Appendix F – Costing documention for Labor's election commitments

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**National Redress Scheme**
Summary of proposal:	The proposal would establish a National Redress Scheme (the Scheme) for victims of institutional child sexual abuse. Under the Scheme the cost of monetary payments, counselling services and administration of the Scheme would be shared across the Commonwealth Government, state governments and non-government bodies based on the distribution of responsibility of settings in which abuse took place. The Commonwealth Government would take responsibility for the abuse that occurred in government run institutions administered by the Australian Capital Territory and the Northern Territory. The Commonwealth Government would provide $10 million in 2016-17 and $10 million in 2017-18 to establish the Scheme, which would commence on 1 January 2018.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $37.7 million over the 2016-17 Budget forward estimates period. This reflects an increase in administered expenses of $17.0 million and in departmental expenses of $20.7 million. A breakdown of the financial impact of this proposal over the 2016-17 Budget forward estimates period is at Attachment A.

This proposal would be expected to have an ongoing impact beyond the 2016-17 Budget forward estimates period. From 2019-20 the annual cost of this proposal would decline by around $1.3 million each year on average until 2026-27 as monetary payments being made to redress liabilities under the Scheme decrease over time.

This costing is considered to be of medium reliability as there is uncertainty around the expected unit costs, government and private splits of liability, and the timing of liabilities and payments.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal balance	-10.0	-12.3	-6.8	-8.6	**-37.7**
Underlying cash balance	-10.0	-12.3	-6.8	-8.6	**-37.7**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding

Key assumptions

In costing this proposal, assumptions used to cost the Scheme in the *Redress and Civil Litigation Report* (2015) published by the Royal Commission into Institutional Responses to Child Sexual Abuse were adopted, specifically:

- expected unit costs
- Commonwealth Government, state government and non-government institution splits of liability
- timing of liabilities and payments.

These assumptions were informed by redress schemes in Ireland, Western Australia, Queensland and Tasmania.

It was further assumed that:

- state governments and non-government institutions agree to meet their liabilities under the Scheme
- all transactions, both expenditure and related revenue, occur in the same financial year, therefore making the fiscal and underlying cash balance impacts equal
- there would be no fraudulent claims under the Scheme.

Methodology

The net impact on the Commonwealth Government budget reflects the difference between the revenue from state governments and non-Government institutions and the expenses associated with distributing all monetary payments, funding all counselling services and meeting the administration costs of the Scheme.

Data sources

The Royal Commission into Institutional Responses to Child Sexual Abuse 2015, *National Redress Scheme Participant and Cost Estimates*.

The Royal Commission into Institutional Responses to Child Sexual Abuse 2015, *Redress and Civil Litigation Report*, Sydney, available at: http://www.childabuseroyalcommission.gov.au/about-us/our-reports.

Attachment A: National Redress Scheme—financial implications

Table A1: National Redress Scheme—Fiscal and underlying cash balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total
Impact on fiscal and underlying cash balances					
Administered					
Monetary payments	-	*-2.1*	*-5.9*	*-7.4*	***-15.4***
Counselling services	-	*-0.2*	*-0.6*	*-0.8*	***-1.6***
Total – administered	**-**	**-2.4**	**-6.5**	**-8.2**	**-17.0**
Departmental					
Scheme establishment	*-10.0*	*-10.0*	-	-	***-20.0***
Monetary payments	-	..	*-0.3*	*-0.3*	***-0.7***
Counselling services	-	..	..	..	***-0.1***
Total – departmental	***-10.0***	***-10.0***	***-0.4***	***-0.4***	***-20.7***
Total	**-10.0**	**-12.3**	**-6.8**	**-8.6**	**-37.7**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Australian Human Rights Commissioner – LGBTI Commissioner**
Summary of proposal:	The proposal would appoint a full-time, dedicated, Lesbian, Gay, Bi-sexual, Transgender and Intersex (LGBTI) Discrimination Commissioner to the Australian Human Rights Commission. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $2.7 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses. The proposal would have ongoing financial implications with the annual impact beyond the 2016-17 Budget forward estimates period being commensurate to the impact in 2019-20, growing in line with the net impact of indexation and the efficiency dividend.

The financial implications are considered to be of high reliability as it is based on the cost of other existing positions.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal balance	-	-0.9	-0.9	-0.9	**-2.7**
Underlying cash balance	-	-0.9	-0.9	-0.9	**-2.7**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

It has been assumed that the LGBTI Discrimination Commissioner would be provided with support staff.

Methodology

Departmental expenditure estimates are based on costs associated with existing disability commissioners (including support staff estimates). Estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Data sources

Department of Finance provided indexation and efficiency dividend parameters:

- Remuneration Tribunal 2015, *Determination 2015/10: Judicial and Related Offices – Remuneration and Allowances*, available at: http://remtribunal.gov.au/media/documents/2016/2015-determinations/2015-10-principal-determination-judicial-and-related-offices-remuneration-and-allowances/2015-10-Judicial-and-Related-Det-1-July-2015.pdf.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Abolish the Emissions Reduction Fund**
Summary of proposal:	The proposal would abolish the Emissions Reduction Fund (ERF) from 1 July 2016 while honouring all financial obligations from the carbon abatement contracts awarded in the announced ERF auctions.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update or the completion of the next ERF auction round

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by $316.1 million over the 2016-17 Budget forward estimates period. This is entirely due to a decrease in administered expenses. This proposal would not be expected to have any impact on departmental costs as no departmental funding was provided in the original 2014-15 Budget measure.[1]

The proposal would have financial implications beyond 2019-20 until all uncommitted amounts from the initial $2.55 billion ERF commitment are exhausted.[2]

The costing is considered to be of medium reliability. While official estimates of annual ERF funding have been provided to 2019-20, the profile of contractually committed payments has been estimated by the Parliamentary Budget Office (PBO) (as the Department of the Environment has advised that the timing of contractual commitments under the ERF is commercial in confidence).

1 The 2014-15 Budget measure, *Emissions Reduction Fund – establishment* stated that the cost of administering the ERF would be met from within existing resources of the Department of the Environment and the Clean Energy Regulator.

2 Page 54 of the Department of the Environment 2015-16 Portfolio Budget Statements states that the ERF "consists of an initial $2.55 billion" commitment. This is consistent with the figure stated in the Coalition's Direct Action Plan 2010.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	81.4	76.8	78.0	79.9	**316.1**
Underlying cash balance	81.4	76.8	78.0	79.9	**316.1**

(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

Uncommitted funds not utilised by the end of the relevant financial year are assumed to not be available to be carried forward. Uncommitted funds at the end of 2014-15 and 2015-16 are therefore assumed to be returned to the budget and not be available as a saving under the proposal.

Methodology

The ERF funding over 2014-15 to 2019-20 was provided by the Department of the Environment.

The Clean Energy Regulator has announced $1.7 billion in commitments following ERF auctions:

- On 23 April 2015 the commitment of $660.5 million from the first ERF auction.
- On 12 November 2015 the commitment of $557 million from the second ERF auction.
- On 5 May 2016 the commitment of $516.0 million from the third ERF auction.

As the profile of the committed $1.7 billion is not available due to commercial in confidence concerns, the PBO has apportioned the committed funds by using the ratio of the ERF funding estimate in each respective year to the total commitment of $2.55 billion.

The financial impact of abolishing the ERF was then derived by taking the difference between the ERF funding and contractually committed funds.

Data sources

Clean Energy Regulator 2015, 'Results from the first Emissions Reduction Fund auction', 23 April: http://www.cleanenergyregulator.gov.au/Emissions-Reduction-Fund/News-and-events/Pages/04-2015/Results-from-the-first-Emissions-Reduction-Fund-auction.aspx.

Clean Energy Regulator 2015, 'Average price of $12.25 secures over 45 million tonnes of abatement at second action, 12 November, available at: http://www.cleanenergyregulator.gov.au/About/Pages/News%20and%20updates/NewsItem.aspx?ListId=19b4efbb-6f5d-4637-94c4-121c1f96fcfe&ItemId=188.

Clean Energy Regulator 2016, 'Third auction secures high volume at low prices', 5 May: http://www.cleanenergyregulator.gov.au/About/Pages/News%20and%20updates/NewsItem.aspx?ListId=19b4efbb-6f5d-4637-94c4-121c1f96fcfe&ItemId=253.

The Coalition 2010, *The Coalition's Direct Action Plan 2010: Environment & Climate Change*, available at: http://www.greghunt.com.au/Portals/0/PDF/TheCoalitionsDirectActionPlanPolicy2010.pdf.

Commonwealth of Australia 2015, *2014-15 Budget measure, Emissions Reduction Fund - establishment*, Commonwealth of Australia, Canberra, p. 102.

The Department of the Environment provided the ERF program funding estimates over 2014-15 to 2019-20.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Abolition of National Wind Farm Commissioner and Independent Scientific Commission on Wind Farms**
Summary of proposal:	The proposal would abolish the National Wind Farm Commissioner (NWFC) and the Independent Scientific Commission on Wind Farms (ISCWF) from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal outlook report

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $1.5 million over the 2016-17 Budget forward estimates period. The impact represents a decrease in departmental expenditure of $0.3 million and in administered expenditure of $0.1 million from the abolition of the ISCWF as well as a decrease in departmental expenses of $1.2 million from the abolition of the NWFC.

The proposal to abolish the NWFC and the ISCWF from 1 January 2017 is not expected to have a financial impact beyond the 2016-17 Budget forward estimates period as the program is scheduled to conclude in 2018-19.

The costing is considered to be of high reliability as current program expenditure estimates were provided by the Department of the Environment.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal balance	0.4	0.9	0.3	-	1.5
Underlying cash balance	0.4	0.9	0.3	-	1.5

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

Expenditure estimates provided by the Department of the Environment for 2016-17 were reduced by half to reflect the abolition of the NWFC and ISCWF half way through the 2016-17 financial year; all expenditure estimates beyond this point were reduced to zero.

Data sources

The Department of the Environment provided expenditure estimates over the period 2016-17 to 2018-19.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Cease Jobactive advertising from 1 January 2017**
Summary of proposal:	The proposal would cease jobactive advertising with all existing commitments honoured. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal is expected to increase the fiscal and underlying cash balances by $13.8 million over the 2016-17 Budget forward estimates period. This impact is entirely due to a decrease in administered expenses. The proposal would not be expected to have a material impact on departmental expenses.

This costing is considered to be of high reliability as it is based on advice provided by the Department of Employment.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal balance	3.8	3.4	3.3	3.3	**13.8**
Underlying cash balance	3.8	3.4	3.3	3.3	**13.8**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

Funding allocations and expected commitments as at 1 January 2017 for jobactive advertising to 2018-19 were provided by the Department of Employment.

The Parliamentary Budget Office estimated funding allocations beyond 2018-19 based on the existing funding.

Data sources

The Department of Employment provided:

- Funding allocation and contractual commitments of advertising jobactive.
- Expected contractual commitments as at 1 January 2017.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Child Care Subsidy Communications Campaign – cessation**
Summary of proposal:	The proposal would abolish the Child Care Subsidy Communications Campaign. All contractual commitments would be honoured. This proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to increase both the fiscal and underlying cash balances by $16.2 million over the 2016-17 Budget forward estimates period. This is entirely due to a decrease in administered expenses resulting from ceasing the Child Care Subsidy Communications Campaign.

The proposal would not have any financial implications beyond the forward estimates period as funding for the communications campaign terminates on 30 June 2018.

The costing is considered to be of medium reliability. While expenditure estimates and contractual commitments to date were provided by the Department of Education and Training (DET), there is uncertainty around the extent to which future funding would be contractually committed and any applicable contract break costs at the proposed cessation date.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal balance	6.7	9.4	-	-	**16.2**
Underlying cash balance	6.7	9.4	-	-	**16.2**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

It was assumed that this proposal would be announced immediately following the election and that DET would be instructed to not enter into any further contractual commitments for the communications campaign.

Methodology

The financial implications of cessation of the program reflect funding estimates at the 2016-17 Budget less the estimated level of contractually committed and spent funds at the proposed cessation date.

Data sources

The Department of Education and Training provided administered and departmental funding estimates and contractual commitments as at 26 May 2016 for the Child Care Subsidy Communications Campaign.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Continuing the freeze on the Private Health Insurance Rebate and Medicare Levy Surcharge threshold indexation for 5 years**
Summary of proposal:	The proposal would extend the current pause on the indexation of the Medicare Levy Surcharge (MLS) and Private Health Insurance (PHI) thresholds. In the 2016-17 Budget, the current pause was extended to continue to apply for three years from 1 July 2018. The proposal would extend the pause for a further five years to 30 June 2026. The proposal would have effect from 1 July 2021.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would have no impact on the budget over the 2016-17 Budget forward estimates period as it commences on 1 July 2021.

The proposal would decrease expenditure on the PHI rebate, reflecting the combined effect of lower rebate rates for recipients affected by the proposal and an assumed decrease in PHI coverage arising from the resultant higher out of pocket cost of PHI. From 2022-23, there would also be an impact on revenue associated with the MLS. The proposal would not be expected to result in additional departmental expenditures as the implementation of the policy is expected to be within the scope of administering the MLS and PHI.

This costing is considered to be of medium reliability. The estimates would be sensitive to changes in health insurance premiums, the consumer price index, income distributions of individuals and couples with and without PHI cover, behavioural responses to changes in the effective costs and benefits of PHI, and the responses of individuals to policy changes since 2012-13 (the year of the data for the costing). In addition, the reliability of these estimates decreases the further into the future the estimates are projected.

A breakdown of the components for this proposal, including the financial implications to 2026-27, is included at Attachment A. The difference between the fiscal and underlying cash balances is due to the change in the component of the PHI rebate paid through the Australian Taxation Office (ATO) as individuals file their tax returns.

Key assumptions

In costing the proposal, the following assumptions have been made:

- As the proposal would increase the out of pocket cost of PHI there would be a decrease in PHI take-up as a result of the proposal, with higher income policy holders assumed to be less price responsive (and therefore more likely to maintain their PHI cover) than those on low incomes.
- Changes to the PHI rebate have no effect on the gross cost of PHI.
- There is no flow on effect to public hospital expenditure as a result of individuals ceasing their PHI policy.
- The majority of PHI rebate expenses administered by the Department of Health are delivered in the financial year in which they accrue, with a small proportion delivered in the following financial year. Additionally, there is an amount paid through the ATO as individuals file their tax returns.
- MLS revenue is collected over the two years after the liability is incurred, at the time individuals lodge their tax returns.

Methodology

Projected income distributions of individuals and families with and without PHI were generated based on de identified 2012-13 personal income tax data. Average PHI premiums were estimated using data from the Australian Prudential Regulation Authority and projected over the medium term.

The potential MLS liabilities and values of the PHI rebate were estimated under both current and proposed policy settings. PHI demand elasticities were then applied to the percentage changes in both the net PHI premium costs and MLS liabilities to estimate the behavioural response resulting from the policy change. The total PHI rebate expense and MLS revenue estimates under the proposal were then compared to the total under the base scenario to determine the cost of the proposal.

Timing effects have been included in this costing to account for the timing of tax collections and the payment of the PHI rebate.

Estimates for administered PHI rebate expenses and MLS revenue have been rounded to the nearest $10 million.

Data sources

The Australian Taxation Office provided de-identified personal income tax and superannuation contribution unit record data for 2012-13.

Australian Prudential Regulation Authority 2016, Statistics: Private Health Insurance Quarterly Statistics, March 2016, APRA, Sydney.

Cheng, T 2011, ‘Measuring the effects of removing subsidies for private insurance on public expenditure for Health care’, *Melbourne Institute Working Paper 16/11,* University of Melbourne, Melbourne.

Commonwealth of Australia 2016, *2016-17 Budget*, Commonwealth of Australia Canberra.

Commonwealth Treasury 2015, *2015 Tax Expenditure Statement*, The Treasury, Canberra.

Ellis, R & Savage, E 2008, ‘Run for cover now or later? The impact of premiums, threats and deadlines on private health insurance in Australia’ *International Journal of Health Care Finance and Economics*, vol 8. Pp. 257-277.

Robson, A, Ergas, H & Paolucci, F 2011, ‘The Analytics of the Australian Private Health Insurance Rebate and the Medicare Levy Surcharge’, *Agenda*, vol. 18, no. 2.

Attachment A: Continuing the freeze on the Private Health Insurance Rebate and Medicare Levy Surcharge threshold indexation for 5 years—financial implications

Table A1: Continuing the freeze on the Private Health Insurance Rebate and Medical Levy Surcharge threshold indexation of 5 years—Fiscal balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
PHI rebate expenses	-	-	-	-	-	-	70	180	270	400	530	560	2,010
MLS revenue	-	-	-	-	-	-	-	10	30	50	80	110	280
Total	-	-	-	-	-	-	70	190	300	450	610	670	2,290

(a) A positive number for the fiscal balance indicates an increase in revenue or decrease in expenses or net capital investment in accrual terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Table A2: Continuing the freeze on the Private Health Insurance Rebate and Medicare Levy Surcharge threshold indexation for 5 years—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
PHI rebate expenses	-	-	-	-	-	-	*70*	*170*	*260*	*390*	*520*	*560*	***1,970***
MLS revenue	-	-	-	-	-	-	-	*10*	*30*	*50*	*80*	*110*	***280***
Total	**-**	**-**	**-**	**-**	**-**	**-**	**70**	**180**	**290**	**440**	**600**	**670**	**2,250**

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

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Expanding the Mandate for the Parliamentary Budget Office**
Summary of proposal:	The proposal would expand the mandate of the Parliamentary Budget Office (PBO) to require it to: • prepare independent economic forecasts that would underpin the Department of the Treasury (Treasury) and the Department of Finance's (Finance's) estimates of revenue and expenditure published in the Government's economic and fiscal updates • undertake annual projections of the Government's structural budget balance • produce the five-yearly intergenerational report. The proposal would have the expanded capabilities in place for the preparation of the 2018-19 Budget.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $27.1 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses over this period.

The proposal would have ongoing financial impacts beyond the 2016-17 Budget forward estimates.

The proposal represents a substantial extension of the mandate of the PBO and would require a quantum increase in the size of the PBO, estimated to be 37 additional staff, with a concomitant expansion in the PBO's skills base, IT infrastructure and office accommodation.

The costing is based on the approach to economic forecasting used by the Australian Treasury. Details on the Australian Treasury and, by way of comparison, the United Kingdom Office for Budget Responsibility (OBR) macroeconomic forecasting processes are provided at <u>Attachment A</u>.

Given the expanded mandate and increase in the overall size of the PBO, the costing includes provision to strengthen the senior management structure of the PBO by adding a Deputy Parliamentary Budget Officer position. This position would take a key role in the day-to-day management of the new functions and would support the Parliamentary Budget Officer in the overall management of the expanded PBO. This high level of support would be particularly important when the demand for economic forecasts coincided with high levels of demand for costings. It would also provide a high level back up when the Parliamentary Budget Officer was absent from duty.

The costing also provides for the Parliamentary Budget Officer to appoint a three-person advisory panel of eminent macroeconomists from the private sector and academia. The panel would assess and provide guidance on the PBO's economic forecasts. The panel's role would be an advisory one with the Parliamentary Budget Officer having ultimate responsibility for the independent economic forecasts.

Provision has also been made in the costing for consultants to assist in the development of a macroeconomic forecasting model. This is seen as a critical investment in strengthening the economic forecasting function. The 2015 and 2012 reviews of the Treasury's economic forecasting recommended that such a model be developed and incorporated into Treasury's forecasting processes. The Reserve Bank of Australia (RBA), in response to a 2014 review of its macroeconomic forecasting function, is developing a macroeconomic model for use in its economic forecasting.

This costing is considered to be of high reliability as it is based on the level of Treasury resources currently involved in the additional functions that would be undertaken by the PBO, supported by information from the RBA.

Treasury currently has close to 40 staff working on the preparation of the macroeconomic forecasts and briefings for the Government on the outlook for the economy. It is estimated that the PBO would require 30 staff for the preparation of macroeconomic forecasts, the lower estimate reflecting the fact that the PBO would not have a briefing function.

The costing also includes five staff to develop and maintain models required for the preparation of the intergenerational report.

In addition, given the increase in staffing numbers and functions the costing includes an additional two staff covering expanded corporate support activities.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-4.8	-8.2	-7.0	-7.0	**-27.1**
Underlying cash balance	-4.8	-8.2	-7.0	-7.0	**-27.1**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The PBO has made the following assumptions regarding this request:

Timing assumptions

Economic forecasts would need to be prepared commencing early 2018 for use in the 2018 19 Budget preparations.

Economic forecasts would be prepared four times a year following the quarterly release of the National Accounts, as the basis for the annual Budget and the Mid-Year Economic and Fiscal Outlook reports, and to inform budget planning.

The PBO would be provided with the necessary additional funding in time to allow recruitment and development of the enhanced capability to commence by September 2016.

Interaction with existing resources

There may be some resource offsets available from Treasury, however capabilities would still be required in Treasury to provide advice to the Government on economic conditions and outlook.

All existing economic forecasting infrastructure (eg spreadsheets, sector-specific models, potential output estimation and projections methodology, commodity price projections methodology, etc) would be made available to the PBO.

The PBO would undertake annual projections of the structural budget balance from within existing resources.

The production of the intergenerational report would require an ongoing capacity within the PBO to develop methodologies and prepare demographic and other long-term projections, and to ensure that these were consistent with Government forward estimates and medium-term projections.

Additional surge capacity needed to produce the intergenerational report could be expected to be met by the PBO from within the additional resources provided for the other aspects of the expanded mandate.

Recruitment of staff

The costing assumes that appropriately skilled and experienced staff could be recruited to carry out the expanded mandate.

This would be challenging given the small pool of such staff, and would most likely require the secondment of staff from Treasury during a transition period.

Business liaison program

A business liaison program would be an integral part of the economic forecasting process. Based on the Treasury program, this would require around 120 face-to-face interviews per year involving quarterly meetings with companies across a range of critical sectors of the economy, and targeted contacts with specific sectors that are important to the forecast.

Liaison with other government agencies

The forecasting process would continue to be informed by meetings with government agencies. The OBR in the UK, which produces that government's economic and fiscal forecasts, identifies these engagements as an important input into the economic forecasting process.

Accommodation and infrastructure

The costing assumes that the PBO remains in Parliament House and includes provision for fit out of office accommodation and additional IT infrastructure necessary for the increased staff and enhanced responsibilities. If the PBO were unable to remain in Parliament House additional funding would be required to rent commercial premises.

Methodology

Estimates of the staff required to prepare independent economic forecasts are based on the detail of Treasury's approach to macroeconomic forecasting set out in the *Review of Treasury Macroeconomic and Revenue Forecasting* released in 2012, *Review of Treasury's Macroeconomic Forecasting Capabilities* released in 2015, and current Treasury resources responsible for producing the economic forecasts. The estimates include staff resources for:

- the analysis and forecasting of the components of real and nominal Gross Domestic Product (GDP) (Expenditure) - consumption, investment, government spending, export and imports
- the analysis and forecasting of components of nominal GDP (Income)
- assessment of the economic outlook of major trading partners and commodity prices
- coordination and management of the forecasting process
- business liaison
- development and maintenance of leading indicator models, single-sector forecasting models and a macroeconomic model.

Staffing and related infrastructure costs were estimated based on an appropriate profile to perform the additional functions, and using the Department of Finance's standard departmental costing calculator.

The estimated consultancy costs to develop a macroeconomic forecasting model are based on an estimate of four person years consistent with previous similar work.

The estimated costs of the advisory panel are based on the Remuneration Tribunal's determination for sitting fees for similar panels.

Data sources

Commonwealth Treasury 2012, *Review of Treasury Macroeconomic and Revenue Forecasting*, The Treasury, available at: http://www.treasury.gov.au/PublicationsAndMedia/Publications/2013/Forecasting-review.

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Attachment A: Approaches to Macroeconomic Forecasting

The Treasury approach to macroeconomic forecasting

Macroeconomic forecasting agencies typically employ a range of modelling tools combined with judgements informed through surveys and discussions with businesses, technical experts and other forecasters.

The current approach to macroeconomic forecasting employed by Treasury is based around single sector models of various sectors of the economy augmented by input and judgement from sector analysts. This input may be informed by leading indicators, business surveys and information gathered from Treasury's business liaison program. This is a disaggregated approach to forecasting with many analysts devoted to monitoring and forecasting at a detailed level the individual components of GDP such as household consumption, business investment, exports and imports.

The disaggregated detailed forecasts produced by the sector analysts are then combined by the National Accounts unit into a large Excel workbook known as the National Accounts Forecasting Framework (NAFF) which is used to produce real and nominal GDP forecasts on an expenditure and income basis. Judgement is applied to the forecasts at each stage of the process including by the sector analysts, the National Accounts unit and senior members of the Macroeconomic Conditions Division.

