relating directly to the additional workloads associated with the increase in the number of recipients.

**Family Tax Benefit (FTB) Part B:**

- It is estimated that there would be a slight reduction in FTB Part B paid, because allowance increases are considered to be income for the purpose of determining the amount of FTB Part B an individual may receive.

**Qualifications:**

The costing excludes all behavioural assumptions, including transfers from other allowances onto the relevant payments and the possibility of individuals moving from paid work to the relevant payments due to the more generous rate once the \$50 per week increase has been factored in.



**NEW POLICY PROPOSAL COSTING FOR AUSTRALIAN GREENS**

Name of policy costed:	An increase to Newstart Allowance (NSA) of \$50 a week, commencing 1 July 2013
Person making the request:	Senator Milne, Leader of the Australian Greens
Date received from Prime Minister's office:	9 October 2012
Summary of policy:	The proposal is to increase NSA by \$50 a week, commencing 1 July 2013, with no change to indexation arrangements.
Additional information requested (including date):	Not applicable
Additional information received (including date):	Not applicable

**FINANCIAL IMPLICATIONS (Outturn prices)(a)**

Impact on	2012-13	2013-14	2014-15	2015-16	2016-17
Underlying Cash Balance (\$m)	-1.4	-1,773.0	-1,626.5	-1,682.1	-1,735.3
Fiscal Balance (\$m)	-1.4	-1,771.3	-1,625.0	-1,678.8	-1,733.6

(b) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

**Costing assumptions:**

- The costing assumes that all NSA recipients receive the full \$50 per week increase, irrespective of their current allowance rate (i.e. an individual who receives \$200 per week and an individual who receives \$20 per week would be entitled to receive the full \$50 per week increase). An alternative policy that increased maximum rates by \$50 per week with proportional increases for individuals on part-payment would reduce the estimated costs.
- The costing assumes no change to indexation arrangements. The \$50 per week increase in 2013-14 is assumed to be indexed in the subsequent financial years by the forecast percentage change in the Consumer Price Index (CPI), consistent with the existing indexation arrangements for NSA.
- The costing assumes that current income taper rates would continue to apply and that recipients would lose a percentage of their benefit for every \$1 of income they earn beyond \$62 per fortnight. However, due to the higher level of benefit provided, the income test cut-off point where payment cuts out would also increase. As a result, individuals who currently earn income in excess of the existing income test cut-off point but below the proposed new income test cut-off point would become eligible for NSA. These individuals have been classified as new recipients for the purpose of this costing.
- The costing includes no departmental costs for the Department of Education, Employment and Workplace Relations.

**Existing recipients:**

- The number of estimated NSA recipients from 2013-14 to 2015-16 has been calculated by using the actual average number of recipients in 2011-12 (sourced from Centrelink data) and applying the growth rates that were agreed during the 2012-13 Budget estimates update in May 2012. For 2016-17, the estimated recipient numbers were derived from projected working age population growth rates in the 2010 Intergenerational Report.

- The estimated number of affected existing NSA recipients are:

2013-14	2014-15	2015-16	2016-17
624,872	565,734	574,488	580,347

**New recipients:**

- The estimated number of new recipients is based on the estimated number of individuals whose personal income exceeds the current income test cut-off point but is below the proposed income test cut-off point in the event of a \$50 per week increase and who are willing to receive income support (evidence suggests a portion of individuals who are eligible to receive income support forgo it). The final figure derived for the new recipients is based on Centrelink data on the average number of current NSA recipients who receive less than \$50 per week in income support.

