



Policy costing

Support growth in the creative economy and value the contributions of artists to Australian society

Party:

Australian Greens

Summary of proposal:

This proposal has three components that would increase support for the creative industry.

Component 1: Invest in Australian creativity through the following five elements.

- Element 1: Provide annual ongoing funding of \$10 million for a National Creativity Commission.
- Element 2: Reform broadcast content quotas to exclude New Zealand media from counting as Australian content, and require subscription television to broadcast commissioned local drama within 12 months of its completion.
- Element 3: Restore funding to the Australia Council equal to the rate it was projected to reach in 2016-17 (as presented in the 2013-14 Budget forward estimates period) plus three per cent. Index the funding to the wage price index (WPI) for future years.
- Element 4: Establish a Content Creators' Fund and provide it with \$50 million in grant funding per year for 10 years, of which \$2 million would be set aside for First Nations content creation. Grant funding would be capped at \$10 million per grant recipient, per year. The Content Creators' Fund would be administered by the Australian Communications and Media Authority (ACMA).
- Element 5: (a) Extend community broadcasting funding from an annual basis to a five-year funding envelope by extending funding at current levels for five years; and (b) Provide annual ongoing funding of \$1.4 million, indexed to inflation, for the digital transmission of community radio.

Component 2: Establish an artists-in-classrooms funding program to deliver grants of \$10,000 to place individual creative professionals in a school for 20 days in a school year, and grants of \$30,000 to place organisations in classrooms for 20 days in a school year. The artists-in-classrooms program would be managed within the Department of Communications and the Arts and would be capped at \$150 million over four years, inclusive of departmental costs.

Component 3: Establish a Living Arts Fund that would supplement the fortnightly income of eligible artists. Artists that opt into the Living Arts Fund would agree to place a proportion of any licensed copyright earnings that are generated from their art into a Living Arts Trust. The Trust's income would supplement the Living Arts Fund. To be eligible, artists would be required to submit an application to a Living Arts Board each year. A more detailed description of this component is at [Attachment A](#).

All components of this proposal would have effect from 1 July 2019.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$1,479.3 million over the 2019-20 Budget forward estimates period. This impact reflects an increase in administered expenses of \$1,596.2 million and an increase in departmental expenses of \$102.5 million, partially offset by an increase in revenue of \$219.4 million over this period.

A breakdown of the financial implications of this proposal over the 2019-20 Budget forward estimates period is included at Attachment B. The proposal would be expected to have an ongoing impact that extends beyond the 2019-20 Budget forward estimates period.

The financial implications for Components 1 and 2 are largely based on specified capped amounts and are not likely to deviate significantly from these estimates in practice.

The financial implications for Component 3 are highly sensitive to assumptions underpinning the modelling, which include the:

- types of copyright earnings that would be included under the proposal
- level of participation in the proposal
- level of income earned in these industries over time relative to median wages
- proportion of an individual’s total income that is derived from copyright artistic works.

Table 1: Financial implications (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Fiscal balance	-378.8	-360.7	-370.2	-369.6	-1,479.3
Underlying cash balance	-378.8	-360.7	-370.2	-369.6	-1,479.3

(a) A positive number represents an increase in the relevant budget balance; a negative number represents a decrease.

(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has made the following assumptions in costing Component 3 of this proposal.

- All eligible artists who would benefit from the income supplement would opt in to the proposed Living Arts Fund and agree to place 15 per cent of their earnings in the Living Arts Trust.
 - Based on an analysis of historical personal income tax data, artistic income represents around 75 per cent of eligible artists’ total income. Around 35 per cent of eligible artists are estimated to opt in to the Living Arts Fund.

Methodology

The financial implications for Components 1 and 2 of the costing are largely based on specified capped amounts.

- Component 1, Element 2 (reforming broadcast content quotas to exclude New Zealand media from counting as Australian content) is not expected to have a financial impact. New Zealand media currently only contributes a very small number of hours toward the quotas each year and broadcasters are expected to remain above the Australian content quotas if New Zealand media is removed.

- Component 1, Element 5(a) (extend community broadcasting funding envelope for five years) is not expected to have a financial impact as it is expected that the existing annual funding envelope would be ongoing.

The financial implications for Component 3 were calculated based on an analysis of unit record personal income tax data for individuals who reported being employed in the specified occupation types. Each individual's income from all sources was compared to 60 per cent of the median wage for the Australian population to determine whether they would be financially better off by opting in to the Living Arts Fund. The modelling assumes all individuals who would be better off would opt in to the Living Arts Fund and be approved by the Living Arts Board. The model calculates the amount of the supplement and the amount of the individual's income that would be put in trust under the proposal. The amount that accumulates in the Living Arts Trust is assumed to earn income that is used to offset the cost of the Living Arts Fund supplement expense amount.

The financial implications for all components of the costing were added to produce the overall costing estimates.

Where required, departmental expenses were included based on the costs associated with administering other similar programs.

All estimates have been rounded to the nearest \$100,000.

Data sources

The Department of Finance provided indexation parameters as at the 2019 Pre-election Economic and Fiscal Outlook.

The Department of Communications and the Arts provided information on the Community Broadcasting Program.

100 per cent file of de-identified personal income tax and superannuation returns from the 2015-16 tax year.

Commonwealth of Australia, 2018. *Portfolio Budget Statements 2018-19 Communications and the Arts Portfolio*, Canberra: Commonwealth of Australia.