The macroeconomic forecasts are peer reviewed both within Treasury and externally through the Joint Economic Forecast Group (JEFG) process. The Treasury presents to the JEFG the latest macroeconomic forecasts for review and discussion. Membership of JEFG includes the Reserve Bank of Australia, the Department of Finance, the Department of the Prime Minister and Cabinet, and the Australian Bureau of Statistics.

This approach to macroeconomic forecasting incorporates a considerable volume of information generated through various single-sector models, partial indicators, surveys, business liaison and peer review. Typically Treasury undertakes four forecast rounds a year. It is therefore relatively resource intensive - there are currently close to 40 staff in the Macroeconomic Conditions Division, who are monitoring and forecasting individual sectors of the economy.

Comparison with international organisations

The Treasury approach differs from that used by a number of other macroeconomic forecasting organisations internationally in one key aspect. As identified in both the *Review of Treasury Macroeconomic and Revenue Forecasting, 2012* and the *Review of Treasury's Macroeconomic Forecasting Capabilities, 2015*, many international organisations employ a macroeconomic forecasting model as the key forecasting tool. (The 2015 review includes a useful summary of public sector forecasting processes.)

While no one model can capture all of the relevant features of an economy, using a macroeconomic model for forecasting does provide a means for assessing how the economy might respond to shocks, how different assumptions about key variables might impact the economy, and a framework to ensure the internal consistency of the economic forecasts.

The development of a macroeconomic forecasting model of the economy is complex, would require significant resources and may involve a number of years to both develop and integrate the model into the forecasting process. Once integrated there may be resource savings, for example, the need to develop and maintain single-sector models would not be necessary.

Economic forecasting in the United Kingdom's Office of Budget Responsibility (OBR)

The OBR was established in 2010 to provide independent and authoritative analysis of the UK's public finances. It's remit is to produce five-year forecasts for the economy and public finances at least twice a year; use its public finance forecasts to judge the government's performance against its fiscal targets; conduct an assessment of the accuracy of its forecasts and assess the long-term sustainability of the public finances. The government uses the OBR's economic and fiscal forecasts as the UK's official forecasts.

A team of around six people produce the OBR's economic forecasts using a macroeconomic model supplemented with other models and inputs. These forecasts and other analysis are prepared for the Budget Responsibility Committee of the OBR currently consisting of Robert Chote, Sir Stephen Nickel and Graham Parker, all of whom have many years of experience in macroeconomic and fiscal forecasting and research.

The macroeconomic model is jointly maintained and developed with HM Treasury involving around seven full-time equivalent Treasury staff. In the run up to each forecast round the OBR engages with a range of other forecasters, and experts at HM Treasury, the Bank of England, the Office of National Statistics and non-government organisations such as the National Institute for Economic and Social Research.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Extending existing freezes on family payments thresholds to 2019-20**
Summary of proposal:	The proposal would extend until 2019-20 the existing indexation freezes on: • the Family Tax Benefit Part A (FTB-A) higher income free area • the Family Tax Benefit Part B (FTB-B) primary earner income limit • the Paid Parental Leave (PPL) scheme income limit. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal is expected to increase both the fiscal and underlying cash balances by $162.0 million over the 2016-17 Budget forward estimates period. This impact reflects a decrease in expenses of $164.0 million and a decrease in revenue of $2.0 million over this period. A breakdown of the components of the proposal over the 2016-17 Budget forward estimates period is at Attachment A.

This proposal would be expected to have an ongoing impact that extends beyond the forward estimates period, with the ongoing annual impact being commensurate with the impact in 2019-20, growing in line with indexation and affected population groups.

The underlying cash and fiscal balance financial implications differ because a proportion of FTB payments are made after the end of the financial year in which they are accrued.

This costing is considered to be of low reliability. While the estimates are based on payment recipient unit record data, there are some data gaps regarding payment rates for particular payment recipient types. Estimates are also based on assumed changes in wage growth and demographic factors.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	26.0	42.0	95.0	**162.0**
Underlying cash balance	-	21.0	47.0	95.0	**162.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

FTB-A and FTB-B related financial implications over the period 2016-17 to 2019-20 were estimated using the Policy Evaluation Model (PoEM) of the Australian personal income tax and transfer system, a micro-simulation model that is based on Australian Government administrative data.

PPL scheme related financial implications were estimated using an administrative unit record dataset of all Parental Leave Pay and Dad and Partner Pay recipients in 2014-15.

Departmental savings were calculated by applying a Department of Human Services (DHS) per-unit processing cost to the number of families affected by the proposal.

FTB-A and FTB-B related administered expenses have been rounded to the nearest $5 million. PPL scheme related administered expenses and all departmental expenses have been rounded to the nearest $1 million.

Data sources

- The Department of Social Services provided PoEM, administrative data of income support recipients and payment population projections.
- The Department of Human Services provided a funding model of unit prices as at the 2016-17 Budget.
- The Department of Finance provided indexation and efficiency dividend parameters.

Attachment A: Extending existing freezes on family payments thresholds to 2019-20—financial implications

Table A1: Extending existing freezes on family payments thresholds to 2019-20—Fiscal balance(a)(b

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Revenue					
Dad and Partner Pay - income tax	-	..	..	..	**..**
Parental Leave Pay – income tax	-	..	*-1.0*	*-1.0*	***-2.0***
Total - revenue	-	-	-1.0	-1.0	**-2.0**
Expenses					
Dad and Partner Pay	-	..	..	*1.0*	***1.0***
Parental Leave Pay	-	*1.0*	*2.0*	*3.0*	***5.0***
FTB-A	-	-	-	*20.0*	***20.0***
FTB-B	-	*25.0*	*40.0*	*65.0*	***130.0***
Health related expenses	-	-	-	*5.0*	***5.0***
Departmental	-	..	*1.0*	*2.0*	***3.0***
Total – expenses	-	26.0	43.0	96.0	**164.0**
Total	**-**	**26.0**	**42.0**	**95.0**	**162.0**

(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.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A2: Extending existing freezes on family payments thresholds to 2019-20—Underlying cash balance[(a)(b]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Receipts					
Dad and Partner Pay - income tax	-	*..*	*..*	*..*	**..**
Parental Leave Pay – income tax	-	*..*	*-1.0*	*-1.0*	***-2.0***
Total - receipts	-	-	-1.0	-1.0	**-2.0**
Payments					
Dad and Partner Pay	-	*..*	*..*	*1.0*	***1.0***
Parental Leave Pay	-	*1.0*	*2.0*	*3.0*	***5.0***
FTB-A	-	-	-	*20.0*	***20.0***
FTB-B	-	*20.0*	*45.0*	*65.0*	***130.0***
Health related expenses	-	-	-	*5.0*	***5.0***
Departmental	-	*..*	*1.0*	*2.0*	***3.0***
Total – payments	-	21.0	48.0	96.0	**164.0**
Total	**-**	**21.0**	**47.0**	**95.0**	**162.0**

(a) 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.
.. Not zero but rounded to zero.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Fine Repayment Reforms**
Summary of proposal:	This proposal would allow the Commonwealth to recover outstanding fines payable to state and territory governments from individuals through either increased income tax payments or reduced income support payments. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The financial implications of the administered revenue and expenses under this proposal are unquantifiable as the quantity of state fines that would be included cannot be readily estimated. Given that the Commonwealth would be collecting fines on behalf of the states and territories, less administration costs, the net impact of the proposal on the Commonwealth would be small, mainly reflecting differences in the timing of collections and payments to the states.

The proposal would increase departmental expenditure, with that expenditure being recovered from amounts paid to the states. The financial implications would include an increase in departmental expenses for the Australian Taxation Office (ATO) and the Department of Human Services (DHS) expected to total $16 million over the 2016-17 Budget forward estimates period, offset by an equivalent recovery of these amounts by withholding a proportion of the funding that would be paid to the states.

This proposal would have ongoing unquantifiable impacts that extend beyond the forward estimates period. A breakdown of the financial implications over the 2016-17 Budget forward estimates period is provided at Attachment A.

The included departmental funding reflects the upfront cost of changes to IT systems and ongoing costs to administer the proposal. The cost of setting up the IT systems is assumed to be a fixed value irrespective of the volume of payments. The departmental costs were estimated based on the 2014-15 Budget measure, *Trade Support Loans – establishment*.

This costing is considered unquantifiable and therefore no reliability rating has been assigned.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	*	*	*	*
Underlying cash balance	-	*	*	*	*

* Indicates unquantifiable.

\- Indicates nil.

Key assumptions

The Parliamentary Budget Office has assumed that the departmental costs for ATO and DHS to set up and administer the scheme would be the same for each department. Payments of fine revenue to the states would be made by the Department of the Treasury under arrangements similar to those for paying Goods and Services Tax (GST) to the states, and the administrative costs of the ATO and DHS would be recovered from these payments.

Departmental estimates have been rounded to the nearest $1 million.

Data Sources

Data from the Central Budget Management System provided by the Department of Finance.

Attachment A: Fine Repayment Reforms—financial implications

Table A1: Fine Repayment Reforms—Financial implications[a][b]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Revenue					
Fines collected	-	*	*	*	*
Departmental expense collected from states	-	*14*	*2*	*2*	***16***
Expense					
Administered	-	*	*	*	*
Departmental - DHS	-	*-7*	*-1*	*-1*	***-8***
Departmental - DSS	-	*-7*	*-1*	*-1*	***-8***
Total	**-**	*	*	*	*

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
* Indicates unquantifiable.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Giving the ACCC more teeth**
Summary of proposal:	The proposal has four components: <u>Component 1 – Increase Australian Consumer Law (ACL) penalties</u> • Increase civil penalties under the ACL from a maximum of $1.1 million to $10 million, bringing penalties in-line with the competition provisions of the *Competition and Consumer Act 2010* (CCA). <u>Component 2 – Increase Australian Competition and Consumer Commission (ACCC) litigation funding</u> • Increase the ACCC's litigation budget by $24.5 million per year. <u>Component 3 – Allow market studies to be conducted by the ACCC</u> • Amend the CCA to allow the ACCC to conduct independent market studies to explore public interest issues such as market concentration and impacts on inequality in certain markets. No additional funding would be provided for this component. <u>Component 4 – Adopt European Union penalties</u> • Adopt the European Union's methodology in calculating penalties for anticompetitive conduct, which is based on 30 per cent of the annual sales of the product or service relating to the infringement, multiplied by the number of years the infringement took place. This proposal would commence from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

Components 1 to 3 of this proposal would be expected to increase both the fiscal and underlying cash balances by $92.6 million over the 2016-17 Budget forward estimates period. This reflects an increase in revenue of $166.1 million from the increased ACL civil penalties component which is partially offset by increased departmental expenses of $73.5 million associated with the increased ACCC litigation budget. It was not possible to quantify the financial implications of Component 4 of this proposal due to a lack of relevant data. A breakdown of the financial implications over the 2016-17 Budget forward estimates period is provided at Attachment A.

The financial implications of this proposal would extend beyond the 2016-17 Budget forward estimates period. The estimated impact declines steadily from $29.2 million in 2020-21 to $22.5 million in 2026-27.

This costing is considered to be of low reliability due to the considerable uncertainty around behavioural responses related to compliance with the ACL, the extent to which increased penalties would actually be imposed by judges, and the inherent uncertainty in estimating revenue from litigation.

Table 1: Financial implications (outturn prices)(a)(b)

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	31.2	31.2	30.2	**92.6**
Underlying cash balance	-	31.2	31.2	30.2	**92.6**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

- The increase in civil penalties associated with ACL would result in a 50 per cent decline in the number of cases.
- The proposed increase in penalties would result in the average value of ACL penalties increasing to the average value of competition penalties, reflecting a range of penalties (less than the maximum penalty) expected to be applied.

Methodology

The increase in revenue from increased civil penalties for ACL cases was estimated by multiplying the average revenue from competition cases by the number of ACL cases from 1 July 2017, after allowing for the behavioural assumption noted above. The costing does not include any departmental expenditure associated with the increased civil penalties component as these are not expected to be significant.

Doubling the ACCC's litigation budget and amending the CCA to allow independent market studies to be conducted by the ACCC were costed based on fixed capped annual funding for each element.

As specified, the costing does not include additional funding for the independent ACCC market studies (Component 3).

Data sources

- The Australian Competition and Consumer Commission provided estimates of revenue from all sources, net of enforcement costs, separately for competition and consumer protection related cases.
- The Department of Finance provided indexation parameters.

Attachment A: Giving the ACCC more teeth—financial implications

Table A1: Giving the ACCC more teeth—Financial implications[a][b]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Revenue - Increased ACL civil penalties	-	*55.7*	*55.7*	*54.7*	***166.1***
Departmental expenses - Increased ACCC litigation budget	-	*-24.5*	*-24.5*	*-24.5*	***-73.5***
Total	**-**	**31.2**	**31.2**	**30.2**	**92.6**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Increasing the value of penalty units under the Crimes Act**
Summary of proposal:	The proposal would amend the *Crimes Act 1914* to increase the value of penalty units to $210, with the indexation rate for penalty units to be the greater of the existing indexation or Male Total Average Weekly Earnings (MTAWE), with indexation to commence from 1 July 2017. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by $101.0 million over the 2016-17 Budget forward estimates period. This impact is entirely a result of an increase in revenue. This proposal would not be expected to result in an increase in departmental expenditure as it would not be administratively burdensome.

This proposal would be expected to have an ongoing impact beyond the 2016-17 Budget forward estimates period, increasing by approximately $6 million every second year, from 2020-21 onwards, in line with the legislated application of indexation.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	16.0	39.0	46.0	**101.0**
Underlying cash balance	-	16.0	39.0	46.0	**101.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

This proposal was costed based on the costing model associated with the 2015-16 Budget measure, *Commonwealth penalty units – increase in value to reflect inflation*. This model was updated to reflect parameters as at the 2016-17 Budget and extended to cover the period 2016-17 to 2026-27.

Estimates have been rounded to the nearest $1 million.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Introducing a new fee category for publicly listed corporations**
Summary of proposal:	The proposal would introduce a new fee category for publicly listed companies that would be set at 1.5 times the fee for corporations. That is, the fee would be 50 per cent greater than the fee for corporations as stated in the *Federal Court and Federal Circuit Court Regulation 2012*. The following items in Schedule 1, Part 1 of the *Federal Court and Federal Circuit Court Regulation 2012* would have a new fee category for publicly listed companies set at 1.5 times the fee for corporations: 101, 105, 106, 107, 108, 109, 110, 111, 114, 115, 115A, 115B, 116, 117, 118, 119, 120, 121, 122, 126 and 132. The following items in Schedule 1, Part 2 of the *Federal Court and Federal Circuit Court Regulation 2012* would have a new fee category for publicly listed companies set at 1.5 times the fee for corporations: 201, 204, 205, 207, 215, 216, 218 and 222. Existing indexation arrangements for the fees would remain unchanged. The proposal would commence on 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by \$23.5 million over the 2016-17 Budget forward estimates period. This is entirely due to an increase in revenue from court fees. This proposal would not be expected to result in an increase in departmental expenditure as it would not be administratively burdensome to implement.

This costing is considered to be of very low reliability due to the lack of availability and reliability of data. The Federal Circuit Court of Australia (FCC) and the Federal Court of Australia (FCA) do not keep current data on proceedings based on whether participants are publicly listed companies, corporations or individuals. Furthermore, the FCC and FCA have not been able to provide historic data for the period when it was previously collected.

This proposal would be expected to have an ongoing impact beyond the 2016-17 Budget forward estimates period in line with the impact expected in 2019-20.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	4.8	6.2	6.2	6.1	**23.5**
Underlying cash balance	4.8	6.2	6.2	6.1	**23.5**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing this proposal it has been assumed that:

- companies would make up around 85 per cent of filings in the FCC and FCA
- half of the filings associated with companies would be publicly listed companies.

Methodology

Historic filing numbers and fee revenues at the aggregate level were used to derive an average unit price for filings. This price was applied to the projected numbers of filings to produce projections of aggregate fee revenue. Aggregate projected fees for all corporations were separated into fees from publicly listed companies using assumed proportions of filing (see *Key assumptions*) which were then increased by the proposed increase in fees (50 per cent).

Data sources

The Attorney-General’s Department provided data from the FCC and FCA covering:

- historic filing numbers by cause of action
- projected total filing numbers by court
- historic aggregate fees by court
- current fees and indexation arrangements by fee type

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Multinational Tax Package**
Summary of proposal:	This proposal is intended to increase tax compliance and reduce base erosion and profit shifting. The proposed package would: • increase compliance funding for the Australian Taxation Office (ATO) by $50 million per annum • change the thin capitalisation rules by removing the ‘safe harbour’ and ‘arm’s-length’ debt tests, leaving only the ‘worldwide gearing debt amount’ test • split hybrid instruments into their debt and equity components and apply the proposed Organisation for Economic Co-operation and Development (OECD) rules that relate to hybrid instruments. This proposal would have effect from the 2017-18 year of income.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal balance by $1,650 million and increase the underlying cash balance by $1,630 million over the 2016-17 Budget forward estimates period. The fiscal balance impact of the proposal reflects an increase in revenue of $1,800 million and an increase in departmental expenses of $150 million.

Detailed financial implications are provided at Attachment A.

This proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

The difference between the fiscal and underlying cash balances primarily reflects a difference between when additional compliance activity occurs and when the resultant additional revenue from that compliance activity is collected.

This costing is considered to be of low reliability. To reliably cost this proposal would require detailed knowledge of the current tax practices of large multinational companies and their likely behavioural responses to this proposal. As there is very little reliable data on which to base these estimates the costing is highly sensitive to a range of assumptions. Moreover, in practice the revenue raised under this proposal could be very volatile, changing considerably from year to year depending on the outcomes of ATO compliance casework.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal balance	-	390.0	640.0	620.0	**1,650.0**
Underlying cash balance	-	390.0	640.0	600.0	**1,630.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

Increased ATO compliance

This component of the proposal would increase ATO funding in order to increase the number of compliance staff working in the multinational corporate area. The additional staff would focus on, among other things, assessing compliance with the other components of this proposal.

The Parliamentary Budget Office (PBO) has made the following assumptions regarding this component of the proposal:

- A proportion of the additional revenue raised from this proposal would be as a result of increased voluntary compliance.
- There would be a diminishing return to new compliance spending over time.
- There would be a delay between when additional revenue is raised and when the cash is expected to be collected.
- A weighted average tax rate is assumed in order to account for the phased commencement of the reduction in the company tax rate announced in the 2016-17 Budget.

Worldwide gearing ratio

The PBO has made the following assumptions in relation to this component of the proposal:

- The available ATO company data on thin capitalisation shows that very few companies have used the ‘worldwide gearing debt amount’ test to determine their allowable deduction amount, with most using either the ‘safe harbour’ or ‘arm’s length’ test. This means that most companies have not been required to submit information on the level of their worldwide gearing to the ATO.

- In the absence of this information, the PBO has calculated the average debt/equity ratios by industry group. Companies are assumed to have a worldwide gearing ratio equal to the average of their industry.
- The costing makes an allowance for the possibility that some companies may alter their behaviour in order to avoid the impact of this proposal.
- The ATO would not vary the company pay as you go (PAYG) instalments in the first year of income of this proposal (2017-18). Where this proposal results in a company paying higher income tax in the 2017-18 income year, this would flow through to higher PAYG instalments in subsequent years.

Hybrid mismatches

The 2016-17 Budget measure, *Tax Integrity Package – implementing the OECD hybrid mismatch arrangement rules* (Budget paper 2, page 34) applies the OECD rules to eliminate hybrid mismatch arrangements, taking into account the recommendations made by the Board of Taxation in its report on the Australian implementation of the OECD hybrid mismatch rules.

The only substantive difference between the 2016-17 Budget measure and this proposal is the start date.

- While this proposal would commence from the 2017-18 year of income, the 2016-17 Budget measure will apply from the later of 1 January 2018 or the date of Royal Assent of the enabling legislation.
  - This costing assumes that the 2016-17 Budget measure would apply from 1 January 2018.

It is estimated that the difference in start date would result in a small increase in revenue in 2018-19 which rounds to zero in this costing.

Financial impact of interactions between the components of the proposal

The combined impact of the components in this proposal would result in a number of interactions. The key interactions are:

- ATO compliance activity would be expected to be more effective as a result of the new rules in this proposal.
- Introducing a package of proposals has a combined effect of closing a number of ‘loopholes’ in the current law and would reduce the number of alternative arrangements that multinational companies could take advantage of in order to avoid company tax.

Methodology

Increased ATO compliance

The financial impact of this proposal is based on the number of additional staff that would be hired under this proposal and the estimated additional compliance activity that could be performed with those extra staff.

Worldwide gearing ratio

The financial impact of this proposal is based on ATO unit record debt deduction data for multinational companies. The impact of this proposal was estimated by calculating the allowable debt deduction under the proposed rules ('worldwide gearing debt amount' test only) for each company and subtracting the current amount of allowable debt deductions (where companies can use the 'safe harbour', 'arm's length' or the 'worldwide gearing debt amount' test).

Data sources

The Australian Tax Office provided:

- Unit record data from the thin capitalisation schedule
- ATO international dealings schedule data

Attachment A: Multinational Tax Package—financial implications

Table A1: Multinational Tax Package—Fiscal balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Revenue					
ATO compliance funding	-	*20.0*	*60.0*	*140.0*	***220.0***
Worldwide gearing ratio	-	*400.0*	*600.0*	*500.0*	***1,500.0***
Hybrid mismatches	-	-	..	-	**..**
Interactions of components	-	*20.0*	*30.0*	*30.0*	***80.0***
Departmental					
ATO compliance funding	-	*-50.0*	*-50.0*	*-50.0*	***-150.0***
Total	**-**	**390.0**	**640.0**	**620.0**	**1,650.0**

(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.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A2: Multinational Tax Package—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Receipts					
ATO compliance funding	-	*20.0*	*60.0*	*120.0*	***200.0***
Worldwide gearing ratio	-	*400.0*	*600.0*	*500.0*	***1,500.0***
Hybrid mismatches	-	-	..	-	**..**
Interactions of components	-	*20.0*	*30.0*	*30.0*	***80.0***
Departmental					
ATO compliance funding	-	*-50.0*	*-50.0*	*-50.0*	***-150.0***
Total	**-**	**390.0**	**640.0**	**600.0**	**1,630.0**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.

(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Negative Gearing and CGT reform**
Summary of proposal:	The proposal has two components. Component 1 - Remove negative gearing • This component would remove negative gearing arrangements for all non-business investment assets by individuals, superannuation funds, partnerships, trusts and companies, but allow these taxpayers to negatively gear non-business related investments in the construction and purchase of new dwellings. – In removing negative gearing any investment losses could still be used to offset any investment gains, regardless of asset class. – Within-year non-business investment losses could be accumulated and used to offset any future capital gain made on these assets. Component 2 - Halve the capital gains tax (CGT) discount • This component would change the CGT discount from 50 per cent after a 12-month holding period to a 25 per cent discount after a 12-month period. – The changes to the CGT discount would not apply to superannuation funds or to small businesses which also access the 50 per cent active asset reduction concession. The proposal would have effect from 1 July 2017 and would only apply to assets purchased or investments made on or after 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $1,929 million over the 2016-17 Budget forward estimates period. This reflects a net increase in revenue of $1,950 million, partially offset by an increase in departmental expenses of $21 million over this period.

This proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period. The proposal would not fully mature[1] until there were no remaining affected assets covered by the grandfathering provisions (that is, purchased prior to 1 July 2017). Detailed financial implications of the proposal are provided at Attachment A.

The increase in departmental expenses associated with the proposal would allow the Australian Taxation Office (ATO) to make systems changes, conduct information campaigns and undertake compliance activities.

The costing is considered to be of low reliability, reflecting the low reliability of each of the two components due to the:

- significant gap between the implementation date and when the proposal reaches maturity, as well as uncertainty surrounding behavioural responses and broader economic impacts (Component 1)
- large volatility in CGT revenue and uncertainty around the size of possible behavioural responses and broader economic impacts (Component 2).

The reliability of the costing decreases the further into the future the estimates are projected.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	-12.0	542.0	1,399.0	**1,929.0**
Underlying cash balance	-	-12.0	542.0	1,399.0	**1,929.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

- The Parliamentary Budget Office (PBO) has assumed that following the announcement of the proposal, some taxpayers would choose to bring forward purchases of negatively geared and CGT assets to before 1 July 2017 to take advantage of the grandfathering provisions that would apply to assets purchased before this date.
- Assumptions have been made on the proportion of new investments that are negatively geared, the associated investment income and deductions, and realised capital gains for assets purchased on or after 1 July 2017 in each year, based on an examination of:
  - ATO rental income schedules
  - unit record data from the Australian Bureau of Statistics (ABS) Survey of Income and Housing

1 Mature for the purposes of this costing is the point at which the costing is no longer affected by transitional influences.