- The estimated number of new NSA recipients are:

2013-14	2014-15	2015-16	2016-17
44,617	40,690	41,179	41,599

- The new recipients are assumed to receive the average amount of NSA currently paid to existing recipients who receive less than \$50 per week. This amount is projected to be \$27.97 per week in 2013-14. This amount would be indexed in subsequent financial years by the forecast percentage change in the CPI.
- In addition to the direct costs associated with new recipients now receiving some amount of NSA, the costing also makes some allowance for the costs of the employment services these new recipients would be entitled to. It is assumed that the new recipients who would receive employment services are those that have activity test requirements not met through other means. For this costing, the population in June 2012 of NSA recipients with income support of less than \$50 per week who received assistance through Job Services Australia (JSA) and Disability Employment Services (DES) was applied to estimate the financial impact from new recipients. Caseload data from Centrelink on the number of remote job seekers who require either JSA or DES was used to determine the share that would receive support through the Remote Jobs and Communities Program.
- All new recipients would be eligible to receive the Clean Energy Supplement (CES) to meet the impacts of carbon pricing on living expenses. The CES would be automatically applied to regular NSA payments and would start in 2013-14. All new recipients would also be eligible to receive the new Income Support Supplement (announced in the 2012-13 Budget) in September and March each financial year, with the first payment to this cohort to occur on 20 September 2013. Both the CES and Income Support Supplement are already factored into the estimates for existing recipients.

**Service delivery costs:**



- The service delivery financial impact of this proposal (borne by the Department of Human Services) is estimated to be \$50.9 million over five years from 2012-13. These costs are included in the aggregate figure in the financial table on page 1. The profile of this expenditure in fiscal terms is:

2012-13(\$m)	2013-14(\$m)	2014-15(\$m)	2015-16(\$m)	2016-17(\$m)
-1.4	-12.2	-12.3	-12.5	-12.6

- These costs cover items relating directly to the additional workloads associated with the increase in the number of recipients.

**Family Tax Benefit (FTB) Part B:**

- It is estimated that there would be a slight reduction in FTB Part B paid, because allowance increases are considered to be income for the purpose of determining the amount of FTB Part B an individual may receive.

**Qualifications:**

The costing excludes all behavioural assumptions, including transfers from other allowances onto NSA and the possibility of individuals moving from paid work to NSA due to the more generous rate once the \$50 per week increase has been factored in.



### NEW POLICY PROPOSAL COSTING FOR AUSTRALIAN GREENS

Name of policy costed:	An increase to Youth Allowance (YA) of \$50 a week, commencing 1 July 2013
Person making the request:	Senator Milne, Leader of the Australian Greens
Date received from Prime Minister's office:	9 October 2012
Summary of policy:	The proposal is to increase the rate of Youth Allowance by \$50 a week, commencing from 1 July 2013.
Additional information requested (including date):	Not applicable
Additional information received (including date):	Not applicable

### FINANCIAL IMPLICATIONS (Outturn prices)(a)

Impact on	2012-13	2013-14	2014-15	2015-16	2016-17
Underlying Cash Balance (\$m)	-1.2	-1,075.5	-1,002.8	-960.5	-959.9
Fiscal Balance (\$m)	-1.2	-1,074.5	-1,001.9	-958.6	-959.0

(c) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

#### Costing assumptions:

- The costing covers both Youth Allowance (Student) (YAS) and Youth Allowance (Other) (YAO).
- The costing assumes that all YA recipients receive the full \$50 per week increase, irrespective of their current allowance rate (i.e. an individual who receives \$200 per week and an individual who receives \$20 per week would be entitled to receive the full \$50 per week increase). An alternative policy that increased maximum rates by \$50 per week with proportional increases for individuals on part-payment would reduce the estimated costs.
- The costing assumes no change to indexation arrangements. The \$50 per week increase in 2013-14 is assumed to be indexed in the subsequent financial years by the forecast percentage change in the Consumer Price Index (CPI), consistent with the existing indexation arrangements for YA.
- The costing assumes that current income taper rates would continue to apply and that recipients would lose a percentage of their benefit for every \$1 of income they earn beyond \$400 per fortnight (for YAS recipients) and \$143 per fortnight (for YAO recipients). However, due to the higher level of benefit provided, the income test cut-off point where part payment cuts out would also increase. As a result, individuals who currently earn income in excess of the existing income test cut-off point but below the proposed new income test cut-off point would become eligible for YA. These individuals have been classified as new recipients for the purpose of this costing.
- The costing includes no departmental costs for the Department of Education,

Employment and Workplace Relations or the Department of Industry, Innovation, Science, Research and Tertiary Education.