Attachment A – Support growth in the creative economy and value the contributions of artists to Australian society – Summary of proposal – Component 3

Living Arts Board

The Living Arts Board would accept applications from artists and circulate these among peer assessors (who would be drawn from a register of peer assessors from each state and territory). The Board would assess applications against a set of criteria to ensure that participating artists remain active within the area in which their application was originally made, and that they produce sufficient quality work for a period of no less than 12 months, with the latest piece of work being no later than three months old.

Artists who have not produced any work in the previous 12 months would be required to demonstrate substantial progress towards a major work, and be required to submit an expected timeline for the work's completion.

Living Arts Fund

The Living Arts Fund would supplement the fortnightly income of approved artists in order to bring their total fortnightly income from all sources up to the 60 per cent of the national median wage. The amount of the supplement would be limited to 60 per cent of the national median wage. The supplement would be taxable income.

For example, if an artist's private income is \$200 and the national median wage is \$600, the maximum supplement amount would be \$360 (60 per cent of \$600). This artist's supplement would be \$160 so that their total income before tax would be \$360.

Artists who have their income supplemented by the Fund would agree to place 15 per cent of any licensed copyright earnings that are generated from their art into a Living Arts Trust.

- Copyright earnings from both works of art (artistic, literary, dramatic or musical) and material other than works of art (films, sound recordings, broadcasts and published editions) would be applicable. The following categories would be included under the proposal.

Industry code	Industry classification title
2111	Actors, Dancers and Other Entertainers
2112	Music Professionals
2113	Photographers
2114	Visual Arts and Crafts Professionals
2121	Artistic Directors, and Media Producers and Presenters
2122	Authors, and Book and Script Editors
2123	Film, Television, Radio and Stage Directors

If providing copyright earnings to the Living Arts Trust would reduce an artists' income (including the supplement) below 60 per cent of the national median wage, their supplement would increase to offset this reduction.

Living Arts Trust

The Living Arts Trust would passively manage the minority share in participating artists' copyright material. It would not influence the commercialisation, distribution, reselling or licensing of any copyright materials. It would not have input into the daily concerns of the artist.

The Trust would have the right of first look if a work produced by a participating artist is put to market. Works purchased under this program would be held in a portfolio, managed by the Trust, in a manner designed to maximise the commercial return to the Trust.

The Trust would pay its income into the Living Arts Fund. This is considered government revenue. The Trust would operate as a public non-financial corporation, in that it trades cash for assets that are expected to deliver a commercial return.

Attachment B – Support growth in the creative economy and value the contributions of artists to Australian society – financial implications

Table B1: Support growth in the creative economy and value the contributions of artists to Australian society – Fiscal and underlying cash balances (\$m)^{(a)(b)}

	2019–20	2020–21	2021–22	2022–23	Total to 2022–23
Revenue					
<i>Component 3: Living Arts Fund – personal tax revenue</i>	50.0	50.0	50.0	50.0	200.0
<i>Component 3: Living Arts Trust – trust income paid into the Living Arts Fund</i>	1.8	3.8	5.8	7.9	19.4
Total – revenue	51.8	53.8	55.8	57.9	219.4
Expenses					
Administered					
<i>Component 1 Element 1: Establish a National Creativity Commission</i>	-	-	-	-	-
<i>Component 1 Element 2: Reform broadcast content quotas</i>	-	-	-	-	-
<i>Component 1 Element 3: Restore funding to the Australia Council</i>	-36.0	-37.1	-38.3	-39.6	-151.0
<i>Component 1 Element 4: Establish a Content Creators' Fund</i>	-50.0	-50.0	-50.0	-50.0	-200.0
<i>Component 1 Element 5(a): Extend community broadcasting funding envelope for five years</i>	-	-	-	-	-
<i>Component 1 Element 5(b): Fund digital transmission for community radio</i>	-1.4	-1.4	-1.5	-1.5	-5.8
<i>Component 2: Artists-in-classrooms program</i>	-29.6	-36.6	-36.6	-36.6	-139.4
<i>Component 3: Establish a Living Arts Board</i>	-	-	-	-	-
<i>Component 3: Establish a Living Arts Fund</i>	-270.0	-270.0	-280.0	-280.0	-1,100.0
<i>Component 3: Establish a Living Arts Trust</i>	-	-	-	-	-
Total – administered	-387.0	-395.1	-406.4	-407.7	-1,596.2
Departmental					
<i>Component 1 Element 1: Establish a National Creativity Commission</i>	-10.0	-10.0	-10.0	-10.0	-40.0
<i>Component 1 Element 2: Reform broadcast content quotas</i>	-	-	-	-	-
<i>Component 1 Element 3: Restore funding to the Australia Council</i>	-5.2	-5.3	-5.5	-5.7	-21.7
<i>Component 1 Element 4: Establish a Content Creators' Fund</i>	-10.5	-1.2	-1.2	-1.2	-14.2
<i>Component 1 Element 5(a): Extend community broadcasting funding envelope for five years</i>	-	-	-	-	-
<i>Component 1 Element 5(b): Fund digital transmission for community radio</i>	-	-	-	-	-
<i>Component 2: Artists-in-classrooms program</i>	-7.9	-0.9	-0.9	-0.9	-10.6
<i>Component 3 Establish a Living Arts Board</i>	-10.0	-2.0	-2.0	-2.0	-16.0
<i>Component 3: Establish a Living Arts Fund</i>	-	-	-	-	-
<i>Component 3: Establish a Living Arts Trust</i>	-	-	-	-	-
Total – departmental	-43.6	-19.4	-19.6	-19.8	-102.5
Total – expenses	-430.6	-414.5	-426.0	-427.5	-1,698.7
Total	-378.8	-360.7	-370.2	-369.6	-1,479.3

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

(b) Figures may not sum to totals due to rounding.

- Indicates nil.