  - data relating to holding times of residential property in the United States (US) from the US Census Bureau and US Department of Housing and Urban Development's 2007 American Housing Survey
  - data on holding times of Australian equities from the 2012 Australian Share Ownership Study.
- The proposal would provide an incentive for individuals who would otherwise invest in existing dwellings to invest in the construction or purchase of new dwellings. The extent to which this would occur would depend on, among other things, the number of new dwellings completed each year. The PBO has assumed that a proportion of individuals who would negatively gear existing properties in the absence of this proposal would shift to investing in the construction or purchase of new dwellings.[2]
- There are a number of other potential behavioural responses associated with changes to negative gearing and the CGT discount.
  - This costing includes an assumed behavioural response to account for the increased use of alternative mechanisms to reduce tax liability.
  - This proposal may have broader macroeconomic implications, including changes to asset prices, rents, interest rates and housing supply. However as the size (and direction) of the broader macroeconomic implications would depend on the use to which the additional revenue was put, they have not been included in this costing.
- The impact on payments to families and income support recipients due to changes in the incomes of such recipients undertaking negative gearing is not expected to be significant and has not been included in this costing.

Methodology

Component 1 - Remove negative gearing

- The costing of this component was based on a 16 per cent sample of de-identified personal income tax and superannuation returns for 2012-13, as well as tax schedules for partnerships, trusts and superannuation funds (including self-managed superannuation funds).
- The data was used to estimate the amount by which negative gearing decreased taxable income for individuals and funds, including through distributions from partnerships and trusts. To estimate the impact of changing negative gearing, total deductions for investments were limited to the amount of total income from investments.
- This change in taxable income was then adjusted to account for the behavioural responses identified above. Further, the amount of additional taxable income relating to assets purchased after 1 July 2017 was estimated based on the grandfathering assumptions.

2 The PBO has examined projections of dwelling completions from the *National Housing Supply Council: State of Supply Report 2011* to ensure that this increase in demand for new dwellings could be met by supply.

- To estimate the impact of allowing negative gearing for the construction or purchase of new dwellings only, the PBO estimated the proportion of negative gearing related to the construction and purchase of new dwellings based on housing finance data from the ABS.[3]
- Where the proposal would result in negative gearing deductions being denied, CGT estimates were adjusted to take account of the carry forward of negative gearing losses offsetting capital gains.

Component 2 - Halve the CGT discount

- The expected revenue collections were calculated with the current discount (the base scenario) and with the proposed discount.
  - The amount of assessable income from capital gains was estimated for each year from 2017-18 to 2026-27, based on current revenue estimates and projections of CGT.
  - This amount was reduced to reflect the proportion of capital gains subject to both the CGT discount and the 50 per cent active asset reduction in the 2012-13 CGT schedule.
  - In each year, the amount of CGT activity relating to assets purchased on or after 1 July 2017 was estimated based on the grandfathering assumptions.
  - An average marginal tax rate for individuals claiming net capital gains was estimated based on historic tax data, expected future income growth and announced future changes to tax rates.
  - The behavioural responses identified above were applied to investment in CGT assets under the proposal.

Interactions

- The halving of the CGT discount would interact with the change in CGT revenue in the negative gearing component. This impact is included in the estimates of the negative gearing component in Attachment A.

General methodology

- This costing takes account of the timing of tax collections.
- Departmental expenses were estimated based on an analysis of previous policies with similar administrative complexity.
- Estimates of revenue have been rounded to the nearest $50 million.
- Departmental expense estimates have been rounded to the nearest $1 million.

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3 For the purposes of this costing, the definition of the construction and purchase of new dwellings is based on the ABS housing finance data. New dwellings are those completed within 12 months of the lodgement of the loan application. Construction of dwellings is defined as commitments made to individuals to finance, by way of progress payments, the construction of dwellings.

Data sources

Commonwealth Treasury 2015, *2015 Tax Expenditure Statement*, The Treasury, Canberra.

Emrath, P 2009, *How Long Buyers Remain in their Homes*, National Association of Home Builders, available at: http://www.nahb.org/en/research/housing-economics/special-studies/archives/how-long-buyers-remain-in-their-homes-2009.aspx.National Housing Supply Council 2011, *State of Supply Report 2011*, available at: http://www.treasury.gov.au/PublicationsAndMedia/Publications/2011/NHSC.

The Australian Taxation Office provided:

- 2012-13 personal income tax and superannuation return data
- 2012-13 de-identified ATO partnership, trust, fund and self-managed superannuation fund unit record files
- 2012-13 CGT schedule data
- rental income schedules (1999-2000 to 2010-11).

Taxation Statistics – 2012-13.

CGT and net rental income forecasts consistent with the 2016-17 Budget

ABS, 5609.0 – Housing Finance, Australia.

ABS, Survey of Income and Housing 2009-10 confidentialised unit record files.

Australian Securities Exchange, Australian Share Ownership Study, 2012.

Attachment A: Negative Gearing and CGT reform—financial implications

Table A1: Combined impact of all components—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on fiscal and underlying cash balances													
Revenue	-	..	*550.0*	*1,400.0*	***1,950.0***	*2,300.0*	*3,250.0*	*4,150.0*	*5,100.0*	*6,00.0*	*6,850.0*	*7,750.0*	***37,350.0***
Departmental - ATO	-	*-12.0*	*-8.0*	*-1.0*	***-21.0***	*-1.0*	*-1.0*	*-1.0*	*-1.0*	*-1.0*	*-1.0*	*-1.0*	***-28.0***
Total	**-**	**-12.0**	**542.0**	**1,399.0**	**1,929.0**	**2,299.0**	**3,249.0**	**4,149.0**	**5,099.0**	**5,999.0**	**6,849.0**	**7,749.0**	**37,322.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero, but rounded to zero.
\- Indicates nil.

Table A2: Component 1 – Remove negative gearing—Financial implications (outturn prices)(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on fiscal and underlying cash balances													
Revenue	-	..	*550.0*	*1,250.0*	***1,800.0***	*2,000.0*	*2,650.0*	*3,250.0*	*3,800.0*	*4,250.0*	*4,650.0*	*5,050.0*	***27,450.0***
Departmental - ATO	-	*-6.0*	*-4.0*	*-1.0*	***-11.0***	*-1.0*	*-1.0*	*-1.0*	*-1.0*	*-1.0*	*-1.0*	*-1.0*	***-18.0***
Total	**-**	**-6.0**	**546.0**	**1,249.0**	**1,789.0**	**1,999.0**	**2,649.0**	**3,249.0**	**3,799.0**	**4,249.0**	**4,649.0**	**5,049.0**	**27,432.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero, but rounded to zero.
- Indicates nil.

Table A3: Component 2 - Halve the CGT discount—Financial implications (outturn prices)(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on fiscal and underlying cash balances													
Revenue	-	..	..	*150.0*	***150.0***	*300.0*	*600.0*	*900.0*	*1,300.0*	*1,750.0*	*2,200.0*	*2,700.0*	***9,900.0***
Departmental - ATO	-	*-6.0*	*-4.0*	-	***-10.0***	-	-	-	-	-	-	-	***-10.0***
Total	**-**	**-6.0**	**-4.0**	**150.0**	**140.0**	**300.0**	**600.0**	**900.0**	**1,300.0**	**1,750.0**	**2,200.0**	**2,700.0**	**9,890.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero, but rounded to zero.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with the marriage equality plebiscite**
Summary of proposal:	The proposal would not proceed with the plebiscite on same-sex marriage (the plebiscite). The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by $160.0 million over the 2016-17 Budget forward estimates period. The impact is entirely due to a decrease in departmental expenses.

As funding for the plebiscite is provided in 2016-17 only, this proposal would not be expected to have a financial impact beyond the forward estimates.

This costing is considered to be of high reliability as the estimates reflect the reversal of a measure from the 2016-17 Budget, noting that it was reported as a Decision Taken But Not Yet Announced in the 2016 Pre-Election Economic and Fiscal Outlook report.

Table 1: Financial implications (outturn prices)(a)(b)

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	160.0	-	-	-	**160.0**
Underlying cash balance	160.0	-	-	-	**160.0**

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

\- Indicates nil.

Data sources

The Department of Finance provided expenditure estimates for the plebiscite on same-sex marriage as shown in the 2016 Pre-Election Economic and Fiscal Outlook report.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with the return of the baby bonus**
Summary of proposal:	The proposal would reverse the increase in payments of Family Tax Benefit Part B (FTB-B) for families with children aged under one year announced in the 2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO) measure, *Family Payment Reform - a new families package*. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal balance by $372 million and the underlying cash balance by $362 million over the 2016-17 Budget forward estimates period. In fiscal balance terms this reflects a decrease in administered expenses of $355 million and a decrease in departmental expenses of $17 million over this period. A detailed breakdown of the financial implications over the 2016-17 Budget forward estimates period is at Attachment A.

This proposal would have ongoing financial implications that extend beyond the 2016-17 Budget forward estimates period. The total financial implications are estimated to increase steadily from $122 million in 2020-21 to $131 million in 2026-27.

The underlying cash and fiscal balance financial implications differ because a small proportion of FTB-B recipients would receive their payment as a lump sum after the end of the financial year in which the payments are recognised.

This costing is considered to be of low reliability. Estimates are sensitive to changes in economic and demographic factors.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	6.0	121.0	123.0	122.0	372.0
Underlying cash balance	6.0	116.0	123.0	122.0	362.0

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

It has been assumed that the FTB-B population would decline at a constant rate over the medium term.

Methodology

Administered expenses were calculated by multiplying the reduction in payments by the number of recipients affected by the proposal. Estimates were uprated using the 2016-17 Budget parameters provided by the Department of Finance and recipient population projections provided by the Department of Social Services . Administered expenses commence on 1 July 2017, due to a 2016-17 Budget variation that delayed the increases announced in the 2015-16 Mid-Year Economic and Fiscal Outlook measure by one year.

Departmental expenses are based on Department of Human Services estimates models, updated for 2016-17 Budget parameters provided by the Department of Finance.

Administered estimates have been rounded to the nearest $10 million. Departmental estimates have been rounded to the nearest $1 million.

Data sources

- The Department of Social Services provided expenditure estimates and models for the administered expenditure for the *Family Payment Reform - a new families package* measure over the period 2015-16 to 2018-19.
- The Department of Human Services provided expenditure estimates and models for departmental expenditure for the *Family Payment Reform - a new families package* measure over the period 2015-16 to 2018-19.
- The Department of Finance provided indexation parameters.

Attachment A: Not proceeding with the return of the baby bonus—financial implications

Table A1: Not proceeding with the return of the baby bonus—Fiscal balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered	-	*115.0*	*120.0*	*120.0*	*355.0*
Departmental	*6.0*	*6.0*	*3.0*	*2.0*	*17.0*
Total	**6.0**	**121.0**	**123.0**	**122.0**	**372.0**

(a) A positive number for the fiscal balance indicates an increase in revenue or 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.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Table A2: Not proceeding with the return of the baby bonus—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered	-	*110.0*	*120.0*	*120.0*	*345.0*
Departmental	*6.0*	*6.0*	*3.0*	*2.0*	*17.0*
Total	**6.0**	**116.0**	**123.0**	**122.0**	**362.0**

(a) A positive number for the underlying cash balance indicates an increase in receipts or 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.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Reduce uncommitted funding for National Water Infrastructure Development Fund by 50 per cent**
Summary of proposal:	The proposal would reduce currently uncommitted funding for the National Water Infrastructure Development Fund (NWIDF) by 50 per cent. The current funding plan was announced in the 2015 Agriculture Competitiveness White Paper. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $87.6 million over the 2016-17 Budget forward estimates period. This reflects decreases in administered expenses of $85.9 million and departmental expenses of $1.8 million.[1]

This proposal would have an impact that extends beyond the 2016-17 Budget forward estimates period until 2024-25 when the NWIDF is due to expire. Detailed financial implications are provided at Attachment A.

This costing is considered to be of medium reliability. While NWIDF expenditure estimates were provided by the Department of Agriculture and Water Resources (DAWR), there is uncertainty regarding the level of funding that would be uncommitted and able to be returned to the Commonwealth when the proposal commences.

1 Figures do not sum to the total impact due to rounding.

Table 1: Financial implications (outturn prices)[a][b]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	5.1	13.0	29.0	40.5	87.6
Underlying cash balance	5.1	13.0	29.0	40.5	87.6

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

It has been assumed that:

- departmental expenditure for DAWR would reduce in line with the reduction in uncommitted administered expenditure
- DAWR would be instructed not to enter into new contracts in relation to the NWIDF.

Methodology

The financial impact of the proposal was calculated by reducing the estimated level of uncommitted funding for the NWIDF by 50 per cent.

Data sources

The Department of Agriculture and Water Resources provided NWIDF expenditure estimates and amounts of committed and uncommitted funding for the period 2015-16 to 2024-25 as at the 2016-17 Budget.

Attachment A: Reduce uncommitted funding for the National Water Infrastructure Development Fund by 50 per cent—financial implications

Table A1: Reduce uncommitted funding for the National Water Infrastructure Development Fund by 50 per cent—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered	*4.9*	*12.5*	*28.5*	*40.0*	***85.9***
Departmental	*0.2*	*0.5*	*0.5*	*0.5*	***1.8***
Total	**5.1**	**13.0**	**29.0**	**40.5**	**87.6**

(a) A positive number indicates an increase in revenue in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Reducing FTB-A supplement by 50% for families with income greater than $100,000**
Summary of proposal:	The proposal would reduce the Family Tax Benefit Part A (FTB-A) supplement by 50 per cent for families with income greater than $100,000. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal balance by $670 million and increase the underlying cash balance by $505 million over the 2016-17 Budget forward estimates period. On a fiscal balance basis, this reflects a decrease in administered expenses of $665 million and a decrease in departmental expenses of $5 million over this period. A breakdown of the components of the proposal is at Attachment A.

This proposal would have ongoing financial implications that extend beyond the forward estimates period.

The financial implications on the fiscal and underlying cash balances differ because the FTB-A end of year supplement is paid after the end of the financial year.

This costing is considered to be of medium reliability. While the estimates are based on payment recipient unit record data, there are some data gaps regarding payment rates for particular payment recipient types.

Table 1: Financial implications (outturn prices)(a)(b)

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	146.0	166.0	166.0	181.0	**670.0**
Underlying cash balance	16.0	156.0	161.0	166.0	**505.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

Financial implications have been estimated based on the assumption that the FTB-A supplement has been reinstated as a result of the related proposal, *Reversing cuts to Family Payments*.

Methodology

Financial implications over the period 2016-17 to 2019-20 were estimated using the Policy Evaluation Model (PoEM) of the Australian personal income tax and transfer system, a micro-simulation model that is based on Australian Government administrative data. Departmental savings were calculated by applying a Department of Human Services (DHS) per unit processing cost to the number of families affected by the proposals.

These estimates account for health related expenses and updated population projections and parameters as at the 2016-17 Budget.

Administered expenses have been rounded to the nearest $5 million. Departmental expenses have been rounded to the nearest $1 million.

Data sources

- The Department of Social Services provided PoEM, administrative data of income support recipients and payment population projections.
- The Department of Human Services provided a funding model of unit prices as at the 2016-17 Budget.
- The Department of Finance provided indexation and efficiency dividend parameters.

Attachment A: Reducing FTB-A supplement by 50 per cent for families with income greater than $100,000—financial implications

Table A1: Reducing FTB-A supplement by 50 per cent for families with income greater than $100,000—Fiscal balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Family Tax Benefit Part A	*130.0*	*145.0*	*150.0*	*165.0*	***595.0***
Health related expenses	*15.0*	*20.0*	*15.0*	*15.0*	***70.0***
Departmental	*1.0*	*1.0*	*1.0*	*1.0*	***5.0***
Total	**146.0**	**166.0**	**166.0**	**181.0**	**670.0**

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

Table A2: Reducing FTB-A supplement by 50 per cent for families with income greater than $100,000—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Family Tax Benefit Part A	-	*135.0*	*145.0*	*150.0*	***430.0***
Health related expenses	*15.0*	*20.0*	*15.0*	*15.0*	***70.0***
Departmental	*1.0*	*1.0*	*1.0*	*1.0*	***5.0***
Total	**16.0**	**156.0**	**161.0**	**166.0**	**505.0**

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

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Reforming the Industry Growth Centres**
Summary of proposal:	The proposal would abolish the Industry Growth Centres (IGCs) program. The proposal would honour existing contractual commitments. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal and underlying cash balances by $37.7 million over the 2016-17 Budget forward estimates period. This reflects a decrease in administered expenses of $37.5 million and departmental expenses of $0.2 million.

This proposal would be expected to have an ongoing impact beyond the 2016-17 Budget forward estimates period. A breakdown of the financial implications over the period 2016-17 to 2026-27 is at Attachment A.

The financial implications for the proposal are considered to be of high reliability as program estimates and contractual commitments expected to be made by 1 July 2017 provided by the Department of Industry, Innovation and Science are reasonably well known.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	2.8	7.1	27.7	**37.7**
Underlying cash balance	-	2.8	7.1	27.7	**37.7**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

The financial implications of this proposal were derived by reducing program estimates after accounting for the expected contractual commitments as at 1 July 2017.

Data sources

The Department of Industry, Innovation and Science provided:

- program funding estimates over 2016-17 to 2026-27, on an aggregate and component-basis
- program contractual commitments to date
- program estimates of contractually committed funds prior to 1 July 2017.

Attachment A: Reforming the Industry Growth Centres—financial implications

Table A1: Reforming the Industry Growth Centres—Financial implications[(a)(b)]

($m)	2016-17	2017-18	2018-19	2019-20	**Total to 2019-20**	2020-21	2021-22	2022-23	2023-24	2024-25	2025-26	2026-27	**Total to 2026-27**
Impact of fiscal and underlying cash balances													
Administered	-	*2.8*	*7.1*	*27.6*	***37.5***	*48.3*	*65.2*	*56.4*	*39.4*	*48.3*	*65.2*	*56.4*	***416.6***
Departmental	-	..	..	*0.1*	***0.2***	-	-	-	-	-	-	-	***0.2***
Total	**-**	**2.8**	**7.1**	**27.7**	**37.7**	**48.3**	**65.2**	**56.4**	**39.4**	**48.3**	**65.2**	**56.4**	**416.8**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Removing the Private Health Insurance Rebate for Natural Therapies**
Summary of proposal:	This proposal would remove the Private Health Insurance (PHI) rebate for natural therapies. This proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal balance by $180.8 million and the underlying cash balance by $174.7 million over the 2016-17 Budget forward estimates period. This impact is entirely due to a decrease in PHI rebate expenditure.

The difference between the fiscal and underlying cash balances is due to the timing of the component of the PHI rebate paid after individuals file their tax returns.

It is not anticipated that the proposal would have a material impact on departmental expenses based on other changes with a similar level of administrative complexity.

The proposal would have an ongoing impact beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of low reliability as the estimates would be sensitive to the behavioural responses by individuals and private health insurers affected by this proposal.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	58.4	61.2	61.1	**180.8**
Underlying cash balance	-	52.6	60.9	61.1	**174.7**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

It is assumed that the proposal would result in minimal substitution from natural therapies to other services that remain eligible for the PHI rebate.

Methodology

The natural therapies component of PHI premiums was estimated using PHI statistics published by the Australian Prudential Regulation Authority (APRA). The financial implications over the forward estimates period were derived by applying the estimated percentage of PHI premiums attributable to natural therapies to PHI rebate expense estimates as at the 2016-17 Budget.

Data sources

- Australian Prudential Regulation Authority, *Private Health Insurance Quarterly Statistics*, APRA.
- The Department of Health provided estimates of PHI rebate expenditure at the 2016-17 Budget.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Return uncommitted funding in the Confiscated Assets Account to the Budget**
Summary of proposal:	The proposal would return to the Budget all funding in the Confiscated Assets Account (CAA) other than contractually committed amounts and those used to fund ongoing activities of the Australian Crime Commission and the Australian Federal Police. The proposal would commence on 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The CAA was established on 1 January 2003 and is funded through the proceeds from property confiscated under the *Customs Act 1901* and the *Proceeds of Crime Act 2002*, including any interest earned. Funds held in the CAA are available for programs, subject to ministerial approval, for crime prevention, law enforcement and treatment for drug addiction.

This proposal would be expected to increase the fiscal and underlying cash balances by $14 million over the 2016-17 Budget forward estimates period. This is entirely due to a reduction in administered expenditure. The proposal would not be expected to impact departmental costs as ongoing functions and programs would continue to be funded from the CAA.

This proposal would have an ongoing impact extending beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of medium reliability as it is based on an assumption of a fixed share of receipts into the CAA being uncommitted.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	4.5	4.7	4.9	**14.0**
Underlying cash balance	-	4.5	4.7	4.9	**14.0**

(a) A positive number for the fiscal balance indicates a decrease in expenses in accrual terms. A positive number for the underlying cash balance indicates a decrease in expenses in cash terms
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

It has been assumed that beyond the 2016-17 Budget forward estimates period aggregate funds flowing into the CAA grow in line with projected growth in nominal gross domestic product (GDP). The Parliamentary Budget Office further assumes that committed funds associated with ongoing functions or programs remain a fixed share of total funds flowing into the CAA on an annual basis.

Methodology

In costing this proposal:

- savings were estimated as the net of expected receipts into the CAA and committed expenses
- costs associated with funding ongoing programs and functions were estimated as a fixed share of projected total funds flowing into the CAA.

Data sources

The Attorney-General's Department provided committed and uncommitted funding estimates over the 2016-17 Budget forward estimates period.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Royal Commission into the Financial Services Industry**
Summary of proposal:	The proposal would establish a Royal Commission into financial services and corporate governance in Australia (the Royal Commission). The Royal Commission would commence on 1 July 2017 and run for two years.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $53 million over the 2016-17 Budget forward estimates period. The impact is due to an increase in administered expenses of $51 million and an increase in departmental expenses of $2 million.

As the proposed Royal Commission is scheduled to conclude in 2018-19, this proposal would not be expected to have a financial impact beyond the 2016-17 Budget forward estimates period.

Departmental expenses for the Attorney-General's Department of $1 million in 2017-18 and $1 million in 2018-19 reflect the estimated cost of implementation and administration of the proposal.

This costing is considered to be of low reliability. Given that the terms of reference for the proposed Royal Commission are yet to be determined, its size and scope relative to that used to inform the costing is uncertain.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	-26.0	-27.0	-	**-53.0**
Underlying cash balance	-	-26.0	-27.0	-	**-53.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

The impact of administered and departmental expenditure for the proposal was estimated by applying appropriate indexation rates to the average annual operating costs of the Royal Commission into Trade Union Governance and Corruption over 2013-14 to 2015-16.

Both administered expenses and departmental expenses have been rounded to the nearest $1 million.

Data sources

The Attorney-General's Department provided actual expenditure and expenditure estimates for the Royal Commission into Trade Union Governance and Corruption over the period 2013-14 to 2015-16.

The Department of Finance provided indexation and efficiency dividend parameters.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Scaling back the Colombo Plan
Summary of proposal:	The proposal would reduce the number of scholarships to students and grants to universities available under the New Colombo Plan. The reductions would be implemented so as to deliver a 50 per cent reduction in funding for the program. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Additional information requested:	On 6 July 2016 clarification was sought from the office of the Hon Tony Burke MP (the office) on how the specified funding reduction would be achieved.
Additional information received:	On 6 July 2016 the office advised that the funding reduction would be achieved by reducing the number of scholarships and grants available under the New Colombo Plan.
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $83.5 million over the 2016-17 Budget forward estimates period. This impact is entirely due to a decrease in administered expenses.

This proposal would not be expected to reduce departmental expenditure as the Department of Foreign Affairs and Trade was not provided administrative funding for the program.

The proposal would have an impact beyond the 2016-17 Budget forward estimates period, with the annual impact to the budget being consistent with the impact in 2019-20.

The costing is considered to be of high reliability as it is based on a specified reduction in funding for an existing program.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	7.1	25.5	25.5	25.5	**83.5**
Underlying cash balance	7.1	25.5	25.5	25.5	**83.5**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The savings were estimated based on the budget of the New Colombo Plan as published in the 2016-17 Portfolio Budget Statements of the Department of Foreign Affairs and Trade, taking into account the effective date of the proposal.

Data sources

Department of Foreign Affairs and Trade 2016, *2016-17 Portfolio Budget Statements*.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Establish a Treasury Outreach Office in Perth**
Summary of proposal:	The proposal would establish a regional office of the Department of the Treasury (the Treasury) in the Perth central business district on 1 July 2017. The office would include the following 15 new full time staff: • one Senior Executive Service Level 1 employee • two Australian Public Service (APS) Executive Level 2 employees • three APS Executive Level 1 employees • four APS Level 6 employees • five APS Level 4/5 employees. Half of the staff budget for the new office would be transferred from current departmental funding of the Treasury.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by $3.8 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

This proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of high reliability as the estimates are based on applying standard departmental costing rates.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-1.6	-1.1	-1.1	**-3.8**
Underlying cash balance	-	-1.6	-1.1	-1.1	**-3.8**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions regarding this proposal:

- The new office would be leased and not purchased.
- Half of the new staff would require relocation assistance and half of the new staff would be already based in Perth.