## YAS

### Existing recipients:

- The estimated number of affected existing YAS recipients (based on projections in agreed income support models) are:

2013-14	2014-15	2015-16	2016-17
274,342	250,384	225,292	216,732

- The estimated decline in student numbers is partly attributable to the 2011-12 Budget measure *Building Australia's Future Workforce – supporting families with teenagers*, which increased the level of support provided by Family Tax Benefit Part A for dependent 16 to 19 year olds, as a substitute for YAS.

### New recipients:

- The estimated number of new YAS recipients is based on the estimated number of individuals whose personal income exceeds the current income test cut-off point but below the proposed income test cut-off point in the event of a \$50 per week increase and who are willing to receive income support (evidence suggests a portion of individuals who are eligible to receive income support forgo it). The final figure derived for the new recipients is based on Centrelink data on the average number of current recipients who receive less than \$50 per week in YAS.

- The estimated number of new YAS recipients are:

2013-14	2014-15	2015-16	2016-17
21,352	20,667	19,877	19,633

- The new recipients are assumed to receive the average amount of YAS currently paid to existing recipients who receive less than \$50 per week. This amount is projected to be \$22.04 per week in 2013-14. This amount would be indexed in subsequent financial years by the forecast percentage change in the CPI.
- It is assumed that 25 per cent of higher education YAS recipients would receive a Relocation Scholarship to assist with living away from home. This proportion is consistent with the current proportion for YAS recipients. The average rate of the Relocation Scholarship is based on a weighted average of the regional and metropolitan rates and the proportions of recipients living in those areas. In 2013-14, this rate is estimated to be \$2,403, indexed in subsequent financial years by the forecast percentage change in the CPI.
- All new recipients are assumed to receive a Student Start-up Scholarship to assist with up-front costs of courses such as purchasing textbooks. In 2012, the Scholarship was \$1,025 and paid for each six months of eligible study (a total of \$2,050 in 2012). It is assumed that 24 per cent of recipients will receive one scholarship payment each financial year with the remaining 76 per cent to receive two payments. In 2013-14, the weighted average rate is estimated to be \$1,854, indexed in subsequent financial years by the forecast percentage change in the CPI.
- All new recipients would be eligible to receive the Clean Energy Supplement (CES) to meet the impacts of carbon pricing on living expenses. The CES would be automatically applied to regular YAS payments and would start in 2013-14. All new recipients would also be eligible to receive the New Income Support Supplement (announced in the 2012-13 Budget) in September and March each financial year,

with the first payment to this cohort to occur on 20 September 2013. Both the CES and Income Support Supplement are already factored into the estimates for existing recipients.

## YAO

### **Existing recipients:**

- The estimated number of YAO recipients in 2013-14 to 2015-16 has been calculated by using the actual average number of recipients in 2011-12 (sourced from Centrelink data), and applying the growth rates that were agreed during the 2012-13 Budget estimates update in May 2012. For 2016-17, the estimated recipient numbers were derived from projected working age population growth rates in the 2010 Intergenerational Report.

- The estimated number of affected existing YAO recipients are:

2013-14	2014-15	2015-16	2016-17
116,365	106,138	107,409	108,505

### **New recipients:**

- The estimated number of new recipients is based on the estimated number of new recipients whose personal income sits between the current income test cut-off point and the proposed income test cut-off point with the proposed \$50 per week increase and who are willing to receive income support (evidence suggests a portion of individuals who are eligible to receive income support forgo it). The final figure derived for the new recipients is based on data from Centrelink and is the average number of current recipients who earn less than \$50 per week in YAO.

- The estimated number of new YAO recipients are:

2013-14	2014-15	2015-16	2016-17
7,076	6,475	6,572	6,639

- The new recipients are assumed to receive the average amount of YAO currently paid to existing recipients who receive less than \$50 per week. This amount is projected to be \$29.61 per week in 2013-14. This amount would be indexed in subsequent financial years by the forecast percentage change in CPI.
- In addition to the direct costs associated with new recipients now receiving some amount of YA, the costing also makes some allowance for the costs of the employment services these new recipients would be entitled to. It is assumed that the new recipients who would receive employment services are those that have activity test requirements not met through other means. For this costing, the population in June 2012 of YAO recipients with income support of less than \$50 per week who received assistance through Job Services Australia (JSA) and Disability Employment Services (DES) was used to estimate the financial impact from new recipients. Caseload data from Centrelink on the number of remote job seekers who require either JSA or DES was used to determine the share that would receive support through the Remote Jobs and Communities Program.
- All new recipients would be eligible to receive the Clean Energy Supplement (CES) to meet the impacts of carbon pricing on living expenses. The CES would be automatically applied to regular YAO payments and would start in 2013-14. All new recipients would also be eligible to receive the new Income Support Supplement (announced in the 2012-13 Budget) in September and March each financial year, with the first payment to this cohort to occur on 20 September 2013. Both the CES and Income Support Supplement are already factored into the estimates for existing

recipients.

**Service delivery costs:**

- The service delivery financial impact of this proposal (borne by the Department of Human Services) is estimated to be \$31.7 million over five years from 2012-13. These costs are included in the aggregate figure in the financial table on page 1. The profile of this expenditure in fiscal terms is:

2012-13(\$m)	2013-14(\$m)	2014-15(\$m)	2015-16(\$m)	2016-17(\$m)
-1.2	-7.9	-7.6	-7.5	-7.5

- These costs cover items relating directly to the additional workloads associated with the increase in the number of recipients.

**Family Tax Benefit (FTB) Part B:**

- It is estimated that there would be a slight reduction in FTB Part B paid, because allowance increases are considered to be income for the purpose of determining the amount of FTB Part B an individual may receive.

**Qualifications:**

The costing excludes all behavioural assumptions, including transfers from other allowances onto YA and the possibility of individuals moving from paid work to YA due to the more generous rate once the \$50 per week increase has been factored in.



### NEW POLICY PROPOSAL COSTING FOR AUSTRALIAN GREENS

Name of policy costed:	HELP debt waiver for early childhood education teachers
Person making the request:	Senator Milne, Leader of the Australian Greens
Date received from Prime Minister's office:	19 November 2012
Summary of policy:	The proposal is to provide HELP debt waivers to early childhood education (ECE) graduates who work at least 30 hours per week in long day care (LDC), commencing from 1 July 2013. All eligible ECE graduates would receive a waiver equivalent to one year's HELP debt for each year worked in their first three years of work in LDC. Eligible ECE graduates working in specified priority areas would receive a waiver equivalent to two year's HELP debt for each year worked in their first three years of work in LDC.
Additional information requested (including date):	Not applicable
Additional information received (including date):	Not applicable

### FINANCIAL IMPLICATIONS (Outturn prices)(a)

Impact on	2012-13	2013-14	2014-15	2015-16	2016-17
Underlying Cash Balance (\$m)	0.0	0.0	0.0	..	..
Fiscal Balance (\$m)	0.0	-2.5	-2.9	-0.9	-3.5

(d) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in revenue or a decrease in expenses or net capital investment in cash terms.

#### Costing assumptions:

- The costing assumes that the specified priority areas (remote, regional and high socio-economic disadvantage areas) are the same postcode areas covered by the existing HECS-HELP Benefit for ECE teachers.
- The costing assumes that ECE teachers not eligible for a waiver under this proposal (for example, teachers working less than 30 hours per week, existing teachers who have been working for longer than 3 years as at the commencement date) would still be eligible for HELP debt reductions under the existing HECS-HELP Benefit for ECE teachers.
- The costing assumes there is no change to the projected number of ECE graduates over the forward estimates period as these graduates are currently enrolled in university courses.
- The costing assumes that the value of a one year debt waiver in a given financial year is the equivalent to the Band 1 student contribution rate in the calendar year that ends in that financial year (\$5,868 in 2013 indexed for subsequent years). That is, the one year waiver rate for 2013-14 is the 2013 Band 1 student contribution rate. The waiver available to graduates working in priority areas is twice the one year

waiver rate.