Methodology

The impact of the proposal was derived by applying the Department of Finance's departmental costing assumptions (including the impact of the efficiency dividend and relevant 2016-17 Budget indexation rates) to the costs of the specified staffing levels (including on-costs such as property operating expenses), staff relocation allowances and office fit-out. As specified, the cost of staffing was halved to account for funding provided from current departmental funding of the Treasury.

Office fit-out costs were calculated by multiplying the specified staffing allocation by the average cost per staff member (derived by multiplying the average office fit-out costs per square metre by the median Commonwealth office square metres per staff member).

Note staff relocation allowances and office fit-out costs only have an impact in the first year (2017-18).

Data sources

The Department of Finance provided departmental costing assumptions.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with income tax cuts for high-income Australians**
Summary of proposal:	The Temporary Budget Repair Levy (TBRL) is a 2 per cent levy on taxable incomes in excess of $180,000 applying in 2014-15, 2015-16 and 2016-17. The proposal would extend the TBRL indefinitely. The proposal would also increase the Fringe Benefits Tax (FBT) by 2 per cent. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase both the fiscal and underlying cash balances by $4,150 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in revenue.

This proposal would have ongoing financial implications beyond the 2016-17 Budget forward estimates period. The financial implications of the proposal over the 2016-17 Budget forward estimates period are not necessarily reflective of its ongoing implications due to the operation of bracket creep, where nominal income growth leads to higher marginal and average tax rates. The estimated financial implications to 2026-27 are provided at Attachment A.

The Parliamentary Budget Office (PBO) does not expect that departmental expenses would be significant for this proposal based on our analysis of previous proposals with similar administrative complexity.

The costing is considered to be of medium reliability. The estimates are based on a large representative sample of administrative tax data. However, the estimates would be sensitive to behavioural responses by individuals affected by this proposal and to variations in population and income growth. The reliability of the costing decreases the further into the future the estimates are projected.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	1,150	1,450	1,550	**4,150**
Underlying cash balance	-	1,150	1,450	1,550	**4,150**

(a) A positive number indicates an increase in the relevant budget balance.
(b) Figures may not sum to totals due to rounding. - Indicates nil.

Key assumptions

- There are a number of potential behavioural responses associated with changes to personal income tax rates, including changes to labour supply and investment decisions.
  - The PBO has included a behavioural response to account for changes in investment decisions and tax planning arrangements by affected individuals, which results in decreased taxable income for these individuals.
    - The PBO has assumed that individuals with incomes in excess of $180,000 have a taxable income elasticity of 0.2.[1]
  - The costing does not account for changes in labour supply as a result of this proposal. While studies indicate that labour supply, particularly by secondary earners, decreases in response to increases in tax rates, there is considerable uncertainty surrounding the magnitude and timing of the effect on employment.

Methodology

- The costing was estimated using a 16 per cent sample of de-identified personal income tax and superannuation returns for 2012-13 provided by the Australian Taxation Office (ATO). The data was used to estimate the increase in tax associated with the higher tax rates, accounting for the changes in taxable incomes as a result of the behavioural responses outlined above.
- A separate model was used to estimate the financial implications of increases in the FBT rate. This model separately estimated the flow-on effects of a change in the FBT rate to personal income tax, FBT and company tax collections.
- The modelling takes account of the timing of tax collections.
- Estimates of revenue have been rounded to the nearest $50 million.

Data sources

- The Australian Taxation Office provided 16 per cent samples of de-identified personal income tax and superannuation records for the 2012-13 financial year.

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1 A taxable income elasticity is a measure of the responsiveness of taxable income to changes in after-tax income. An increase in tax will result in a decrease in after-tax income. An elasticity of 0.2 means that a 1 per cent decrease in the net-of-tax rate (the proportion of each additional dollar kept as take-home income) results in a 0.2 per cent decrease in taxable income.

Attachment A: Not proceeding with income tax cuts for high-income Australians—financial implications

Table A1: Not proceeding with income tax cuts for high-income Australians—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on fiscal and underlying cash balances													
Revenue	-	*1,150*	*1,450*	*1,550*	***4,150***	*1,700*	*1,800*	*1,950*	*2,100*	*2,300*	*2,500*	*2,700*	***19,200***
Total	**-**	**1,150**	**1,450**	**1,550**	**4,150**	**1,700**	**1,800**	**1,950**	**2,100**	**2,300**	**2,500**	**2,700**	**19,200**

(a) A positive number indicates an increase in revenue in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with big company tax cuts**
Summary of proposal:	The proposal has three components that would either partially or fully reverse the following 2016-17 Budget measures. Component 1 - Reverse the *increase the small business entity (SBE) turnover threshold measure* This component would fully reverse the 2016-17 Budget measure, *Ten Year Enterprise Tax Plan – increase the small business entity turnover threshold*. Component 2 - Partially reverse the *reducing the company tax rate to 25 per cent measure* This component would partially reverse the 2016-17 Budget measure, *Ten Year Enterprise Tax Plan – reducing the company tax rate to 25 per cent* by retaining only the reduction in the company tax rate to 27.5 per cent for businesses with turnover less than $2 million. Component 3 - Partially reverse the *increase the unincorporated small business tax discount measure.* This component would partially reverse the 2016-17 Budget measure, T*en Year Enterprise Tax Plan – increase the unincorporated small business tax discount* by retaining only the increase in the unincorporated small business tax discount to 8 per cent for businesses with turnover less than $2 million. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal balance by $4,380 million and increase the underlying cash balance by $4,395 million over the 2016-17 Budget forward estimates period. The fiscal balance impact of this proposal reflects a net increase in revenue of $4,395 million and an increase in expenses of $15 million over this period.

The underlying cash balance impact differs from the fiscal balance impact because allowing more businesses to remit quarterly Goods and Services Tax (GST) instalments would increase the amount of GST received in the financial year after it is recognised as tax revenue.

This proposal would be expected to have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period. The financial impact would be expected to increase sharply towards the end of the medium term as, under the measures proposed to be reversed, the company tax rate reduces further to 25 per cent and the company tax cut is extended to apply to all companies.

Detailed financial implications over the period to 2026-27 are provided at Attachment A.

This proposal would not be expected to have any impact on departmental costs as no departmental funding was provided in the original 2016-17 Budget measures.

This costing is considered to be of low to medium reliability over the 2016-17 Budget forward estimates period as it relies on several assumptions. In particular, the costing is sensitive to assumptions about the proportion of small businesses with turnover of less than $2 million and assumptions about the behavioural response of affected companies to the proposals. The reliability of the costing decreases the further into the future the estimates are projected.

The budget papers note that the cut to company tax is expected to increase gross domestic product growth over time. This costing does not include any allowance for any such 'further economic impacts' from reversing the tax cut measure.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	480.0	1,130.0	1,260.0	1,510.0	**4,380.0**
Underlying cash balance	495.0	1,130.0	1,260.0	1,510.0	**4,395.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office (PBO) has made the following assumptions in relation to this proposal:

- The estimated proportion of taxable income that relates to companies that have less than $2 million in turnover was based on historical data for the 2013-14 financial year.
- The estimate of the financial impact of the company tax rate cut includes an estimated claw-back due to dividend imputation. This estimate assumes that companies continue to pay the same proportion of their after-tax income as dividends.

Methodology

Component 1 - Reverse the increase the SBE turnover threshold measure

The impact of this proposal has been estimated by fully reversing the financial impact of this measure from the 2016-17 Budget. The details of the elements of the measure, and medium term estimates, are PBO estimates.

Component 2 - Partially reverse the reducing the company tax rate to 25 per cent measure

The impact of this proposal has been estimated by fully reversing the financial impact of this measure in the 2016-17 Budget and then adjusting to account for the estimated cost of continuing the proposed company tax cut to 27.5 per cent for companies with turnover less than $2 million. The details of the elements of the measure, and medium term estimates, are PBO estimates.

Component 3 - Partially reverse the increase the unincorporated small business tax discount measure

The impact of this proposal has been estimated by fully reversing the financial impact of this measure in the 2016-17 Budget and then adjusting to account for the estimated cost of continuing the proposed increase in the unincorporated small business tax discount to 8 per cent for businesses with turnover of less than $2 million. The details of the elements of the measure, and medium term estimates, are PBO estimates.

Data sources

Commonwealth of Australia 2016, *2016-17 Budget*, Commonwealth of Australia, Canberra.

The Australian Taxation Office provided company tax return data for the period 2005-06 to 2013-14.

Attachment A — Not proceeding with big company tax cuts—financial implications

The following tables provide a detailed breakdown of the estimated impacts over the 2016-17 Budget forward estimates period and the medium term to 2026-27. Tables A1 and A2 provide the financial impact of each component of the proposal, with reference to the relevant 2016-17 Budget measure. Tables A3 to A6 provide a detailed breakdown of the components.

Table A1: Not proceeding with big company tax cuts—Fiscal balance(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Fiscal balance													
Component 1 - Reverse SBE turnover threshold	280.0	700.0	550.0	650.0	**2,180.0**	650.0	700.0	700.0	750.0	800.0	800.0	850.0	**7,430.0**
Component 2 - Partially reverse company tax cut	200.0	400.0	680.0	830.0	**2,110.0**	1,190.0	1,480.0	1,870.0	5,560.0	6,760.0	9,960.0	13,250.0	**42,180.0**
Component 3 - Partially reverse tax discount	-	30.0	30.0	30.0	**90.0**	30.0	30.0	30.0	30.0	30.0	90.0	140.0	**470.0**
Total	**480.0**	**1,130.0**	**1,260.0**	**1,510.0**	**4,380.0**	**1,870.0**	**2,210.0**	**2,600.0**	**6,340.0**	**7,590.0**	**10,850.0**	**14,240.0**	**50,080.0**

(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.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Table A2: Not proceeding with big company tax cuts—Underlying cash balance(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Underlying cash balance													
Component 1 - Reverse SBE turnover threshold	295.0	700.0	550.0	650.0	**2,195.0**	650.0	700.0	700.0	750.0	800.0	800.0	850.0	**7,445.0**
Component 2 - Partially reverse company tax cut	200.0	400.0	680.0	830.0	**2,110.0**	1,190.0	1,480.0	1,870.0	5,560.0	6,760.0	9,960.0	13,250.0	**42,180.0**
Component 3 - Partially reverse tax discount	-	30.0	30.0	30.0	**90.0**	30.0	30.0	30.0	30.0	30.0	90.0	140.0	**470.0**
Total	**495.0**	**1,130.0**	**1,260.0**	**1,510.0**	**4,395.0**	**1,870.0**	**2,210.0**	**2,600.0**	**6,340.0**	**7,590.0**	**10,850.0**	**14,240.0**	**50,095.0**

(a) 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.

Table A3: Component 1 - Fully reverse the increase the SBE turnover threshold measure—Fiscal balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Fiscal balance													
Revenue	**295.0**	**700.0**	**550.0**	**650.0**	**2,195.0**	**650.0**	**700.0**	**700.0**	**750.0**	**800.0**	**800.0**	**850.0**	**7,445.0**
Company tax rate for small businesses	280.0	380.0	400.0	430.0	**1,490.0**	430.0	450.0	470.0	510.0	540.0	550.0	590.0	**5,030.0**
Companies	280.0	390.0	410.0	450.0	**1,530.0**	450.0	470.0	490.0	530.0	570.0	580.0	620.0	**5,240.0**
Shareholders	-	-10.0	-10.0	-20.0	**-40.0**	-20.0	-20.0	-20.0	-20.0	-30.0	-30.0	-30.0	**-210.0**
Tax discount	-	40.0	40.0	40.0	**120.0**	40.0	40.0	40.0	40.0	40.0	50.0	50.0	**420.0**
Simplified depreciation	-	260.0	120.0	170.0	**550.0**	200.0	210.0	210.0	210.0	200.0	190.0	190.0	**1,960.0**
PAYG instalments	15.0	..	..	..	**15.0**	..	..	..	..	..	..	..	**15.0**
GST quarterly instalments	-	-	-	-	**-**	-	-	-	-	-	-	-	**-**
Expenses	**-15.0**	**..**	**..**	**..**	**-15.0**	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**-15.0**
GST quarterly instalments	-15.0	..	..	..	**-15.0**	..	..	..	..	..	..	..	**-15.0**
Total	**280.0**	**700.0**	**550.0**	**650.0**	**2,180.0**	**650.0**	**700.0**	**700.0**	**750.0**	**800.0**	**800.0**	**850.0**	**7,430.0**

(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.

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

.. Not zero but rounded to zero.

\- Indicates nil.

Table A4: Component 1 - Fully reverse the *increase the SBE turnover threshold measure*—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Underlying cash balance													
Receipts	**310.0**	**700.0**	**550.0**	**650.0**	**2,210.0**	**650.0**	**700.0**	**700.0**	**750.0**	**800.0**	**800.0**	**850.0**	**7,460.0**
Company tax rate for small businesses	280.0	380.0	400.0	430.0	**1,490.0**	430.0	450.0	470.0	510.0	540.0	550.0	590.0	**5,030.0**
Companies	280.0	390.0	410.0	450.0	**1,530.0**	450.0	470.0	490.0	530.0	570.0	580.0	620.0	**5,240.0**
Shareholders	-	-10.0	-10.0	-20.0	**-40.0**	-20.0	-20.0	-20.0	-20.0	-30.0	-30.0	-30.0	**-210.0**
Tax discount	-	40.0	40.0	40.0	**120.0**	40.0	40.0	40.0	40.0	40.0	50.0	50.0	**420.0**
Simplified depreciation	-	260.0	120.0	170.0	**550.0**	200.0	210.0	210.0	210.0	200.0	190.0	190.0	**1,960.0**
PAYG instalments	15.0	..	..	..	**15.0**	..	..	..	..	..	..	..	**15.0**
GST quarterly instalments	15.0	..	..	..	**15.0**	..	..	..	..	..	..	..	**15.0**
Payments	**-15.0**	**..**	**..**	**..**	**-15.0**	**..**	**..**	**..**	**..**	**..**	**..**	**..**	**-15.0**
GST quarterly instalments	-15.0	..	..	..	**-15.0**	..	..	..	..	..	..	..	**-15.0**
Total	**295.0**	**700.0**	**550.0**	**650.0**	**2,195.0**	**650.0**	**700.0**	**700.0**	**750.0**	**800.0**	**800.0**	**850.0**	**7,445.0**

(a) 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.
.. Not zero but rounded to zero.

Table A5: Component 2 - Partially reverse the *reducing the company tax rate to 25 per cent* measure—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Fiscal and underlying cash balances													
Full reversal of measure	400.0	500.0	800.0	950.0	**2,650.0**	1,300.0	1,600.0	2,000.0	5,700.0	6,900.0	10,100.0	13,400.0	**43,650.0**
Companies	400.0	800.0	1,100.0	1,500.0	**3,800.0**	1,900.0	2,300.0	2,800.0	6,700.0	9,500.0	13,500.0	18,300.0	**58,800.0**
Shareholders	-	-300.0	-300.0	-550.0	**-1,150.0**	-600.0	-700.0	-800.0	-1,000.0	-2,600.0	-3,400.0	-4,900.0	**-15,150.0**
Retain tax cut for small business and imputation changes	-200.0	-100.0	-120.0	-120.0	**-540.0**	-110.0	-120.0	-130.0	-140.0	-140.0	-140.0	-150.0	**-1,470.0**
Companies	-200.0	-280.0	-300.0	-320.0	**-1,100.0**	-330.0	-350.0	-370.0	-390.0	-410.0	-420.0	-440.0	**-3,810.0**
Shareholders	-	180.0	180.0	200.0	**560.0**	220.0	230.0	240.0	250.0	270.0	280.0	290.0	**2,340.0**
Total	**200.0**	**400.0**	**680.0**	**830.0**	**2,110.0**	**1,190.0**	**1,480.0**	**1,870.0**	**5,560.0**	**6,760.0**	**9,960.0**	**13,250.0**	**42,180.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Table A6: Component 3 - Partially reverse the increase the unincorporated small business tax discount measure—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Fiscal and underlying cash balances													
Full reversal of measure	-	150.0	150.0	150.0	**450.0**	150.0	150.0	150.0	150.0	150.0	250.0	300.0	**1,750.0**
Retain increase to 8 per cent discount rate	-	-120.0	-120.0	-120.0	**-360.0**	-120.0	-120.0	-120.0	-120.0	-120.0	-160.0	-160.0	**-1,280.0**
Total	**-**	**30.0**	**30.0**	**30.0**	**90.0**	**30.0**	**30.0**	**30.0**	**30.0**	**30.0**	**90.0**	**140.0**	**470.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

- Indicates nil.

.. Not zero but rounded to zero.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Putting a $8,000 per year cap on VET FEE-HELP loans**
Summary of proposal:	The proposal would cap students' borrowings per year for vocational education and training (VET) under the Higher Education Loan Program (HELP) to $8,000 per year. The cap would be applied on a full-time equivalent basis and indexed to the consumer price index (CPI) with existing courses of study grandfathered. The cap would be in addition to the current VET FEE HELP lifetime borrowing limit. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to increase the fiscal balance by $620 million, increase the underlying cash balance by $380 million and increase the headline cash balance by $9,970 million over the 2016-17 Budget forward estimates period.

The disaggregated financial impacts of the proposal to 2026-27 are included at Attachment A.

The proposal would not be anticipated to result in additional departmental expenditure as the implementation of the policy is expected to be within the scope of administering the existing VET FEE-HELP program.

The *Methodology* section outlines how impacts on each budget balance are estimated. As the proposal involves the transaction of financial assets in the form of reduced loan issuance, the Public Debt Interest (PDI) impact of the proposal has been included in the overall financial impact of the proposal.

The costing is considered to be of low reliability as there is uncertainty regarding the behavioural responses of VET providers.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-90.0	60.0	320.0	330.0	**620.0**
Underlying cash balance	10.0	50.0	110.0	200.0	**380.0**
Headline cash balance	1,070.0	2,570.0	3,070.0	3,250.0	**9,970.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing the proposal, the following assumptions have been made:

- For courses with fees less than or equal to 50 per cent above the proposed caps, a combination of the following would occur:
  - providers would lower course fees
  - if there remained any difference between course fees and the proposed caps, this would be paid by students.

  As a result, the number of students borrowing from VET FEE-HELP for these courses would remain steady, but the amount borrowed per loan would be at the relevant capped amount.
- For courses with fees more than 50 per cent above the proposed cap, only 20 per cent of students would continue to study them and borrow through VET FEE-HELP at the capped amount.

Methodology

The costing is derived by reducing the average loan amount and number of full-time equivalent students that would be studying with the assistance of VET FEE-HELP from their current baseline projections. The magnitude of the reduction is based on analysis of unit record data of VET FEE HELP borrowings in 2014 provided by the Department of Education and Training.

The reduction in the number and value of VET FEE-HELP loans being issued has the following impacts:

Fiscal balance impact – components

- Decreased interest revenue due to less borrowing has a negative impact on the fiscal balance.
- Decreased concessional loan discount (CLD) expenses due to less borrowing have a positive impact on the fiscal balance.

- Decreased CLD unwinding revenue in later years offsets the decreased CLD expenses and has a negative impact on the fiscal balance. Over the life of an individual loan, the CLD unwinding revenue is equal to the CLD expenses and results in a nil impact on the fiscal balance.[1]
- Decreased writedowns of bad debts have a positive impact on the fiscal balance.
- Decreased state contributions to CLD expenses have a negative impact on the fiscal balance.
- Decreased PDI payments have a positive impact on the fiscal balance.

Underlying cash balance impact – components

- Decreased interest payments due to less borrowing have a negative impact on the underlying cash balance.
- Decreased state contributions to CLD expenses[2] have a negative impact on the underlying cash balance.
- Decreased PDI payments have a positive impact on the underlying cash balance.

Headline cash balance impact – components

- Fewer borrowings at lower amounts by students have a positive impact on the headline cash balance.
- Decreased principal repayments by students have a negative impact on the headline cash balance.
- Decreased interest payments by students (interest is estimated as a fixed proportion of repayments) have a negative impact on the headline cash balance.
- Decreased state contributions to CLD expenses have a negative impact on the headline cash balance.
- Decreased PDI payments have a positive impact on the headline cash balance.

General

All estimates have been rounded to the nearest $10 million.

Data sources

- The Department of Education and Training provided:
  - HELP forward estimates model
  - VET FEE-HELP unit record on borrowings made in 2014.

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1 Given this costing is over a defined time period with fewer loans being issued each year, the net impact of the CLD expense and the revenue from the unwinding of CLD will not be zero. Were the analysis to be undertaken for a single loan and that loan were to be established and fully repaid during the analysis period then these two lines would net to zero.

2 As part of the National Partnership Agreement on Skills Reform, states and territories agreed to pay the Commonwealth half of the CLD expense in issuing VET FEE-HELP loans for state-subsidised VET courses. The agreement has a nominal expiry date of 30 June 2017 and by convention the agreement would be renewed in its current form beyond the expiry date.

Attachment A: Putting a $8,000 per year cap on VET FEE-HELP loans—financial implications

Table A1: Putting a $8,000 per year cap on VET FEE-HELP loans—Fiscal balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on fiscal balance													
CLD expense	110.0	230.0	280.0	280.0	**900.0**	280.0	290.0	300.0	310.0	320.0	330.0	340.0	**3,060.0**
CLD unwinding revenue	-	-	-20.0	-40.0	**-60.0**	-80.0	-120.0	-150.0	-180.0	-210.0	-230.0	-250.0	**-1,260.0**
Net CLD	110.0	230.0	260.0	230.0	**840.0**	200.0	170.0	150.0	130.0	110.0	100.0	90.0	**1,800.0**
Interest revenue accrued	-	-20.0	-70.0	-130.0	**-220.0**	-190.0	-260.0	-330.0	-410.0	-490.0	-580.0	-680.0	**-3,170.0**
Loan writedowns	-	..	..	..	**..**	..	..	10.0	10.0	10.0	10.0	10.0	**50.0**
Loan fee revenue	-210.0	-210.0	-	-	**-420.0**	-	-	-	-	-	-	-	**-420.0**
State contributions to CLD	-	..	..	..	**-10.0**	..	..	..	..	..	..	..	**-30.0**
PDI	10.0	60.0	130.0	230.0	**430.0**	370.0	550.0	780.0	1,050.0	1,380.0	1,770.0	2,220.0	**8,550.0**
Total	**-90.0**	**60.0**	**320.0**	**330.0**	**620.0**	**380.0**	**470.0**	**600.0**	**780.0**	**1,010.0**	**1,290.0**	**1,640.0**	**6,780.0**

(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.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A2: Putting a $8,000 per year cap on VET FEE-HELP loans—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on underlying cash balance													
Interest received	-	..	*-10.0*	*-10.0*	***-30.0***	*-20.0*	*-30.0*	*-40.0*	*-60.0*	*-80.0*	*-100.0*	*-120.0*	***-480.0***
State contributions to CLD	-	..	..	..	***-10.0***	..	..	..	..	..	..	..	***-30.0***
PDI	*10.0*	*60.0*	*130.0*	*220.0*	***410.0***	*360.0*	*540.0*	*760.0*	*1,030.0*	*1,360.0*	*1,740.0*	*2,190.0*	***8,400.0***
Total	**10.0**	**50.0**	**110.0**	**200.0**	**380.0**	**340.0**	**510.0**	**720.0**	**970.0**	**1,280.0**	**1,640.0**	**2,060.0**	**7,890.0**

(a) 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.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A3: Putting a $8,000 per year cap on VET FEE-HELP loans—Headline cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on headline cash balance													
Loans issued	*1,060.0*	*2,530.0*	*2,990.0*	*3,090.0*	***9,660.0***	*3,190.0*	*3,310.0*	*3,420.0*	*3,540.0*	*3,660.0*	*3,780.0*	*3,920.0*	***34,470.0***
Repayments and interest received	-	*-20.0*	*-40.0*	*-50.0*	***-100.0***	*-80.0*	*-120.0*	*-170.0*	*-250.0*	*-330.0*	*-440.0*	*-550.0*	***-2,050.0***
State contributions to CLD	-	..	..	..	***-10.0***	..	..	..	..	..	..	..	***-30.0***
PDI	*10.0*	*60.0*	*130.0*	*220.0*	***410.0***	*360.0*	*540.0*	*760.0*	*1,030.0*	*1,360.0*	*1,740.0*	*2,190.0*	***8,400.0***
Total	**1,070.0**	**2,570.0**	**3,070.0**	**3,250.0**	**9,970.0**	**3,470.0**	**3,720.0**	**4,010.0**	**4,320.0**	**4,680.0**	**5,080.0**	**5,550.0**	**40,790.0**

(a) A positive number in headline cash balance indicates an increase in cashflow. A negative number in headline cash balance indicates a decrease in cashflow.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Removing rebate for PHI junk policies**
Summary of proposal:	The proposal would remove the private health insurance (PHI) rebate on policies that only cover public hospital treatments ('junk' policies). The proposal would have effect from1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal balance by $147.4 million and increase the underlying cash balance by $135.1 million over the 2016 17 Budget forward estimates period. This impact is entirely due to a decrease in PHI rebate expenditure.

The proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

The difference between the fiscal and underlying cash balances is due to the timing of the component of the PHI rebate paid through the Australian Taxation Office, which is paid in the next income year, after individuals file their tax returns.

It is not anticipated that the proposal would have a material impact on departmental expenses based on other changes with a similar level of administrative complexity.

This costing is considered to be of high reliability as the level of PHI rebate expenditure on policies that only cover public hospital treatments is very stable.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	36.2	36.7	37.0	37.4	**147.4**
Underlying cash balance	33.2	33.7	34.0	34.3	**135.1**

(a) A positive number indicates an increase in the relevant budget balance.
(b) Figures may not sum to totals due to rounding.

Methodology

The decrease in expenditure was calculated by reversing the estimated PHI rebate expenditure for policies that cover public hospital treatments only over the period 2016-17 to 2019-20.

Data sources

The Department of Health provided the PHI rebate expenditure estimates for policies that only cover public hospital treatments over the period 2016-17 to 2019-20.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Capping deductions for managing tax affairs at $5,000
Summary of proposal:	The proposal would implement a cap of $5,000 on tax deductions for individual taxpayers related to the cost of managing tax affairs. The cap on the cost of managing tax affairs would not apply to small businesses with positive business income and annual turnover of less than $2 million. The deduction cap would not apply to adjusted taxable income (ATI) for the purposes of calculating eligibility for family and childcare payments. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to increase the fiscal and underlying cash balances by $295 million over the 2016-17 Budget forward estimates period. This is almost entirely due to an increase in revenue, but also includes $5 million in departmental expenses for the Australian Taxation Office (ATO).

This proposal would have ongoing financial implications beyond the 2016-17 Budget forward estimates period. As the cap would not be indexed, the proportion of taxpayers affected by the proposal would be expected to increase over time.

Departmental expenses for the ATO of around $3 million in 2016-17 and $2 million in 2017-18 reflect the estimated cost of implementation and administration of the proposal.

This costing is considered to be of low reliability as the estimates are very sensitive to behavioural responses by individuals affected by the proposal.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-3.0	-2.0	150.0	150.0	**295.0**
Underlying cash balance	-3.0	-2.0	150.0	150.0	**295.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

- The Parliamentary Budget Office has assumed that there would be limited scope to bring forward costs of managing tax affairs from 2017-18 to 2016-17.[1]
- The costing includes an assumed behavioural response to the proposal.

Methodology

- The costing was estimated using de-identified personal income tax and superannuation return data from the ATO.
- The data was used to estimate the amount by which expenses associated with the cost of managing tax affairs decreased taxable income for affected individuals.
- The base level taxable income was then adjusted to account for the behavioural response identified above.
- Financial implications were estimated for each individual in the data under current policy settings and also under the proposed policy. The difference between current policy and the proposal gives the costing.
- All estimates were adjusted to reflect the timing of tax collections.
- Departmental expenses were estimated based on amounts allocated to the ATO for measures with similar administrative complexity.
- Revenue estimates have been rounded to the nearest $50 million. Departmental expense estimates have been rounded to the nearest $1 million.

Data sources

The Australian Taxation Office provided de-identified 16 per cent sample of personal income tax and superannuation returns for 2012-13.

1 Expenses relating to preparing and lodging tax returns and activity statements include the costs of lodging tax returns through a registered tax agent, obtaining tax advice from a recognised tax adviser, and dealing with the ATO about tax affairs. These fees generally occur in the year they are paid.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Apprentice Ready**
Summary of proposal:	The proposal would provide funding for 10,000 new Apprentice Ready places over four years. The Apprentice Ready program would offer a 20-week, industry-endorsed pre-apprenticeship course for trades on the National Skills Needs List. Delivered through local TAFEs, Apprentice Ready would be targeted to young Australians who have been unemployed for six months or more. The proposal would also provide an additional incentive payment of $1,000 to employers who hire Apprentice Ready apprentices. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $37.5 million over the 2016-17 Budget forward estimates period. This reflects an increase in administered expenses of $36.0 million and an increase in departmental expenses of $1.5 million over this period. A breakdown of the financial implications over the 2016-17 Budget forward estimates period is at Attachment A.

This proposal would be expected to have an impact of $12.5 million in 2020-21 with funding for the proposal terminating on 30 June 2021.

The costing is considered to be of high reliability as it is based on providing specified amounts of funding to a specified number of apprentices, and departmental costs are based on like programs.

Table 1: Financial implications (outturn prices)[a][b]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	-12.5	-12.5	-12.5	**-37.5**
Underlying cash balance	-	-12.5	-12.5	-12.5	**-37.5**

(a) A positive number indicates 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

It is assumed that the Apprentice Ready places would be fully subscribed and apprentices would meet all of the requirements to complete the program.

Methodology

The financial impact of this proposal was estimated by multiplying the 2,500 Apprentice Ready places provided each year by $5,000 (including departmental funding as part of the per place cost, informed by the cost of administering similar programs).

Attachment A: Apprentice Ready—financial implications

Table A1: Apprentice Ready—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	-	*-12.0*	*12.0*	*-12.0*	***-36.0***
Departmental	-	*-0.5*	*-0.5*	*-0.5*	***-1.5***
Total	**-**	**-12.5**	**-12.5**	**-12.5**	**-37.5**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Asian language scholarships
Summary of proposal:	This proposal would provide 100 scholarships each year to Australian school teachers to further develop their Asian language skills. Scholarships would be valued up to $20,000 each and would be used for opportunities such as intensive Asian language courses or teaching in Asian schools. This proposal would start from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $7.7 million over the 2016-17 Budget forward estimates period. This reflects an increase in administered expenses of $7 million and an increase in departmental expenses of $0.7 million over this period.

This proposal would have an ongoing impact beyond the 2016-17 Budget forward estimates period.

The costing is considered to be of high reliability as it is based on providing specified amounts of funding to a specified number of recipients and departmental costs based on like initiatives.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-1.1	-2.2	-2.2	-2.2	**-7.7**
Underlying cash balance	-1.1	-2.2	-2.2	-2.2	**-7.7**

(a) A positive number indicates 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

It is assumed that the scholarship program would be fully subscribed and students receiving scholarships would complete all requirements associated with receiving the scholarships.

Methodology

The financial impact of this proposal was estimated by multiplying the 100 scholarships provided each year by $20,000 per annum. Estimates for 2016-17 reflect the start date of 1 January 2017.

Departmental expenses are based on similar programs.

Attachment A: Asian Language Scholarships—financial implications

Table A1: Asian Language Scholarships—Financial implications (outturn prices)[a][b]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	*-1.0*	*-2.0*	*-2.0*	*-2.0*	***-7.0***
Departmental	*-0.1*	*-0.2*	*-0.2*	*-0.2*	***-0.7***
Total	**-1.1**	**-2.2**	**-2.2**	**-2.2**	**-7.7**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**HECS Free STEM Degrees**
Summary of proposal:	The proposal would provide 20,000 Science, Technology, Engineering and Mathematics (STEM) Award Degrees per year for five years. The STEM Award Degrees would entitle students who successfully graduate to have their entire Higher Education Loan Program (HELP) debt incurred in studying the degree written off at the time of graduation. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal balance by $350 million, decrease the underlying cash balance by $2 million and decrease the headline cash balance by $2 million over the 2016-17 Budget forward estimates period.

The proposal would have an ongoing financial impact that extends beyond the 2016-17 Budget forward estimates period. The disaggregated financial impacts of the proposal over the period 2016-17 to 2026-27 are included at Attachment A.

Additional departmental funding of $2 million over the 2016-17 Budget forward estimates period has been included.

The *Methodology* section outlines how impacts on each budget balance are estimated. As the proposal involves the transaction of financial assets in the form of additional HELP loan issuance, the Public Debt Interest (PDI) impact of the proposal has been included in the overall financial impacts of the proposal.

This costing is considered to be of medium reliability as it is sensitive to the graduation rate of scholarship recipients.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-1.0	..	..	-349.0	**-350.0**
Underlying cash balance	-1.0	..	..	-1.0	**-2.0**
Headline cash balance	-1.0	..	..	-1.0	**-2.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.

Key assumptions

In costing the proposal, the following assumptions have been made:

- The time to complete a degree in:
  - natural and physical sciences or information technology would be three years
  - engineering and related technologies would be four years.
- The proposal would not increase the overall demand for tertiary education places or the average level of Commonwealth funding per place. All scholarships offered under the proposal would be taken up.
- The graduation rates of scholarship recipients would be 10 per cent above current graduation rates of students studying STEM degrees, which are
  - 77 per cent for natural and physical sciences
  - 62 per cent for information technology
  - 69 per cent for engineering and related technologies.

Methodology

The costing is derived by applying the assumed graduation rates to the number of scholarships offered, taking into account the time required to complete the respective STEM degree. This is then multiplied by the amount of HELP liability that has been incurred related to the STEM degree, taking into account the interest accrued over this period. The result represents the face value of HELP debt being written down.

The writedown of HELP debt has the following impacts:

Fiscal balance impact – components

- Writedowns of HELP debt of graduates have a negative impact on the fiscal balance.
- Decreased interest revenue has a negative impact on the fiscal balance.
- Increased concessional loan discount (CLD) unwinding revenue at the time of HELP debt being written down has a positive impact on the fiscal balance. This increase in unwinding revenue is to balance the concessional loan discount expensed at the time of issuance for these loans, recognising that these loans are settled.
- Increased departmental expenses have a negative impact on the fiscal balance.
- Increased PDI expenses have a negative impact on the fiscal balance.

Underlying cash balance impact – components

- Decreased interest receipts from graduates (interest was estimated as a fixed proportion of repayments) have a negative impact on the underlying cash balance.
- Increased departmental payments have a negative impact on the underlying cash balance.
- Increased PDI payments have a negative impact on the underlying cash balance.

Headline cash balance impact – components

- Decreased principal repayments by graduates have a negative impact on the headline cash balance.
- Decreased interest receipts from graduates (interest was estimated as a fixed proportion of repayments) have a negative impact on the headline cash balance.
- Increased departmental payments have a negative impact on the headline cash balance.
- Increased PDI payments have a negative impact on the headline cash balance.

General

Departmental costs reflect the upfront costs of changes to information technology systems and ongoing costs to manage the proposal. The departmental cost estimate is based on the 2013-14 Budget measure, *HECS-HELP Discount and Voluntary HELP Repayment Bonus - ending discounting*.

All estimates have been rounded to the nearest $1 million.

Data sources

The Department of Education and Training provided:

- Completion rates of domestic bachelor students 2005-2013: A cohort analysis
- HELP forward estimates model.

Attachment A: HECS Free STEM Degrees—financial implications

Table A1: HECS Free STEM Degrees—Fiscal balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
CLD expense	-	-	-	-	**-**	-	-	-	-	-	-	-	**-**
CLD unwinding revenue	-	-	-	*22.0*	***22.0***	*25.0*	*22.0*	*18.0*	*16.0*	*-9.0*	*-16.0*	*-15.0*	***63.0***
Net CLD	-	-	-	*22.0*	***22.0***	*25.0*	*22.0*	*18.0*	*16.0*	*-9.0*	*-16.0*	*-15.0*	***63.0***
Interest revenue accrued	-	-	-	-	**-**	*-6.0*	*-15.0*	*-25.0*	*-35.0*	*-46.0*	*-50.0*	*-53.0*	***-230.0***
Loan writedowns	-	-	-	*-370.0*	***-370.0***	*-504.0*	*-517.0*	*-529.0*	*-542.0*	*-138.0*	*1.0*	*1.0*	***-2,599.0***
Departmental	*-1.0*	-	-	*-1.0*	***-2.0***	..	..	..	..	..	-	-	***-3.0***
PDI	..	..	..	..	**..**	..	..	..	..	*-1.0*	*-2.0*	*-3.0*	***-7.0***
Total	**-1.0**	**..**	**..**	**-349.0**	**-350.0**	**-486.0**	**-511.0**	**-536.0**	**-562.0**	**-194.0**	**-61.0**	**-70.0**	**-2,775.0**

(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.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A2: HECS Free STEM Degrees—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Interest received	-	-	-	-	**-**	-	..	*-1.0*	*-1.0*	*-2.0*	*-4.0*	*-6.0*	***-15.0***
Departmental	*-1.0*	-	-	*-1.0*	***-2.0***	..	..	..	..	..	-	-	***-3.0***
PDI	..	..	..	..	**..**	..	..	..	..	*-1.0*	*-2.0*	*-3.0*	***-7.0***
Total	**-1.0**	**..**	**..**	**-1.0**	**-2.0**	**-1.0**	**-1.0**	**-1.0**	**-2.0**	**-3.0**	**-6.0**	**-9.0**	**-25.0**

(a) 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.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A3: HECS Free STEM Degrees—Headline cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Repayments and interest received	-	-	-	-	**-**	-	*-1.0*	*-2.0*	*-5.0*	*-11.0*	*-19.0*	*-28.0*	***-66.0***
Departmental	*-1.0*	-	-	*-1.0*	***-2.0***	..	..	..	..	..	-	-	***-3.0***
PDI	..	..	..	..	**..**	..	..	..	..	*-1.0*	*-2.0*	*-3.0*	***-7.0***
Total	**-1.0**	**..**	**..**	**-1.0**	**-2.0**	**-1.0**	**-1.0**	**-3.0**	**-6.0**	**-12.0**	**-20.0**	**-31.0**	**-75.0**

(a) A positive number in headline cash balance indicates an increase in cashflow. A negative number in headline cash balance indicates a decrease in cashflow.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Higher Education Package**
Summary of proposal:	The proposal would reverse four higher education budget measures from their intended date of implementation and increase funding to universities. The measures being reversed are as follows: • The 2014-15 Budget measure, *Expanding Opportunity – expansion of the demand driven system and sharing the cost fairly*. • The 2014-15 Budget measure, *Expanding Opportunity – FEE-HELP and VET FEE-HELP loan fee – cessation*. • The 2014-15 Mid-year Economic and Fiscal Outlook (MYEFO) measure, *Higher Education – Structural Adjustment Fund – establishment*. • The *pausing indexation on Higher Education Loan Program (HELP) debts for people who earn below the minimum HELP repayment threshold and have primary care of a child under five years of age* component of the 2014-15 MYEFO measure, *Higher Education Reforms — amendments*. The proposal would also fund Commonwealth supported places (CSPs) at an average of $10,800 (2014 dollars) per Equivalent Full Time Student Load (EFTSL) per year and index funding per CSP by the Consumer Price Index (CPI). The proposal would have effect from the start of the 2018 academic year.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal balance by $1,780 million, decrease the underlying cash balance by $2,440 million and decrease the headline cash balance by $2,370 million over the 2016-17 Budget forward estimates period.

The proposal would have an ongoing financial impact that extends beyond the 2016-17 Budget forward estimates period. The disaggregated financial impacts of the proposal over the period 2016-17 to 2026-27 are included at Attachment A.

The proposal would not be expected to result in additional departmental expenditure because the administration of CSPs and HELP would remain largely unchanged.

The *Methodology* section outlines how impacts on each budget balance are estimated. As the proposal involves the transaction of financial assets in the form of additional HELP loan issuance, the Public Debt Interest (PDI) impact of the proposal has been included in the overall financial impacts of the proposal.

This costing is considered to be of low reliability due to the uncertainty surrounding the behavioural responses of higher education institutions in offering CSPs with increased funding in response to this proposal.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	30.0	-270.0	-690.0	-850.0	**-1,780.0**
Underlying cash balance	..	-420.0	-930.0	-1,100.0	**-2,440.0**
Headline cash balance	..	-420.0	-910.0	-1,030.0	**-2,370.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.

Key assumptions

In costing the proposal, the following assumptions have been made:

- In estimating the additional revenue that could be gained from reversing the 2014-15 Budget measure, *Expanding Opportunity – FEE-HELP and VET FEE-HELP loan fee – cessation*, demand for Vocation Education and Training (VET) FEE-HELP loans has been lowered as a result of the related proposal, *Putting a $8,000 per year cap on VET FEE-HELP loans*.[1]
  - This in effect recognises that by implementing both proposals, loan fee revenue would be lower as a result of capping the annual borrowing of VET FEE-HELP loans.
- The course mix of CSPs would be distributed in the same way that they currently are.
- Higher education providers would not use the additional funding per CSP to reduce fees to students and continue to charge them at the capped amount.

1 Refer related costing ALP047 – *Putting a $8,000 per year cap on VET FEE-HELP loans.*

Methodology

The measure reversal component is estimated based on the costing and forward estimates models underpinning relevant measure or program estimates in the 2016-17 Budget.

The increase to CSP funding is estimated by comparing the proposed average CSP funding amount per EFTSL with the average funding amount forecast as at the 2016-17 Budget, adjusted for changes in course mix over the forward estimates and measures reversed as part of the proposal. The difference between these projections is then multiplied by the forecast number of CSPs, also adjusted for measures reversed as part of the proposal.

There is no change in student borrowings through HELP other than those already accounted for by the measures reversed.

The total financial implication of the proposal includes the financial impact of reversing the measures.

All estimates, other than PDI impacts, are rounded to the nearest $10 million. PDI impacts are rounded to the nearest $1 million.

Data sources

The Department of Education and Training provided:

- HELP forward estimates model
- Commonwealth Grant Scheme forward estimates model
- 2016-17 Portfolio Budget Statement.

Attachment A: Higher Education Package—financial implications

Table A1: Higher Education Package—Fiscal balance[a][b]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on fiscal balance													
Reversal of measures[c]	*30.0*	*-250.0*	*-640.0*	*-790.0*	***-1,650.0***	*-890.0*	*-990.0*	*-1,100.0*	*-1,220.0*	*-1,350.0*	*-1,480.0*	*-1,630.0*	***-10,310.0***
Additional funding for universities	-	*-20.0*	*-50.0*	*-60.0*	***-120.0***	*-60.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-80.0*	*-80.0*	***-620.0***
PDI	-	..	*-1.0*	*-2.0*	***-3.0***	*-5.0*	*-9.0*	*-14.0*	*-19.0*	*-25.0*	*-31.0*	*-38.0*	***-144.0***
Total	**30.0**	**-270.0**	**-690.0**	**-850.0**	**-1,780.0**	**-950.0**	**-1,070.0**	**-1,180.0**	**-1,310.0**	**-1,450.0**	**-1,590.0**	**-1,750.0**	**-11,070.0**

(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.
(b) Figures may not sum to totals due to rounding.
(c) PDI impacts from the reversal of measures are included in this line.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A2: Higher Education Package—Underlying cash balance(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on underlying cash balance													
Reversal of measures(c)	..	*-400.0*	*-880.0*	*-1,030.0*	***-2,320.0***	*-1,120.0*	*-1,210.0*	*-1,290.0*	*-1,380.0*	*-1,470.0*	*-1,540.0*	*-1,660.0*	***-11,990.0***
Additional funding for universities	-	*-20.0*	*-50.0*	*-60.0*	***-120.0***	*-60.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-80.0*	*-80.0*	***-620.0***
PDI	-	..	*-1.0*	*-2.0*	***-3.0***	*-5.0*	*-9.0*	*-13.0*	*-19.0*	*-24.0*	*-31.0*	*-38.0*	***-142.0***
Total	**..**	**-420.0**	**-930.0**	**-1,100.0**	**-2,440.0**	**-1,190.0**	**-1,290.0**	**-1,380.0**	**-1,460.0**	**-1,560.0**	**-1,650.0**	**-1,780.0**	**-12,750.0**

(a) 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.
(c) PDI impacts from the reversal of measures are included in this line.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A3: Higher Education Package—Headline cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on headline cash balance													
Reversal of measures[(c)]	..	*-410.0*	*-870.0*	*-970.0*	***-2,240.0***	*-1,020.0*	*-1,100.0*	*-1,200.0*	*-1,310.0*	*-1,440.0*	*-1,570.0*	*-1,720.0*	***-11,610.0***
Additional funding for universities	-	*-20.0*	*-50.0*	*-60.0*	***-120.0***	*-60.0*	*-70.0*	*-70.0*	*-70.0*	*-70.0*	*-80.0*	*-80.0*	***-620.0***
PDI	-	..	*-1.0*	*-2.0*	***-3.0***	*-5.0*	*-9.0*	*-13.0*	*-19.0*	*-24.0*	*-31.0*	*-38.0*	***-142.0***
Total	**..**	**-420.0**	**-910.0**	**-1,030.0**	**-2,370.0**	**-1,080.0**	**-1,170.0**	**-1,280.0**	**-1,400.0**	**-1,540.0**	**-1,680.0**	**-1,840.0**	**-12,370.0**

(a) A positive number in headline cash balance indicates an increase in cashflow. A negative number in headline cash balance indicates a decrease in cashflow.
(b) Figures may not sum to totals due to rounding.
(c) PDI impacts from the reversal of measures are included in this line.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with changes to the Research Training Scheme - student contributions**
Summary of proposal:	The proposal would reverse the 2014-15 Budget measure, *A sustainable Higher Education System – Research Training Scheme – student contributions*. The proposal would have effect from 1 January 2018.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would reverse the 2014-15 Budget measure, *A sustainable Higher Education System – Research Training Scheme – student contributions* (the measure).

The measure that would be reversed under this proposal will reduce grant funding for the Research Training Program (RTP) (which now includes the Research Training Scheme) and allow higher education providers to introduce student contributions, with eligible students being able to access loans under the Higher Education Loan Program (HELP) to defer the payments of their student contributions. The implementation of this measure has been delayed and the current Budget baseline assumes an implementation date of 1 January 2018.

This proposal would be expected to decrease the fiscal balance by $163.3 million, decrease the underlying cash balance by $182.5 million and increase the headline cash balance by $3.9 million over the 2016-17 Budget forward estimates period.

This proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

The proposal would not be expected to require additional departmental expenditure, consistent with the original measure which did not reduce departmental expenditure.

The *Methodology* section outlines how impacts on each budget balance are estimated. As the proposal involves the transaction of financial assets in the form of reduced HELP loan issuance, the Public Debt Interest (PDI) impact of the proposal has been included in the overall financial impacts of the proposal.

This costing is considered to be of medium reliability due to the uncertainty surrounding the HELP repayments foregone.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-31.8	-64.3	-67.2	**-163.3**
Underlying cash balance	-	-35.8	-72.5	-74.1	**-182.5**
Headline cash balance	-	0.8	1.5	1.6	**3.9**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

Based on the information provided by the Department of Education and Training (DET), estimates of reversing the measure by increasing grants funding to the RTP and reducing HELP loans were calculated and have the following impacts on budget balances:

Fiscal balance impact – components

- Increase in grants funding for the RTP has a negative impact on the fiscal balance.
- Reduction in interest revenue from students has a negative impact on the fiscal balance.
- Reduction in the concessional loan discount (CLD) expense due to less HELP loans being issued has a positive impact on the fiscal balance.
- Reduction in CLD unwinding revenue in later years offsets the decreased CLD expenses and has a negative impact on the fiscal balance. Over the life of an individual loan, the CLD unwinding revenue is equal to the CLD expenses and results in a nil impact on the fiscal balance.[1]
- Decreased writedowns of bad debts have a positive impact on the fiscal balance.
- Decreased PDI expenses have a positive impact on the fiscal balance.

Underlying cash balance impact – components

- Increase in grants funding for the RTP has a negative impact on the underlying cash balance.
- Reduction in interest receipts from students (interest was estimated as a fixed proportion of repayments) has a negative impact on the underlying cash balance.
- Decreased PDI payments have a positive impact on the underlying cash balance.

1 Given this costing is over a defined time period with fewer loans being issued each year, the net impact of the CLD expense and the revenue from the unwinding of CLD would not be zero. Were the analysis to be undertaken for a single loan and that loan were to be established and fully repaid during the analysis period then these two lines would net to zero.

Headline cash balance impact – components

- Increase in grants funding for the RTP has a negative impact on the headline cash balance.
- Reduction in loans to students has a positive impact on the headline cash balance.
- Reduction in principal repayments by students has a negative impact on the headline cash balance.
- Reduction in interest receipts from students (interest was estimated as a fixed proportion of repayments) has a negative impact on the headline cash balance.
- Decreased PDI payments have a positive impact on the headline cash balance.

Data sources

The Department of Education and Training provided the RTP and HELP models for the measure, updated to reflect parameters as at the 2016-17 Budget and the revised implementation date of 1 January 2018.

Attachment A: Not proceeding with changes to the Research Training Scheme - student contributions—financial implications

Table A1: Not proceeding with changes to the Research Training Scheme - student contributions—Fiscal balance(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
RTP					
Grant funding	-	*-35.9*	*-72.5*	*-74.2*	***-182.6***
HELP					
CLD expense	-	*4.0*	*8.8*	*9.4*	***22.2***
CLD unwinding revenue	-	-	-	*-0.6*	***-0.6***
Net CLD	-	*4.0*	*8.8*	*8.8*	***21.6***
Interest revenue accrued	-	-	*-0.6*	*-1.9*	***-2.5***
Loan writedowns	-	-	..	..	**..**
PDI					
Expenses	-	..	..	0.1	**0.2**
Total	**-**	**-31.8**	**-64.3**	**-67.2**	**-163.3**

(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.

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

.. Not zero but rounded to zero.

- Indicates nil.

Table A2: Not proceeding with changes to the Research Training Scheme - student contributions—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
RTP					
Grant funding	-	*-35.9*	*-72.5*	*-74.2*	*-182.6*
HELP					
Interest received	-	-	-	..	..
PDI					
Payments	-	..	..	*0.1*	*0.2*
Total	**-**	**-35.8**	**-72.5**	**-74.1**	**-182.5**

(a) 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 fiscal 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.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A3: Not proceeding with changes to the Research Training Scheme - student contributions—Headline cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
RTP					
Grant funding	-	*-35.9*	*-72.5*	*-74.2*	***-182.6***
HELP					
Loans issued	-	*36.6*	*74.0*	*75.7*	***186.4***
Repayments and interest received	-	-	-	*-0.1*	***-0.1***
PDI					
Payments	-	..	..	*0.1*	***0.2***
Total	**-**	**0.8**	**1.5**	**1.6**	**3.9**

(a) A positive number for the headline cash balance indicates an increase in cash flows. A negative number for the headline cash balance indicates a decrease in cash flows.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	STEM Teaching Scholarships
Summary of proposal:	The proposal would offer 5,000 scholarships each academic year over five years to Science, Technology, Engineering and Mathematics (STEM) graduates to undertake a teaching qualification. The scholarships would be open to graduates that had completed their STEM degree within five years of seeking the scholarship. The scholarships would have a value of $15,000 over the life of the scholarship, with an initial payment of $5,000 to graduates upon commencing study and a payment of $10,000 following their first year of teaching. Departmental expenses would be in addition to the amounts specified above. The proposal would have effect from the 2017 school year.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $210.0 million over the 2016-17 Budget forward estimates period. This reflects an increase in administered expenses of $200.0 million and departmental expenses of $10.0 million.

This proposal would have ongoing financial implications beyond the 2016-17 Budget forward estimates period until 2022-23.

Departmental expenses for the Department of Education and Training of $2.5 million for each of the seven years of the projected scholarship payments reflect the estimated cost of implementation and administration of the proposal.

This costing is considered to be of medium reliability. While the administered expenses are specified and the departmental expense estimates are based on the costs of a similar program, several assumptions have been made in relation to scholarship recipients.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-27.5	-27.5	-77.5	-77.5	**-210.0**
Underlying cash balance	-27.5	-27.5	-77.5	-77.5	**-210.0**

(a) A positive number indicates 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

In costing this proposal, the Parliamentary Budget Office has assumed that:

- all scholarship recipients would commence studies in January each year
- all scholarship recipients would complete their studies in one year
- all scholarships would be fully utilised
- all scholarship recipients would subsequently teach for at least one year, meeting the requirement to receive the second payment, with the first of these payments starting in 2018-19
- the proposal would not result in a material change in the number of tertiary students
- the scholarships would not be taxable.

Methodology

The administered costs were calculated by multiplying the specified number of scholarships by the payments within each financial year.

The departmental costs of the proposed options were estimated based on funding allocated to the 2014-15 Budget measure, *National School Chaplaincy Programme—continuation*, as it is expected to involve a broadly similar administrative workload.

Data sources

- Commonwealth of Australia 2014, *2014-15 Budget Paper 2*, Commonwealth of Australia, Canberra.
- Department of Education and Training 2014, *Portfolio Budget Statements 2014-15*.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Tools for Your Trade
Summary of proposal:	The proposal would reintroduce the *Tools for Your Trade* (TFYT) program, which was abolished in the 2014-15 Budget. This proposal would make total payments of $3,000 (four $750 payments) over the duration of an apprenticeship. Payments would be made after three, 12 and 24 months and on successful completion. The reintroduction of TFYT would be offset by the abolition of the current Trade Support Loan (TSL) program. An evaluation of the TFYT program would be undertaken in 2019-20. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal balance by $98.4 million, decrease the underlying cash balance by $260.9 million and increase the headline cash balance by $1,444.7 million over the 2016-17 Budget forward estimates period.

This proposal would have an ongoing impact beyond the 2016-17 Budget forward estimates period, noting that an evaluation of the program would be undertaken in 2019-20. A breakdown of the financial implications over the period 2016-17 to 2026-27 is provided at Attachment A.

The *Methodology* section provides information on how the impacts on each budget balance were calculated. As the proposal affects financial asset transactions, the public debt interest (PDI) impact of the proposal has been included in this costing.

This costing is considered to be of medium reliability. While estimates are based on TFYT recipient projections provided by the Department of Education and Training, the impact of the proposal is sensitive to assumptions relating to the uptake of the TFYT program.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	-29.8	-37.8	-30.8	**-98.4**
Underlying cash balance	-	-95.3	-94.3	-71.3	**-260.9**
Headline cash balance	-	467.6	474.2	502.9	**1,444.7**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

In costing this proposal, it has been assumed that:

- existing participants in the TSL program would remain eligible for payments under the TFYT program
- all prospective participants in the TSL program would take up the reintroduced TFYT program
- participants in the TSL program would move to the TFYT program.

Methodology

Tools for Your Trade component

The administered expense of this component was estimated by multiplying projected TFYT recipients at each of the payment intervals by the respective payment amounts. Projected recipient numbers were calculated based on data provided by the Department of Education and Training.

Departmental expenses for the reintroduction of TFYT were estimated based on the ratio of administered to departmental expenses for the Australian Apprenticeship Incentives Program over the forward estimates.

Trade Support Loans component

The impacts from abolishing the TSL program were derived as follows:

- The fiscal balance impact (noting the direction of the change arising because this proposal is to reverse the concessional loan facility) for each year is the change in:
  - the departmental costs *(positive impact)*
  - interest revenue that accrues *(negative impact)*
  - the concessional loan discount expense *(positive impact)*
  - the unwinding of the concessional loan discount expense *(negative impact)*
  - the PDI/financing cost *(positive impact)*.

- The underlying cash balance impact for each year is derived as follows:
  - the departmental costs *(positive impact)*
  - interest receipts received by the Government from loan recipients *(negative impact)*
  - the PDI/financing cost *(positive impact)*.
- The headline cash balance impact for each year is derived as follows:
  - the departmental costs *(positive impact)*
  - the loan principal advanced under the financing facility *(positive impact)*
  - interest receipts received by the Government from loan recipients *(negative impact)*
  - loan repayments *(negative impact)*
  - the PDI/financing cost *(positive impact)*.

Data sources

The Department of Education and Training provided:

- the TFYT forward estimates model at the 2014-15 Budget
- the TSL forward estimates model at the 2016-17 Budget
- the Australian Apprenticeships Incentives Program administered and departmental expenditure forward estimates at the 2016-17 Budget.

The Department of Finance provided indexation and efficiency dividend parameters.

Attachment A: Tools for Your Trade—financial implications

Table A1: Tools for Your Trade—Fiscal balance[a][b]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Tools for Your Trade (TFYT) program													
Administered	-	-184.9	-196.0	-188.7	**-569.6**	-192.2	-194.1	-196.0	-198.0	-200.0	-202.0	-204.0	**-1,955.8**
Departmental	-	-3.8	-4.0	-3.9	**-11.7**	-3.9	-4.0	-4.0	-4.1	-4.1	-4.1	-4.2	**-40.2**
Total – TFYT	-	-188.7	-200.1	-192.5	**-581.3**	-196.1	-198.1	-200.1	-202.0	-204.1	-206.1	-208.2	**-1,995.9**
Trade Support Loan (TSL) program													
Net change in concessional loan discount	-	65.1	65.7	60.9	**191.7**	55.9	60.9	60.9	60.9	60.9	60.9	60.9	**613.2**
Change in concessional loan discount expense	-	65.1	65.7	66.4	**197.2**	67.0	67.7	68.4	69.1	69.8	70.5	71.2	**680.8**
Change in concessional loan discount unwinding revenue	-	-	-	-5.5	**-5.5**	-11.1	-17.0	-23.2	-29.7	-36.4	-41.5	-44.9	**-209.4**
Change in discount on loans	-	87.9	88.7	89.6	**266.2**	90.5	91.4	92.3	93.3	94.2	95.1	96.1	**919.1**
Change in interest accrued	-	-	-10.1	-21.4	**-31.5**	-32.8	-44.7	-57.1	-70.0	-79.8	-86.4	-89.2	**-491.4**
Total – TSL	-	152.9	144.4	129.2	**426.5**	113.7	97.4	80.4	62.7	47.7	37.7	33.1	**899.2**
Public debt interest	-	6.0	17.8	32.6	**56.4**	54.5	82.0	115.9	153.7	191.7	228.2	261.4	**1,143.8**
Total	**-**	**-29.8**	**-37.8**	**-30.8**	**-98.4**	**-28.0**	**-18.6**	**-3.7**	**14.3**	**35.3**	**59.8**	**86.4**	**47.1**

(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.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Table A2: Tools for Your Trade—Underlying cash balance(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Tools for your Trade (TFYT) program													
Administered	-	-184.9	-196.0	-188.7	**-569.6**	-192.2	-194.1	-196.0	-198.0	-200.0	-202.0	-204.0	**-1,955.8**
Departmental	-	-3.8	-4.0	-3.9	**-11.7**	-3.9	-4.0	-4.0	-4.1	-4.1	-4.1	-4.2	**-40.2**
Total – TFYT	-	-188.7	-200.1	-192.5	**-581.3**	-196.1	-198.1	-200.1	-202.0	-204.1	-206.1	-208.2	**-1,995.9**
Trade Support Loan (TSL) program													
Change in discount on loans	-	87.9	88.7	89.6	**266.2**	90.5	91.4	92.3	93.3	94.2	95.1	96.1	**919.1**
Change in interest received	-	-	-	-	**-**	-	-	-	-1.9	-6.0	-12.6	-21.5	**-42.1**
Total – TSL	-	87.9	88.7	89.6	**266.2**	90.5	91.4	92.3	91.3	88.2	82.6	74.6	**877.1**
Public debt interest	-	5.6	17.0	31.6	**54.2**	52.9	80.1	113.5	151.1	189.0	225.6	259.1	**1,125.5**
Total	**-**	**-95.3**	**-94.3**	**-71.3**	**-260.9**	**-52.7**	**-26.6**	**5.8**	**40.3**	**73.1**	**102.1**	**125.5**	**6.7**

(a) 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.

Table A3: Tools for Your Trade—Headline cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Tools for your Trade (TFYT) program													
Administered	-	-184.9	-196.0	-188.7	**-569.6**	-192.2	-194.1	-196.0	-198.0	-200.0	-202.0	-204.0	**-1,955.8**
Departmental	-	-3.8	-4.0	-3.9	**-11.7**	-3.9	-4.0	-4.0	-4.1	-4.1	-4.1	-4.2	**-40.2**
Total – TFYT	-	-188.7	-200.1	-192.5	**-581.3**	-196.1	-198.1	-200.1	-202.0	-204.1	-206.1	-208.2	**-1,995.9**
Trade Support Loan (TSL) program													
Change in loans issued	-	650.8	657.3	663.8	**1,971.9**	670.5	677.2	684.0	690.8	697.7	704.7	711.7	**6,808.5**
Change in principal repayments received	-	-	-	-	**-**	-	-	-	-114.6	-230.4	-347.3	-465.4	**-1,157.8**
Change in interest repayments received	-	-	-	-	**-**	-	-	-	-21.6	-46.9	-75.9	-108.7	**-253.1**
Total - TSL	-	650.8	657.3	663.8	**1,971.9**	670.5	677.2	684.0	554.5	420.4	281.5	137.6	**5,397.6**
Public debt interest	-	5.6	17.0	31.6	**54.2**	52.9	80.1	113.5	151.1	189.0	225.6	259.1	**1,125.5**
Total	**-**	**467.6**	**474.2**	**502.9**	**1,444.7**	**527.3**	**559.2**	**597.4**	**503.6**	**405.4**	**301.1**	**188.5**	**4,527.2**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Water Safe
Summary of proposal:	The proposal would introduce a 'Swim and Survive in Schools – A National Water Safety Initiative' program. The program would have the following characteristics: • The swimming and water safety training would be based on the National Swimming and Water Safety Framework. • The program would give access to instruction in swimming and water safety equivalent to level 4 of the National Swimming and Water Safety Framework. • This program would be administered by state and territory education departments (not the Commonwealth). The Commonwealth would provide a maximum of $35 per student to state and territory governments for every year 3 student across all states and territories in Australia. This funding commitment would be matched by funding from state and territory governments. The funding cap would be indexed each year by the Consumer Price Index (CPI). The proposal would have effect from 1 January 2017 and would be ongoing.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $40.8 million over the 2016-17 Budget forward estimates period. This is entirely due to an increase in administered expenses. The impact in 2016-17 reflects the half year effect of introducing the policy for the 2017 school year.

As the program would be administered by state and territory education departments, departmental costs for the Department of Education and Training (DET) are not expected to be material.

This proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of high reliability as the proposal is for a specified amount per student and the historic growth in year 3 students is stable and therefore reasonably predictable.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-5.5	-11.3	-11.7	-12.2	**-40.8**
Underlying cash balance	-5.5	-11.3	-11.7	-12.2	**-40.8**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

It is assumed that the growth in the number of year 3 students would be equivalent to the historical average annual growth of year 3 students from 2006 to 2015.[1]

Methodology

The financial implications of the proposal were derived by multiplying the estimated number of year 3 students by the specified Commonwealth maximum provision of $35 per student (indexed by CPI annually from 2017 onwards).

Calculations were made on a calendar school year basis and then converted to financial years.

Data sources

Australian Bureau of Statistics, 'Table 42b Number of Full-time and Part-time Students 2006-2015', in *Australian Schools 2015*, cat. no. 4221.0, ABS, available at: http://www.abs.gov.au/AUSSTATS/abs@.nsf/DetailsPage/4221.02015?OpenDocument.

The Department of the Treasury provided Australian population estimates by age.

1 Growth rates were comparable with the projected Australian population growth in persons aged 8 (the most common age of year 3 students).

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Your Child. Our Future. Needs-Based School Funding**
Summary of proposal:	The proposal would amend Commonwealth funding arrangements for schools from the 2018 school year and beyond to fund schools in line with the National Education Reform Agreements (NERA) and the *Australian Education Act 2013* with all states and territories reaching 95 per cent of the Schooling Resource Standard (SRS) following the funding trajectories set out in the NERA (reach 95 per cent SRS in the 2022 school year for Victoria and 2019 school year for all other jurisdictions). • For Western Australia, Queensland and the Northern Territory provide funding from 2018 onwards as though these jurisdictions had signed up to the NERA on the same basis as the final offers made to them in 2013. Once total funding for a school reached 95 per cent of SRS Commonwealth funding for that school would be indexed by 3 per cent per annum and account for enrolment growth. The proposals would commence on 1 January 2018.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The NERA between the Commonwealth and state/territory governments aims to increase school funding over the period 2014 to 2019 to 95 per cent funding of the SRS.[1] In the 2014-15 Budget the Government announced that from 1 January 2018 Commonwealth funding to schools will increase by the Consumer Price Index (CPI) and account for student enrolment growth.[2] In the 2016-17 Budget the Government announced that total school

1 Note Western Australia, Queensland and the Northern Territory did not sign up to NERA. Further, Victoria's NERA aim to increase school funding to reach 95 per cent of SRS by 2022.

2 2014-15 Budget measure, Students First – indexation of school funding from 2018.

funding for the 2018, 2019 and 2020 school years would be indexed by 3.56 per cent and account for student enrolment growth.[3]

This proposal would fund schools from 2018 onwards in line with the NERA and the *Australian Education Act 2013* (the Education Act) with all states and territories reaching 95 per cent of SRS following the funding trajectories set out in the NERA.[4] For jurisdictions not currently signed up to the NERA (Western Australia, Queensland and the Northern Territory), funding to schools would be provided on the same basis as the final offers made to them in 2013. Once 95 per cent SRS is reached, Commonwealth funding would be indexed by 3 per cent per annum and account for enrolment growth.

This proposal would be expected to decrease both the fiscal and underlying cash balances by $5,290 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in administered expenses.

This proposal would not be expected to require additional departmental expenses, as the proposal relates to an existing function of the Department of Education and Training (DET). This is consistent with the 2016-17 Budget measure, *School Funding – additional funding from 2018* which did not provide departmental funding.

The proposal would have an ongoing impact beyond the forward estimates. A breakdown of the impact of the proposal to 2026-27 is at Attachment A.

The financial implications to 2019-20 are considered to be of medium reliability as they are based on current Commonwealth and state/territory school funding estimates and school data from DET. The reliability of the costing decreases the further into the future the estimates are projected.

Further, as current 2018 and 2019 Commonwealth funding estimates are not calculated on an individual school basis, the Parliamentary Budget Office (PBO) has applied the specification that no school would be worse off compared to current funding at a state/sector level.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	-470	-1,900	-2,910	**-5,290**
Underlying cash balance	-	-470	-1,900	-2,910	**-5,290**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

3 2016-17 Budget measure, School Funding – additional funding from 2018.

4 Note, as per the NERA, Victoria would not reach 95 per cent of the SRS until 2022.

Key assumptions

In costing this proposal the following assumptions have been made:

- The number of schools and characteristics of each school (except enrolment growth) would remain stable after 2017 (the last year of data provided by DET).
- Changes to enrolments after 2017 for each school would reflect the average change in enrolments for the relevant jurisdiction and school sector.
- For all school years after 2020, current Commonwealth funding would grow in line with CPI and school enrolments.

Methodology

With regard to current policy settings, schools funding estimates over the 2016-17 Budget forward estimates were provided by DET. For the period beyond the 2020 school year, schools funding under current policy settings was projected by indexing funding amounts by CPI and accounting for forecast student enrolment growth.

Projected funding amounts for the proposal were generated based on de identified school level data provided by DET. The estimated level of funding for each school in the DET database is calculated by determining whether the school is below, on or above SRS funding during each year of the costing period and applying the relevant funding formula as set out in the Education Act. For the years up to the target year in which 95 per cent of SRS would be reached, schools that are below SRS funding receive “additionality” funding to transition towards 95 per cent SRS funding. Once 95 per cent SRS is reached, Commonwealth funding indexed by 3 per cent per annum and enrolment growth has also been applied.

The costing was then derived by taking the difference between total Commonwealth funding for schools between proposed and current policy settings.

Calculations have been made on a calendar school year basis and then converted to financial years. As a result 2017-18 amounts reflect a half year impact.

Estimates have been rounded to the nearest $10 million.

Data sources

DET provided a confidentialised version of the schools payment model as at the 2016-17 Budget.

National Education Reform Agreements for New South Wales, Victoria, South Australia, the Australian Capital Territory and Tasmania.

Australian Education Act 2013 (Cwlth), https://www.comlaw.gov.au/Details/C2013A00067.

Attachment A: Your Child. Our Future. Needs-Based School Funding—financial implications

Table A1: Your Child. Our Future. Needs-Based School Funding—Financial implications (outturn prices)[a][b]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Fiscal and underlying cash balances													
School funding	-	-470	-1,900	-2,910	**-5,290**	-3,100	-3,620	-4,120	-4,400	-4,680	-4,970	-5,280	**-35,460**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Your Child. Our Future. Support for Students with Disability**
Summary of proposal:	The proposal has five components. Components 1 to 5 would provide $320 million for students with a disability, distributed evenly over the 2017 to 2019 school years, as follows: <u>Component 1</u> $240 million to schools to support students and deliver professional development and other capacity building programs, including establishing autism hubs and dyslexia friendly schools. <u>Component 2</u> $30 million for minor capital and equipment grants to support inclusion and accessibility for students with a disability. <u>Component 3</u> $40 million for up to 2,000 scholarships of $20,000 each for teachers to study a Masters of Inclusive Education or equivalent. <u>Component 4</u> $10 million for programs to reduce bullying against students with a disability. <u>Component 5</u> $150,000 per financial year over the 2016-17 Budget forward estimates for *Children with Disability Australia*. This component would commence from 1 July 2017. Departmental costs for Components 1 to 5 of the proposal are to be provided from within the capped amounts. The proposal would be partially offset by reversing the 2016-17 Budget measure, *School Funding – additional funding for students with a disability*.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $202.2 million over the 2016-17 Budget forward estimates period. This reflects a net increase in administered expenses of $187.4 million and an increase in departmental expenses of $14.8 million over this period. A detailed breakdown of the components of this proposal is included at Attachment A.

The proposal would not have any financial implications beyond the 2016-17 Budget forward estimates period. Components 1 to 5 of the proposal would cease in 2019-20 and the reversal of the 2016-17 Budget measure only affects 2016-17 and 2017-18.

The costing is considered to be of high reliability. Components 1 to 5 are based on specified capped amounts with departmental costs based on similar programs that would be funded from within these capped amounts. Savings from the reversal of the 2016-17 Budget measure reflect figures published in the 2016-17 Budget.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	33.4	-75.2	-106.8	-53.5	**-202.2**
Underlying cash balance	33.4	-75.2	-106.8	-53.5	**-202.2**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

Components 1 to 5

Departmental expenditure estimates are based on like initiatives and estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance’s costing practices.

Administered expenditure estimates for the proposal are the remainder of the capped funding amounts after allowing for the estimated departmental expenditure.

Financial implications were calculated on a calendar (school) year basis prior to conversion to financial years.

Reversal of the measure

Under the 2016-17 Budget measure, *School Funding – additional funding for students with a disability* (refer page 80 of 2016-17 Budget Paper No. 2) the Department of Education and Training is expected to spend $118.2 million over two years. The reversal of this measure yields equivalent savings.

Data sources

The Department of Finance provided indexation and efficiency dividend parameters.

Commonwealth of Australia 2016, *2016-17 Budget measure, School Funding – additional funding for students with a disability*, Commonwealth of Australia, Canberra.

Attachment A: Your Child. Our Future. Support for Students with Disability—financial implications

Table A1: Combined impact of all components—Financial implications[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Expenses (Components 1-5)					
Administered	*-50.4*	*-102.4*	*-102.4*	*-50.5*	***-305.7***
Departmental	*-3.0*	*-4.4*	*-4.4*	*-3.0*	***-14.8***
Expenses (Components 1-5) - total	***-53.5***	***-106.8***	***-106.8***	***-53.4***	***-320.5***
Reversal of the 2016-17 Budget measure, *School Funding – additional funding for students with a disability*					
Administered	*86.7*	*31.6*	-	-	***118.3***
Total	**33.4**	**-75.2**	**-106.8**	**-53.5**	**-202.2**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Table A2: Component 1 – Provide funding to schools for capacity building programs—Financial implications[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	*-38.4*	*-78.2*	*-78.3*	*-38.4*	***-233.3***
Departmental	*-1.6*	*-1.8*	*-1.7*	*-1.6*	***-6.7***
Total	**-40.0**	**-80.0**	**-80.0**	**-40.0**	**-240.0**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.

Table A3: Component 2 – Provide funding to schools for minor capital and equipment—Financial implications[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	*-4.8*	*-9.5*	*-9.5*	*-4.8*	*-28.6*
Departmental	*-0.2*	*-0.5*	*-0.5*	*-0.2*	*-1.4*
Total	**-5.0**	**-10.0**	**-10.0**	**-5.0**	**-30.0**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.

Table A4: Component 3 – Provide funding to schools for scholarships to teachers—Financial implications[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	*-6.4*	*-12.9*	*-12.9*	*-6.4*	***-38.6***
Departmental	*-0.2*	*-0.5*	*-0.5*	*-0.2*	***-1.4***
Total	**-6.6**	**-13.4**	**-13.4**	**-6.6**	**-40.0**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.

Table A5: Component 4 – Provide funding to schools for programs to reduce bullying against students with a disability—Financial implications[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	*-0.8*	*-1.6*	*-1.6*	*-0.8*	***-4.8***
Departmental	*-0.9*	*-1.7*	*-1.7*	*-0.9*	***-5.2***
Total	**-1.7**	**-3.3**	**-3.3**	**-1.7**	**-10.0**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.

Table A6: Component 5 – Provide funding to Children with a Disability Australia—Financial implications(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	-	*-0.1*	*-0.1*	*-0.1*	***-0.4***
Departmental	-	..	..	..	**..**
Total	**-**	**-0.2**	**-0.2**	**-0.2**	**-0.5**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
.. Indicates the value is not zero, but rounded to zero.