- The costing assumes that ECE teachers who work 30 hours or more per week would receive the full value of the waiver and the ECE teachers who work less than 30 hours per week would receive no waiver under this proposal.
- The costing assumes that existing eligible graduates working in LDC on 1 July 2013 would receive the applicable waiver for their first three years of work. That is, graduates in their first year of work on 1 July 2013 would receive up to three years of waivers; graduates in the second year of work would receive up to two years of waivers; graduates in their third year of work would receive a one waiver; and graduates who have worked more than three years would not receive a waiver.
- The costing assumes that the only people in their first three years of work in LDC at 1 July 2013 are those people who graduated from an ECE course in the preceding three years.
- The costing assumes that ECE courses are four years (Productivity Commission Research Report (2011), *Early Childhood Development Workforce*, indicated ECE degrees are commonly 4 years long) . Finance notes the specification in the costing request that existing students would only receive waivers relating to HELP debts incurred in their remaining years of study. The costing therefore assumes that students in their second year of study at 1 July 2013 would receive up to three years of waivers; students in their third year of study at 1 July 2013 would receive up to two years of waivers; and students in their fourth year of study at 1 July 2013 would receive only one year of waiver.
- The costing assumes that all students commencing their course in or after 2013 would become eligible to receive up to three years of waivers if they work in LDC.
- The costing assumes that graduates working in priority areas would have their debts fully waived after two years of work.
- The costing assumes that the percentage of ECE graduates working in specified priority areas would increase by 1 percentage point per year above current projections for the first five years after 1 July 2013, from 40% to 45%.
- The costing assumes that 60.3 per cent of LDC workers work at least 30 hours per week. The costing assumes that the take-up of waivers by eligible workers will be 66.7 per cent in 2013-14, 80.0 per cent in 2014-15 and 93.3 per cent in 2015-16 and thereafter, consistent with the approach taken in costing the HECS-HELP benefit for ECE teachers.
- The costing assumes that 83 per cent of ECE graduates have a HELP debt, as per the latest average for the whole student population. The costing assumes that 45 per cent of ECE graduates are employed in the ECE workforce, with 35.8 per cent of these workers being employed in a LDC facility.
- The costing is based on the existing HELP model and therefore assumes that all parameters and projections relating to HELP debts for all debtors apply equally to the beneficiaries of this proposal.
- The costing assumes no departmental costs for the Department of Industry, Innovation, Science, Research and Tertiary Education; the Department of Education, Employment and Workplace Relations; or the Australian Taxation Office.

Comments:

- Based on modelling using the assumptions specified above, the policy is expected to result in an estimated 413 recipients in 2013-14, including 160 recipients in remote and disadvantaged areas.
- Students undertaking four-year degrees (expected to be the majority of students) and not working in priority areas will only have up to 75% of their debt waived.
- The provision or a waiver of HECS-HELP loans does not have an impact on the underlying cash balance. However, secondary effects do cause a minor negative effect on the underlying cash balance. This minor effect is due to a decrease in indexation revenue, which is charged on student debt. As indexation revenue is calculated on the entire balance of outstanding debt, the small decrease in overall debt leads to a small decrease in revenue.
- The profile of the fiscal balance mainly reflects the value of the waived debt. There is an initial peak in 2014-15 due to all recent graduates in their first three years of work receiving the waiver, as well as graduates that finished their studies in 2013-14. This is followed by a decline in eligible recipients in 2015-16, as some graduates have had their entire debt waived (those in priority areas) and others are ineligible for further assistance due to being in their final years of study when the scheme was announced. The number of eligible students then rises in 2016-17 and flattens as all new graduates become eligible for the scheme.