Table A7: Reverse the 2016-17 Budget measure, School Funding – additional funding for students with a disability—Financial implications(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	*86.7*	*31.6*	-	-	***118.3***
Departmental	-	-	-	-	**-**
Total	**86.7**	**31.6**	**-**	**-**	**118.3**

(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.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	ATSI Teaching Scholarships
Summary of proposal:	This proposal would provide 400 teacher training scholarships to increase the number of Indigenous teachers in classrooms. Scholarships would be valued at $5,000 per year of full time study and would be available for up to four years of continuous study. One hundred scholarships would be offered per year starting from 1 January 2017. Departmental expenditure of $200,000 per annum would be provided to administer the program.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $4.8 million over the 2016-17 Budget forward estimates period. This impact reflects an increase in administered expenses of $4 million and an increase in departmental expenses of $0.8 million over this period.

This proposal would have an impact beyond the forward estimates period that would decline over time as students complete their four years of full time study. The proposal would have no financial impact beyond 2023-24.

The costing is considered to be of high reliability as it is based on a specified level of payment to a specified number of recipients and specified departmental funding.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-0.5	-1.0	-1.5	-2.0	**-4.8**
Underlying cash balance	-0.5	-1.0	-1.5	-2.0	**-4.8**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

It was assumed that the scholarship program would be fully subscribed and students receiving scholarships would complete the full four years of study.

Methodology

Administered expenses were estimated by multiplying the 100 scholarships provided for each commencement year by $5,000 per annum over the four years of full time study undertaken by each recipient.

Departmental expenses are the specified amounts.

Attachment A: ATSI Teaching Scholarships—financial implications

Table A1: ATSI Teaching Scholarships—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Administered	*-0.3*	*- 0.8*	*-1.3*	*-1.8*	***-4.0***
Departmental	*-0.2*	*-0.2*	*-0.2*	*-0.2*	***-0.8***
Total	**-0.5**	**-1.0**	**-1.5**	**-2.0**	**-4.8**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Child care – more assistance for families sooner
Summary of proposal:	The proposal has the following components: • Do not proceed with Child Care Subsidy (CCS) system due to commence on 1 July 2018 (except for the Inclusion Support Program) and instead: – provide a one-off increase to the Child Care Benefit (CCB) rate of 15 per cent from 1 January 2017 – increase the Child Care Rebate (CCR) annual cap from $7,500 to $10,000 from 1 January 2017. • Increase funding for Family Day Care Services by a capped amount of $50 million over the forward estimates period from 1 July 2017. • Provide $63.2 million in capped capital grants (of up to $50,000 each) to establish or expand Outside School Hours Care for three years from 1 July 2017. • Provide a 15 per cent increase in funding for Budget Base Funded (BBF) indigenous and mobile services from 1 January 2017. • Provide capped funding of $25 million over the forward estimates period from 1 July 2017 for capital improvements to BBF services. • Provide capped funding of $6 million over the forward estimates period from 1 July 2017 for the expansion of mobile BBF services. • Provide capped funding of $100 million over the forward estimates period from 1 July 2017 for early education and care services to reduce waiting lists in areas of very high demand. The overall proposal would commence 1 January 2017, with start dates as specified.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to increase the fiscal balance by $59.6 million and increase the underlying cash balance by $171.4 million over the 2016-17 Budget forward estimates period. The fiscal balance impact reflects an increase in administered expenses of $101 million and a decrease in departmental expenses of $160 million over this period. A breakdown of the financial implications over the 2016-17 Budget forward estimates period is provided at Attachment A.

This proposal would have an ongoing impact beyond the 2016-17 Budget forward estimates period. The components related to not proceeding with the CCS, and increasing the CCB rate, the CCR cap and BBF funding to indigenous and mobile services would have an ongoing impact beyond the 2016-17 Budget forward estimates period. The ongoing financial implications beyond the forward estimates would be expected to be in the order of $700 million per year, growing in line with growth in underlying parameters, including the take-up rate of child care places and costs of child care.

Financial implications on the fiscal balance and underlying cash balance are different due to reconciliation arrangements within the child care payment system that require some payments owing in one financial year to be held over to the subsequent financial year.

This costing is considered to be of medium to low reliability. While the costing is based on detailed administrative data on children in approved child care, the Parliamentary Budget Office (PBO) has made assumptions about child care usage and the fees charged by child care providers over the 2016-17 Budget forward estimates period and the medium term. For components with specified capped amounts or with expansion of funding to existing programs, there is uncertainty regarding the flow-on impacts to the broader child care system.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal balance	-293.0	-651.7	431.2	573.1	**59.6**
Underlying cash balance	-284.7	-642.0	440.7	657.6	**171.4**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The costing assumes that all additional child care places created due to expanded services would be utilised.

Methodology

- The financial implications of not proceeding with the CCS system were estimated based on extracts from the Central Budget Management System (CBMS) provided by the Department of Finance.
- For the CCB rate and CCR cap increases, child care models based on unit record administrative data were used to simulate entitlements under both the current child care system and the proposal over the forward estimates period. The differences in entitlements represent the financial implications of the proposal.
- The flow-on costs to the child care system due to increased places were estimated by multiplying the expected increase in the number of children by the average cost per child care place. The estimated additional number of child care places was calculated by dividing the grant funding amounts by the average capital costs required to expand child care facilities.
- The departmental expenditure estimates are based on other similar initiatives and estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Data sources

- The Department of Education and Training provided child care models and underlying unit record data of child care fee assistance recipients, and estimates and cost breakdown for the BBF program.
- The Department of Human Services provided the average departmental costs for child care.
- The Department of Finance provided information from the CBMS and indexation and efficiency dividend parameters.

Attachment A: Child care – more assistance for families sooner—financial implications

Table A1: Child care – more assistance for families sooner—Fiscal balance(a)(b)

(\$)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered	*-293.0*	*-696.2*	*371.2*	*517.5*	***-100.5***
Departmental	-	*44.5*	*60.0*	*55.6*	***160.1***
Total	**-293.0**	**-651.7**	**431.2**	**573.1**	**59.6**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Table A2: Child care – more assistance for families sooner—Underlying cash balance(a)(b)

(\$)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered	*-284.7*	*-685.9*	*382.3*	*603.7*	***15.3***
Departmental	-	*43.9*	*58.4*	*53.9*	***156.1***
Total	**-284.7**	**-642.0**	**440.7**	**657.6**	**171.4**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**National Parks trigger**
Summary of proposal:	The proposal would legislate for a national parks trigger in the *Environmental Protection and Biodiversity Conservation Act 1999* (the EPBC Act) to ensure any proposed developments in a national park would be subject to the EPBC Act approval process. The policy would ensure that any development within a national park (including marine parks) would be subject to an assessment by the Department of the Environment and approval from the Minister for the Environment. Through this process, any possible risks to the national parks would be identified and the Minister would then have the power to impose specific conditions on projects to ensure the park is protected. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $14.9 million over the 2016-17 Budget forward estimates period. This impact is due to an increase in departmental expenses of $34.2 million, mainly relating to compliance activities, and an increase in administered expenses of $1.4 million. This would be partially offset by an increase in revenue of $20.8 million from cost recovery of certain mechanisms of the EPBC Act.

The proposal would have an ongoing impact beyond the 2016-17 Budget forward estimates period growing in line with indexation. A breakdown of the impact of the proposal across the 2016-17 budget forward estimates is provided at Attachment A.

The financial implications are considered to be of medium reliability as, while the cost estimates are based on a previous amendment to the EPBC Act for the water trigger, the Department of the Environment has advised that there is uncertainty as to the number of new proposals that are likely to be referred and require assessment as a result of the new trigger and the staff time involved in additional compliance monitoring, auditing and investigations for the new trigger.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-4.5	-5.3	-5.0	**-14.9**
Underlying cash balance	-	-4.5	-5.3	-5.0	**-14.9**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

It has been assumed that:

- the introduction of a national parks trigger would have a similar impact as the introduction of the water trigger
- costs associated with providing EPBC Act assessments and approvals under the national parks trigger would be subject to the current EPBC Act cost-recovery arrangements.

Methodology

The impact of the proposal was derived by projecting Commonwealth cost estimates based on a previous amendment to the EPBC Act for the water trigger by appropriate indexation rates.

Data sources

The Department of the Environment provided:

- Commonwealth costs for the introduction of the water trigger
- advice on the cost-recovery process of the EPBC Act approval process.

Attachment A: National Parks Trigger—financial implications

Table A1: National Parks Trigger—Financial implications (outturn prices)[a][b]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Revenue	-	*6.0*	*7.3*	*7.4*	*20.8*
Expenses					
Administered	-	*-0.4*	*-0.5*	*-0.5*	*-1.4*
Departmental	-	*-10.2*	*-12.2*	*-11.9*	*-34.2*
Total	**-**	**-4.5**	**-5.3**	**-5.0**	**-14.9**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Retaining the Climate Change Authority
Summary of proposal:	The proposal would reverse the abolition of the Climate Change Authority (CCA). The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The 2016-17 Budget papers reflect the assumed closure of the CCA on 31 December 2016.

This proposal would decrease the fiscal and underlying cash balances by $25.6 million over the 2016-17 Budget forward estimates. This is entirely due to an increase in departmental expenses.

This proposal would have an ongoing financial impact beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of high reliability as it is based on the CCA departmental appropriation prior to the announcement of its abolition (adjusted for changes in parameters).

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	-8.6	-8.5	-8.5	**-25.6**
Underlying cash balance	-	-8.6	-8.5	-8.5	**-25.6**

(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.
- Indicates nil.

Methodology

This costing restores the departmental appropriation to the levels previously projected prior to the proposed abolition of the agency in the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO), updated for changes to parameters.

Data sources

The Department of Finance provided the Central Budget Management System data for the 2014-15 MYEFO.

Department of the Environment 2016, *2016-17 Portfolio Budget Statements*.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Water Trigger**
Summary of proposal:	The proposal would expand the Water Trigger within the *Environmental Protection and Biodiversity Conservation Act 1999* (EPBC Act) to include shale gas projects. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $1.3 million over the 2016-17 Budget forward estimates period. This reflects an increase in departmental expenses of $3.2 million, mainly relating to compliance activities, and an increase in administered expenses of $0.1 million. This would be partially offset by an increase in revenue of $2.0 million from cost recovery of certain mechanisms of the EPBC Act.

The proposal would have ongoing financial implications beyond the 2016-17 Budget forward estimates period. A breakdown of the financial implications over the 2016-17 Budget forward estimates period is at Attachment A.

The financial implications are considered to be of medium reliability as, while the cost estimates are based on a previous amendment to the EPBC Act for the Water Trigger and departmental estimates of the number of expected projects, the Department of the Environment has advised that there is uncertainty as to the number of new proposals that are likely to be referred and require assessment as a result of the new trigger and the staff time involved in additional compliance monitoring, auditing and investigations for the new trigger.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal balance	-	-0.4	-0.4	-0.4	**-1.3**
Underlying cash balance	-	-0.4	-0.4	-0.4	**-1.3**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

It has been assumed that costs associated with providing EPBC Act assessments and approvals under the expanded Water Trigger would be subject to the current EPBC Act cost recovery arrangements.

Methodology

The impact of the proposal was derived by projecting Commonwealth cost estimates based on a previous amendment to the EPBC Act for the Water Trigger by appropriate indexation rates, and scaling impacts for the specified trigger, based on advice from the Department of the Environment.

Data sources

The Department of the Environment provided:

- Commonwealth costs for the introduction of the Water Trigger
- estimates of the expected number of shale gas projects subject to the EPBC Act approval process
- advice on the cost-recovery process of the EPBC Act approval process.

The Department of Finance provided indexation and efficiency dividend parameters.

Attachment A: Water Trigger—financial implications

Table A1: Water Trigger—Fiscal and underlying cash balances[(a)(b)(c)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Revenue	-	*0.7*	*0.7*	*0.7*	***2.0***
Expenses					
Administered	-	..	..	..	***-0.1***
Departmental	-	*-1.1*	*-1.1*	*-1.1*	***-3.2***
Total	**-**	**-0.4**	**-0.4**	**-0.4**	**-1.3**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
(c) EPBC assessments are fully cost-recovered and therefore have no net impact on the budget. As a result, an estimate of the change in revenue and departmental expenditure related to any increase in assessments has not been undertaken due to uncertainty around the increase in assessment volumes.
.. Not zero, but rounded to zero.
\- Indicates nil

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**World Heritage Listings**
Summary of proposal:	The proposal would provide Commonwealth funding to support: • nominating the Cape York Peninsula for World Heritage listing, subject to the consent of the traditional owners • nominating the West Kimberley region (that was granted National Heritage listing) for World Heritage listing, subject to the consent of the traditional owners • expanding the World Heritage listing for the Daintree Rainforest to include cultural values. Funding would be required to support consultation with the Indigenous communities in the three locations. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $13.3 million over the 2016-17 Budget forward estimates period. This impact is due to an increase in administered expenses of $8.0 million and an increase in departmental expenses of $5.3 million.

The proposal would not be expected to have an ongoing impact beyond the 2016-17 Budget forward estimates period as funding would terminate on 30 June 2020. Detailed financial implications are provided at Attachment A.

This costing is considered to be of low reliability. While the estimates are based on a previous World Heritage nomination, the Department of the Environment has advised that the process and cost of nominations varies considerably depending on the size of the region, the level of research and analysis required to define values and boundaries, and the number and diversity of stakeholders required to be consulted.

Further, the cost to the Commonwealth would also depend on the costs covered by the relevant state or territory government. The approach agreed by the Commonwealth and state and territory governments in the 2009 World Heritage Intergovernmental Agreement resolved that the state or territory in which the region is located would be responsible for the preparation of a World Heritage nomination in consultation with the Commonwealth.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	-8.7	-4.1	-0.4	**-13.3**
Underlying cash balance	-	-8.7	-4.1	-0.4	**-13.3**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

It has been assumed that the Commonwealth would provide contributions over three years to each of the three nominations in line with the amount of contribution made for the World Heritage nomination for Cape York 2012-13 to 2015-16, adjusted for size differences between the regions.

Methodology

The impact of the proposal was derived by projecting Commonwealth costs for preparatory work on the World Heritage nomination for Cape York 2012-13 to 2015-16 (see *Data sources*) by appropriate indexation rates, accounting for the different sizes of each of the regions.

Data sources

The Department of the Environment provided advice on the process and cost of World Heritage nominations and Commonwealth costs for preparatory work on the World Heritage nomination for Cape York 2012-13 to 2015-16.

Attachment A: World Heritage Listings—financial implications

Table A1: World Heritage Listings—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Administered	-	*-5.3*	*-2.7*	-	*-8.0*
Departmental	-	*-3.4*	*-1.4*	*-0.4*	*-5.3*
Total	**-**	**-8.7**	**-4.1**	**-0.4**	**-13.3**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Increasing funding for the Clean Energy Regulator**
Summary of proposal:	The proposal would increase departmental funding for the Clean Energy Regulator (CER) by 25 per cent per year. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $54.0 million over the 2016-17 Budget forward estimates period. This impact entirely reflects an increase in departmental expenses.

This proposal would be expected to have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of high reliability as the estimates are based on the current departmental appropriation for the CER.

Table 1: Financial implications (outturn prices)[a][b]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	-17.8	-18.0	-18.2	**-54.0**
Underlying cash balance	-	-17.8	-18.0	-18.2	**-54.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

The existing departmental appropriation for the CER was increased by 25 per cent over the 2016-17 Budget forward estimates period.

Data sources

The Department of Finance provided extracts from the Central Budget Management System.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Chemical contamination at Defence sites**
Summary of proposal:	The proposal would provide an assistance package in response to the Senate Foreign Affairs, Defence and Trade References Committee report: Inquiry into firefighting foam contamination Part A – RAAF Base Williamtown, comprising the following components: <u>Component 1 - Establish taskforce</u> This component would establish a national intergovernmental taskforce to address perfluorinated chemical contamination. <u>Component 2 - National voluntary blood tests</u> This component would provide funding to the Department of Health to co-ordinate and fund a program of up to 10,000 voluntary blood tests over four years for communities that may be affected by perfluorinated chemical contamination. <u>Component 3 - Health study</u> This component would provide a capped grant of $1.0 million to commission a study that would establish a baseline for future health monitoring for the residents of the investigation area. <u>Component 4 - Connection to town water</u> This component would provide a capped grant of $4.0 million to the New South Wales Government to assist in the connection of affected developed properties within the investigation area to town water. <u>Component 5 - Extend income support payments for commercial fishers beyond their current expiry of 30 June 2016</u> This component would extend the expiration date of current assistance payments until the end of the summer (March 2017) fishing season.

	Component 6 - Grace period for fishing licences and other licences associated with primary producing Under this component the Government would write to the relevant New South Wales Government agencies seeking leniency on the payment of licence fees until 1 February 2017. The grace period will be reviewed after 1 February 2017. Component 7 - Grace period on home and/or business loans Under this component the Government would write to lending institutions seeking leniency on repayments until 1 February 2017. The grace period would be reviewed after 1 February 2017. Component 8 - Defence Liaison Group This component would establish a team within the Department of Defence (Defence) to work on perfluorooctane sulfonate (PFOS) and perfluorooctanoic acid (PFOA) contamination. The proposal commences on 1 July 2016 and terminates as specified or at the end of 2019-20.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the underlying cash and fiscal balances by $21.7 million over the 2016-17 Budget forward estimates period. This impact is due to an increase of $12.0 million in administered expenses and $9.7 million in departmental expenses.

The proposal would not have an impact beyond the 2016-17 Budget forward estimates period as all components would cease before or at the end of the 2019-20 financial year. A breakdown of the impact of the components of the proposal over the 2016-17 Budget forward estimates period is included at Attachment A.

The costing is considered to be of medium reliability as, while a number of the components are specified capped amounts, a number of assumptions have been applied regarding the size, scope and take-up of certain components.

No analysis has been undertaken to determine the adequacy of the prescribed funding amounts for Components 3 and 4 to achieve the objective of the specified activities.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-9.4	-4.4	-3.9	-3.9	**-21.7**
Underlying cash balance	-9.4	-4.4	-3.9	-3.9	**-21.7**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing this proposal it has been assumed that:

- the taskforce in Component 1 would be similar in size and scope to recent Government taskforces announced in the 2016-17 Budget
- under Component 2, all 10,000 voluntary blood tests would be utilised
- Components 3, 4, 6 and 7 would not be administratively burdensome and therefore would not require additional departmental expenditure
- under Component 5, only the income recovery subsidy would be extended to March 2017 and all affected fishing operators would receive the payments (see *Data sources*).

Methodology

The impact of the proposal was derived as the sum of the following:

Component 1 – Establish taskforce

The impact was calculated based on the average cost (and administered/departmental allocation) of recent Government taskforces announced in the 2016-17 Budget.

Component 2 – National voluntary blood tests

The impact was derived based on applying the estimated average Medicare unit cost for the blood tests by the specified number of tests (2,500 tests per year over four years), with additional expected administrative costs also included.

Component 3 – Health study

Administered expenditure is as specified, with the $1.0 million split evenly over 2016-17 and 2017-18.

Component 4 – Connection to town water

Administered expenditure is as specified, with $4.0 million provided in 2016-17 only.

Component 5 – Extend income support payments for commercial fishers beyond their current expiry of 30 June 2016

The impact was derived by multiplying the estimated allowance by the additional number of weeks and the expected number of recipients, with additional expected administrative costs also included. The impacts account for the recent announcement by the Assistant Minister for Defence (see *Data sources*) to extend income support payments beyond 30 June 2016 for a further eight weeks.

Component 6 – Grace period for fishing licences and other licences associated with primary producing, and Component 7 – Grace period on home and/or business loans

These components are not expected to have a budget impact as they do not require any Commonwealth expenditure.

Component 8 – Defence Liaison Group

The departmental impact was calculated based on the provision of a seven person team and estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Data sources

- The Department of Finance provided indexation and efficiency dividend parameters.
- Senate Foreign Affairs, Defence and Trade References Committee report: Inquiry into firefighting foam contamination Part A – RAAF Base Williamtown.
- Commonwealth of Australia 2016, *2016-17 Budget*.
- Medicare statistics http://medicarestatistics.humanservices.gov.au/statistics/mbs_item.jsp.
- Australian Institute of Health and Welfare, GP pathology ordering report http://www.aihw.gov.au/WorkArea/DownloadAsset.aspx?id=6442456256.
- *Assistant Minister for Defence – Federal Government extends its support to commercial fishers in Tilligerry Creek and Fullerton Cove*. Media release of 15 April 2016 http://www.minister.defence.gov.au/2016/04/15/assistant-minister-for-defence-federal-government-extends-its-support-to-commercial-fishers-in-tilligerry-creek-and-fullerton-cove/.
  - "The Australian Government will continue to provide an Income Recovery Subsidy to individuals who have experienced a loss of income as a result of closure of the fisheries. These payments will continue for a period of eight weeks after 30 June 2016, which is when the NSW Government is due to make a decision on the current bans."

Attachment A: Chemical contamination at Defence sites—financial implications

Table A1: Chemical contamination at Defence sites—Financial implications[(a)(b)(c)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Component 1 – Establish taskforce					
Administered	*-1.3*	*-1.3*	*-1.3*	*-1.3*	***-5.3***
Departmental	*-1.3*	*-1.3*	*-1.3*	*-1.3*	***-5.3***
Component 2 – National voluntary blood tests					
Administered	*-0.2*	*-0.2*	*-0.2*	*-0.2*	***-0.8***
Departmental	*-0.1*	*-0.1*	*-0.1*	*-0.1*	***-0.3***
Component 3 – Health study					
Administered	*-0.5*	*-0.5*	-	-	***-1.0***
Component 4 – Connection to town water					
Administered	*-4.0*	-	-	-	***-4.0***
Component 5 – Extend income support payments					
Administered	*-0.9*	-	-	-	***-0.9***
Departmental	*-0.1*	-	-	-	***-0.1***
Component 8 – Defence Liaison Group					
Departmental	*-1.0*	*-1.0*	*-1.0*	*-1.0*	***-4.0***
Total of all components					
Administered	*-6.9*	*-2.0*	*-1.5*	*-1.5*	***-12.0***
Departmental	*-2.5*	*-2.4*	*-2.4*	*-2.4*	***-9.7***
Total	**-9.4**	**-4.4**	**-3.9**	**-3.9**	**-21.7**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
(c) Components 6 and 7 have a nil impact.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Foreign Aid – stopping the clock**
Summary of proposal:	This proposal would increase the level of funding for Official Development Assistance (ODA) in 2016-17 to the same level as 2015-16. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $223.9 million over the 2016-17 Budget forward estimates period. This impact is due to an increase in administered expenses of $212.7 million and an increase in departmental expenses of $11.2 million over this period.

This proposal would not be expected to have an ongoing impact beyond the 2016-17 Budget forward estimates period as the funding amount only applies to the 2016-17 financial year.

Detailed financial implications are provided at Attachment A.

This costing is considered to be of high reliability as the estimates are based on 2016-17 Budget estimates for ODA in 2015-16 and 2016-17.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-223.9	-	-	-	**-223.9**
Underlying cash balance	-223.9	-	-	-	**-223.9**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

The impact of the proposal is the difference between the estimated total Australian ODA for 2015-16 and 2016-17 reported in the 2016-17 Budget papers.

The departmental component was based on the cap on departmental costs for the Department of Foreign Affairs and Trade to administer ODA announced in the 2014-15 Budget.

Data sources

Commonwealth of Australia 2014, 2014-15 Budget Paper No. 2, Commonwealth of Australia, Canberra.

Department of Foreign Affairs and Trade publication – Australian Aid Budget Summary 2016-17

Attachment A: Foreign Aid – stopping the clock—financial implications

Table A1: Foreign Aid – stopping the clock—Financial implications[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Administered	*-212.7*	-	-	-	***-212.7***
Departmental	*-11.2*	-	-	-	***-11.2***
Total	**-223.9**	**-**	**-**	**-**	**-223.9**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Increasing the Humanitarian Intake**
Summary of proposal:	The proposal would gradually increase the humanitarian intake to a level of 27,000 per year by 2025-26 (for current and proposed humanitarian intake profiles see Attachment A). This proposal would have effect from 1 July 2019.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $26.0 million over the 2016-17 Budget forward estimates period. In fiscal balance terms, this reflects an increase in administered expenses of $25.7 million and departmental expenses of $2.0 million partially offset by an increase in revenue of $1.7 million.

This proposal would have a financial impact beyond the 2016-17 Budget forward estimates period. A breakdown of the financial impact over the period 2016-17 to 2026-27 has been provided at Attachment B.

The proposal has a different impact on the fiscal and underlying cash balances from 2020-21 due to a lag between when services are provided and when payments are made under a range of affected programs.

This costing is considered to be of low reliability due to the considerable uncertainty around the magnitude of the flow-on impacts to Government programs arising from the increased humanitarian intake.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-	-	-26.0	-26.0
Underlying cash balance	-	-	-	-26.0	-26.0

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

In costing this proposal it has been assumed that the age breakdown of the humanitarian intake from the Department of Education and Training can be applied to all other agency models in which age disaggregation was necessary.

Methodology

The increase to the humanitarian intake was costed using a number of agency costing models associated with the 2015-16 Mid-Year Economic and Fiscal Outlook measure, *Syrian and Iraqi humanitarian crisis*. Flows for this measure have been adjusted based on costs shifted out of 2015-16 as advised by the Department of Immigration and Border Protection.

Data sources

Departmental costing models for the humanitarian intake associated with the 2015-16 Mid-Year Economic and Fiscal Outlook measure, *Syrian and Iraqi humanitarian crisis* from the:

- Australian Tax Office
- Department of Education and Training
- Department of Employment
- Department of Health
- Department of Human Services
- Department of Immigration and Border Protection
- Department of Social Services
- Department of the Treasury.

The Department of Finance provided efficiency dividend and indexation parameters.

Attachment A: Increasing the humanitarian intake—current and proposed humanitarian intake

Table A1: Increasing the humanitarian impact—Current and proposed humanitarian intake

Humanitarian intake	**2016–17**	**2017–18**	**2018–19**	**2019–20**	**2020–21**	**2021–22**	**2022–23**	**2023–24**	**2024–25**	**2025–26**	**2026–27**
Current policy	*23,750*	*16,250*	*18,750*	*18,750*	*18,750*	*18,750*	*18,750*	*18,750*	*18,750*	*18,750*	*18,750*
Proposed policy	*23,750*	*16,250*	*18,750*	*19,950*	*21,150*	*22,350*	*23,550*	*24,750*	*25,950*	*27,000*	*27,000*
Total	**-**	**-**	**-**	**1,200**	**2,400**	**3,600**	**4,800**	**6,000**	**7,200**	**8,250**	**8,250**

- Indicates nil.

Attachment B: Increasing the humanitarian intake—financial implications

Table B1: Increasing the humanitarian intake—fiscal balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Revenue	-	-	-	*1.7*	***1.7***	*7.0*	*16.0*	*29.1*	*46.5*	*68.4*	*95.0*	*124.5*	***388.2***
Expenses													
Administered	-	-	-	*-25.7*	***-25.7***	*-77.8*	*-156.2*	*-261.5*	*-395.8*	*-556.2*	*-737.5*	*-911.5*	***-3,122.3***
Departmental	-	-	-	*-2.0*	***-2.0***	*-5.1*	*-8.8*	*-13.4*	*-18.6*	*-24.4*	*-30.6*	*-35.1*	***-137.9***
Total expenses	-	-	-	*-27.7*	***-27.7***	*-82.9*	*-165.0*	*-274.9*	*-414.4*	*-580.7*	*-768.1*	*-946.6*	***-3,260.2***
Total	**-**	**-**	**-**	**-26.0**	**-26.0**	**-76.0**	**-149.0**	**-245.8**	**-367.9**	**-512.2**	**-673.1**	**-822.1**	**-2,872.1**

(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.

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

\- Indicates nil.

Table B2: Increasing the humanitarian intake—Underlying cash balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Revenue	-	-	-	1.7	**1.7**	7.0	16.0	29.1	46.5	68.4	95.0	124.5	**388.2**
Expenses													
Administered	-	-	-	*-25.7*	***-25.7***	*-77.8*	*-156.1*	*-261.4*	*-395.5*	*-555.9*	*-737.0*	*-910.9*	***-3,120.3***
Departmental	-	-	-	*-2.0*	***-2.0***	*-5.1*	*-8.8*	*-13.4*	*-18.6*	*-24.4*	*-30.6*	*-35.1*	***-137.9***
Total expenses	-	-	-	-27.7	**-27.7**	-82.9	-164.9	-274.7	-414.1	-580.3	-767.6	-946.0	**-3,258.2**
Total	**-**	**-**	**-**	**-26.0**	**-26.0**	**-75.9**	**-148.9**	**-245.6**	**-367.6**	**-511.9**	**-672.6**	**-821.5**	**-2,870.0**

(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.

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

\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Labor's Plan for a Fairer Temporary Work Visa System**
Summary of proposal:	The proposal has eight components: <u>Component 1 – Temporary work visas</u> This component would: • establish a register of sponsoring employers for Temporary Work (Skilled) Visas (subclass 457) on the Department of Immigration and Border Protection (DIBP) website which would be updated quarterly • provide training for DIBP decision makers to improve assessment of the genuine position requirement • establish a register of work agreements entered into which the Minister for Immigration and Border Protection (the Minister) would be required to publish and on which the Minister would provide an annual report to the Parliament • amend legislation to allow for application for permanent residency after two years of work in Australia. <u>Component 2 – Non-government organisations</u> This component would provide $8.5 million per year over four years to contract non-government organisations (NGOs) to act as a reference point for all Temporary Work (Skilled) Visa, Working Holiday Visa (subclass 417), Working and Holiday Visa (subclass 462) and Student Visa (subclasses 572, 573 and 574) holders. <u>Component 3 – Skilled migration</u> This component would: • increase membership numbers on the Ministerial Advisory Council on Skilled Migration (MACSM) and make it an independent statutory body, supported by 1.5 full-time equivalent (FTE) staff provided by DIBP • broaden the remit of MACSM to: – undertake regular reviews of occupations to ensure the dynamic skills list reflects actual shortages and needs, with regional consideration of skills shortages

	– provide recommendations to government on current skills shortages, strategies for addressing them, training and education gaps over the long term – coordinate labour market analysis across relevant departments. <u>Component 4 – Independent reviews of visa programs</u> This component would commission separate independent reviews of the impact of the student visa programs and working holiday visa programs in the Australian labour market. Each review would be conducted by an independent panel of experts with secretariat support from the DIBP. <u>Component 5 – Digitisation</u> This component would: • require the DIBP to achieve 100 per cent online lodgement of visa applications for all visa categories by 2020, with temporary visas given priority • expand *ImmiAccount* to create a 'one-stop shop' which would: – enable online communication and correspondence with the DIBP for applicants and sponsors – provide sponsors with access to information held by DIBP – enable online lodgement of applications for, and renewal of, visas – meet other requirements related to visa enquiries, applications and renewals. <u>Component 6 – Intra-Company Transfer Visa</u> This component would: – create a new Intra-Company Transfer (ICT) Visa which would apply to managers, executives, professionals and specialist technicians with a rate of pay higher than that of the income level above which the top marginal tax rate is paid (currently $180,000 per year) the maximum duration of the ICT Visa would be four years – the ICT Visa would be managed by a dedicated DIBP team.

	Component 7 - Sponsorship fees and applications for skilled visas
	
	This component would:
	
	• increase the fee paid by sponsors based on the proportion of the sponsor's payroll dedicated to Temporary Work (Skilled) Visa holders
	• implement a streamlined visa application process based on a risk assessment model.
	
	Component 8 - Sanctions and penalties for temporary visa holder exploitation
	
	This component would:
	
	• increase sanctions and penalties on employers who exploit temporary visa holders
	  – criminal offences - maximum penalty of four years imprisonment, or a fine of $125,000 for individuals and $650,000 for corporations
	  – civil offences - a maximum fine of $50,000 for individuals and $650,000 for corporations.
	
	The proposal would have effect from 1 July 2017.

Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

Components 1 to 5 of this proposal would be expected to increase both the fiscal and underlying cash balances by $26.9 million over the 2016-17 Budget forward estimates period. This impact reflects an increase in administered expenses of $25.2 million and a net decrease in departmental expenses of $52.1 million.

This proposal would be expected to have an ongoing impact beyond the 2016-17 Budget forward estimates period.

Detailed financial implications are provided at Attachment A.

This costing is considered to be of low reliability due to a lack of data and considerable uncertainty surrounding a number of assumptions. The PBO has not undertaken analysis to determine the adequacy of the prescribed funding amounts to achieve the objective of the proposal.

The financial impact of three components of the proposal (Components 6, 7 and 8) is unquantifiable due to the unavailability of data.

Table 1: Financial implications (outturn prices)[(a)(b)(c)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-5.0	10.0	21.9	**26.9**
Underlying cash balance	-	-5.0	10.0	21.9	**26.9**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
(c) This table provides financial implications for Components 1 to 5 of the proposal.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions:

- Establishment of the subclass 457 sponsor register would take place in 2016-17.
- The DIBP "in house" training would be similar to the Australian Public Service Commission training course on policy implementation and would be attended by 100 staff per year.
- There would be no material costs associated with amending legislation to allow permanent residency after two years for the Temporary Work (Skilled) Visa components of this proposal.
- Departmental funding associated with Component 2 would come from within the specified capped funding.
- Upgrades to online visa processing and *ImmiAccount* would be broadly reflective of similar upgrades undertaken by the DIBP.
- Online lodgement of visa applications for all visa categories would become compulsory by 2020.

Methodology

Component 1 - Temporary work visas

The costs of the registers proposed in this component were based on the costs of similar registers. All other elements of this component were based on assumptions of costs for training and to amend legislation as well as participation in the required training program.

Component 2 - Non-government organisations

Departmental expenditure estimates are based on similar sized grant programs. Estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Administered expenditure estimates for NGOs are the remainder of the capped funding amounts after allowing for estimated departmental expenditure.

Component 3 - Skilled migration

The increase in membership of the MACSM was based on the existing membership and costs associated with similar advisory councils.

Component 4 - Independent reviews of visa programs

The independent reviews of the student visa programs and working holiday visa programs were based on similar review programs.

Component 5 - Digitisation

The DIBP provided visa processing costs from 2013-14 to 2016-17, which were extended out to 2019-20. A cost differential between hardcopy and electronic visa applications was derived from the historic changes in costs and the proportion of electronic visa applications. The rate of electronic application was imposed at 100 per cent in 2019-20 with a straight-line transition over the period 2017-18 to 2019-20. The increased rate of electronic application was applied to the derived cost differential to determine the level of savings.

Data sources

The Department of Finance provided indexation and efficiency dividend parameters.

Department of Immigration and Border Protection provided details of costs and processes associated with several visa programs.

Department of Finance n.d.,Ministerial Advisory Council on Skilled Migration, available at: http://www.finance.gov.au/resource-management/governance/register/body/92321/.

Attachment A: Labor's Plan for a Fairer Temporary Work Visa System—financial implications

Table A1: Labor's Plan for a Fairer Temporary Work Visa System—Financial implications (outturn prices)[(a)(b)(c)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Administered	-	*-8.4*	*-8.4*	*-8.4*	***-25.2***
Departmental	-	*3.4*	*18.4*	*30.3*	***52.1***
Total	**-**	**-5.0**	**10.0**	**21.9**	**26.9**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
(c) This table includes financial implications for components one to five of the proposal.
- Indicates nil.

Table A2: Component 1 – Temporary work visas—Financial implications (outturn prices)[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Departmental					
Register of sponsoring employers	-	*-1.4*	*-0.1*	*-0.1*	***-1.6***
DIBP training	-	*-0.2*	*-0.2*	*-0.2*	***-0.7***
Sponsor appeal/further information	-	*-0.1*	*-0.1*	*-0.1*	***-0.3***
Register of work agreements	-	*-1.4*	*-0.1*	*-0.1*	***-1.6***
Residency after two years	-	-	-	-	-
Total – departmental	**-**	***-3.1***	***-0.6***	***-0.6***	***-4.2***
Total	**-**	**-3.1**	**-0.6**	**-0.6**	**-4.2**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Table A3: Component 2 – Non-government organisations—Financial implications (outturn prices) [(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Administered	-	*-8.4*	*-8.4*	*-8.4*	***-25.2***
Departmental	-	*-0.1*	*-0.1*	*-0.1*	***-0.3***
Total	**-**	**-8.5**	**-8.5**	**-8.5**	**-25.5**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Table A4: Component 3 - Skilled migration—Financial implications (outturn prices)[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Departmental					
MACSM	-	*-1.3*	*-1.3*	*-1.3*	***-3.9***
Total – departmental	**-**	***-1.3***	***-1.3***	***-1.3***	***-3.9***
Total	**-**	**-1.3**	**-1.3**	**-1.3**	**-3.9**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Table A5: Component 4 - Independent reviews of visa programs—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal and underlying cash balances					
Departmental					
Student visas	-	*-1.7*	*-1.8*	-	***-3.5***
Working holiday visas	-	*-1.7*	*-1.8*	-	***-3.5***
Total – departmental	**-**	***-3.5***	***-3.5***	**-**	***-7.0***
Total	**-**	**-3.5**	**-3.5**	**-**	**-7.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Table A6: Component 5 - Digitisation—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal and underlying cash balances					
Departmental					
Transition to electronic visa processing	-	*13.6*	*23.9*	*32.3*	***69.7***
Expansion of *ImmiAccount*	-	*-2.2*	-	-	***-2.2***
Total – departmental	**-**	***11.4***	***23.9***	***32.3***	***67.5***
Total	**-**	**11.4**	**23.9**	**32.3**	**67.5**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.

- Indicates nil.

Table A7: Component 6 - Intra-Company Transfer Visa—Financial implications (outturn prices)

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal and underlying cash balances					
Administered	*	*	*	*	*
Departmental	*	*	*	*	*
Total	*	*	*	*	*

* Indicates unquantifiable.

Table A8: Component 7 - Sponsorship fees and applications for skilled visas—Financial implications (outturn prices)

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal and underlying cash balances					
Administered	*	*	*	*	*
Departmental	*	*	*	*	*
Total	*	*	*	*	*

* Indicates unquantifiable.

Table A9: Component 8 - Sanctions and penalties for temporary visa holder exploitation—Financial implications (outturn prices)

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal and underlying cash balances					
Administered	*	*	*	*	*
Departmental	*	*	*	*	*
Total	*	*	*	*	*

* Indicates unquantifiable.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Office of Multicultural Affairs**
Summary of proposal:	The proposal would establish an Office of Multicultural Affairs (OMA) to implement a whole-of-government policy and research focus, and administer grants funding to community organisations and ethnic groups. The OMA would be part of the Department of Social Services (DSS). The OMA would be similar in size and function to the existing Office for Women, administered by the Department of the Prime Minister & Cabinet (PM&C). Funding for the OMA would be capped at the level currently provided for the Office of Women. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $12.6 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

The financial impact of the proposal reflects departmental costs for DSS to administer proposed new grant programs[1] and undertake a range of activities related to coordinating and promoting government policy in the area of multicultural affairs.

This proposal would be expected to have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of high reliability as the estimates are based on expenditure estimates for the Office for Women from PM&C, updated for changes in parameters.

1 The OMA would administer the proposed *Settlement and Multicultural Community Support* capital works and human capital grants. The administered expenses associated with these grant proposals are shown separately.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-3.0	-3.2	-3.2	-3.2	**-12.6**
Underlying cash balance	-3.0	-3.2	-3.2	-3.2	**-12.6**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The impact of the proposal over the 2016-17 Budget forward estimates period was based on the expenditure estimates for the Office for Women.

Data sources

The Department of the Prime Minister and Cabinet provided Office for Women departmental estimates.

Department of the Prime Minister and Cabinet 2016, *2016-17 Portfolio Budget Statements*.

The Department of Finance provided agency indexation rates.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Doubling Indigenous Rangers by 2020-21
Summary of proposal:	The proposal would double the number of Indigenous rangers through the Working on Country program. The number of Indigenous rangers would be doubled from the 775 full-time equivalent (FTE) contracted positions (as at November 2015) to 1,550 FTE contracted positions by 2020-21. The increase in the number of rangers would occur from 1 July 2017 with an additional 194 FTE contracted positions added each year from 2017-18 to 2020-21. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $118.6 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in administered expenses. The proposal is not expected to have a material impact on departmental expenses as it is an expansion of an existing program.

The proposal would have ongoing financial implications beyond the 2016-17 Budget forward estimates period. The proposal would reach maturity in 2020-21 when the number of indigenous rangers would be 1,550 FTE contracted positions. The estimated impact of the proposal in 2020-21 ($82.3 million) would be indicative of its ongoing impact.

This costing is considered to be of high reliability as it is based on information regarding average costs per ranger under the current program.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-19.1	-39.2	-60.3	**-118.6**
Underlying cash balance	-	-19.1	-39.2	-60.3	**-118.6**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

There would be full take up of the additional contracted positions.

Methodology

The financial implications of the proposal were derived by multiplying the specified number of additional rangers by the average cost per ranger.

Data sources

The Department of the Prime Minister and Cabinet provided estimates of the number of rangers in the current program

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Infrastructure Financing Facility
Summary of proposal:	The proposal would establish an Infrastructure Investment Fund (IIF), capitalised with the existing $3.6 billion allocated to the Building Australia Fund (BAF) (injection in 2017-18), and additional capital injections in the following manner: • $2.0 billion on 1 July 2017 • $2.0 billion on 1 July 2018 • $2.4 billion on 1 July 2019. The IIF would have a mandate consistent with the Clean Energy Finance Corporation (CEFC), as announced in the 2011-12 Mid-Year Economic and Fiscal Outlook (MYEFO) (with the exception of the grant provision), however the interest rate and loan terms would be as per the Northern Australia Infrastructure Facility (NAIF) as announced in the 2015-16 Budget. The IIF would be administered by Infrastructure Australia. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

As advised by the Department of Finance (see *Data sources*), the remaining uncommitted capital funding at 1 July 2017 from the BAF is $3,254 million, none of which has been budgeted as expenditure. The reallocation of uncommitted BAF capital to establish the new IIF would not impact on the Budget until loans were issued by the IIF.

This proposal would be expected to decrease the fiscal balance by $760 million, increase the underlying cash balance by $190 million and decrease the headline cash balance by $2,650 million over the 2016-17 Budget forward estimates period.

The *Methodology* section provides information on how the impacts on each budget balance were calculated. As the proposal affects financial asset transactions, the public debt interest (PDI) impact of the proposal has been included in this costing.

The proposal would have an impact beyond the forward estimates and the financial impacts for the period 2016-17 to 2026-27 are provided at Attachment A and a disaggregation of the impacts is provided at Attachment B.

This costing is considered to be of low reliability as there is uncertainty around the availability and timing of appropriate projects that would be eligible for financing from the IIF. Further, as the NAIF is yet to commence, the terms of issuance of loans under the NAIF are yet to be finalised and may differ from arrangements assumed for the purposes of this costing.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-400	-110	-250	**-760**
Underlying cash balance	-	50	50	90	**190**
Headline cash balance	-	-1,270	-440	-940	**-2,650**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding. – Indicates nil.

Key assumptions

It has been assumed that:

- consistent with the policy specification, the terms under which loans are to be issued, including the concessional rate of interest and the loan period (excluding the interest free period), are to reflect those used for the NAIF
- as per the CEFC, IIF funds would not be drawn down from the Consolidated Revenue Fund until loans are to be provided
- the profile for the provision of loans for projects would mirror the timing of funding provided for projects under the BAF.

Methodology

A concessional loan model was developed, based on the Department of Finance Accounting for Concessional Loans policy guidelines (see Data sources), to cost the impact of loans under the IIF on administered expenditure and revenue. The IIF loan specifications were based on loan terms and the concessional interest rate as per modelling undertaken for the NAIF 2015-16 Budget measure (excluding the interest-free period) and the timing of the provision of loans based on the expenditure profile of the BAF.

The impact on departmental expenses for Infrastructure Australia was based on departmental funding for similar activities.

The financial implications of the concessional financing facility were estimated by applying the standard treatment for estimating the cost of concessional loans, including PDI costs.

The fiscal balance impact for each year is:

- the departmental costs (negative impact)
- interest revenue that accrues (positive impact)
- the concessional loan discount expense (negative impact)
- the unwinding of the concessional loan discount expense (positive impact)
- the PDI/financing cost (negative impact).

The underlying cash balance impact for each year is:

- the departmental costs (negative impact)
- interest receipts received by the Government from loan recipients (positive impact)
- the PDI/financing cost (negative impact).

The headline cash balance impact for each year is:

- the departmental costs (negative impact)
- the loan principal advanced under the financing facility (negative impact)
- interest receipts received by the Government from loan recipients (positive impact)
- loan repayments (positive impact)
- the PDI/financing cost (negative impact).

Estimates are rounded to the nearest $10 million.

Data sources

The Department of the Treasury provided the 2015-16 Budget measure, *Developing Northern Australia - Northern Australia Infrastructure Facility* costing model.

The Department of Finance advised that $3,254 million of BAF capital is expected to be uncommitted at 1 July 2017.

Department of Finance, *Resource Management Guide No. 115 Accounting for concessional* loans, available at: http://www.finance.gov.au/resource-management/reporting-accounting/accounting-guidance/.

Attachment A: Infrastructure Financing Facility—financial implications

Table A1: Infrastructure Financing Facility—Financial implications (outturn prices)[(a)(b)(c)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Fiscal balance	-	*-400*	*-110*	*-250*	***-760***	*-800*	*-230*	*-310*	*110*	*130*	*110*	*150*	***-1,600***
Underlying cash balance	-	*50*	*50*	*90*	***190***	*160*	*120*	*110*	*60*	*30*	*20*	*10*	***710***
Headline cash balance	-	*-1,270*	*-440*	*-940*	***-2,650***	*-2,690*	*-970*	*-1,220*	*120*	*200*	*170*	*330*	***-6,710***

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
(c) See Attachment B for further breakdown.
- Indicates nil.

Attachment B: Infrastructure Financing Facility—financial implications disaggregated

Table B1: Infrastructure Financing Facility—Fiscal balance (outturn prices)[a][b]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Departmental expenses	-	-10	-10	-10	**-20**	-10	-10	-10	-10	-10	-10	-10	**-100**
Interest accrued	-	70	90	150	**310**	290	350	420	420	410	400	390	**2,990**
Net concessional loan discount	-	-450	-160	-340	**-950**	-950	-340	-420	60	90	90	140	**-2,280**
Concessional loan discount	-	-470	-190	-390	**-1,050**	-1,050	-460	-560	-90	-50	-60	-	**-3,310**
Unwinding of the concessional loan discount	-	20	30	50	**100**	100	120	140	140	140	150	140	**1,030**
Public debt interest	-	-20	-40	-50	**-110**	-130	-230	-310	-360	-370	-370	-370	**-2,250**
Total	**-**	**-400**	**-110**	**-250**	**-760**	**-800**	**-230**	**-310**	**110**	**130**	**110**	**150**	**-1,600**

(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.

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

\- Indicates nil.

Table B2: Infrastructure Financing Facility—Underlying cash balance (outturn prices)(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Departmental payments	-	*-10*	*-10*	*-10*	***-20***	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	***-100***
Interest receipts	-	*70*	*90*	*150*	***310***	*290*	*350*	*420*	*420*	*410*	*400*	*390*	***2,990***
Public debt interest	-	*-10*	*-30*	*-50*	***-100***	*-130*	*-220*	*-300*	*-350*	*-370*	*-370*	*-370*	***-2,230***
Total	**-**	**50**	**50**	**90**	**190**	**160**	**120**	**110**	**60**	**30**	**20**	**10**	**710**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.
(b) Figures may not sum to totals due to rounding. - Indicates nil.

Table B3: Infrastructure Financing Facility—Headline cash balance (outturn prices)(a)(b)

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Departmental payments	-	*-10*	*-10*	*-10*	***-20***	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	*-10*	***-100***
New loans	-	*-1,360*	*-560*	*-1,130*	***-3,050***	*-3,050*	*-1,340*	*-1,640*	*-250*	*-150*	*-180*	-	***-9,650***
Interest receipts	-	*70*	*90*	*150*	***310***	*290*	*350*	*420*	*420*	*410*	*400*	*390*	***2,990***
Loan repayments	-	*50*	*60*	*100*	***210***	*200*	*250*	*300*	*310*	*320*	*320*	*320*	***2,240***
Public debt interest	-	*-10*	*-30*	*-50*	***-100***	*-130*	*-220*	*-300*	*-350*	*-370*	*-370*	*-370*	***-2,230***
Total headline cash impact	**-**	**-1,270**	**-440**	**-940**	**-2,650**	**-2,690**	**-970**	**-1,220**	**120**	**200**	**170**	**330**	**-6,710**

(a) A positive number for the headline cash balance indicates an increase in cash flows. A negative number for the headline cash balance indicates a decrease in cash flows.
(b) Figures may not sum to totals due to rounding. - Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Australian Institute of Marine Science Vessel**
Summary of proposal:	The proposal would provide funding to build a new research vessel for the Australian Institute of Marine Science (AIMS), through limited tenders involving Australian shipyards, and commit to fully funding its ongoing operations. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the underlying cash and fiscal balances by $60.4 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

This proposal would have an ongoing impact that extends beyond the forward estimates period with the annual impact growing at around 5 per cent per annum beyond 2019-20.

This costing is considered to be of low reliability due to the uncertainty of the size and scope of the proposed new AIMS research vessel and its ongoing operations.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-0.1	-26.8	-26.8	-6.8	**-60.4**
Underlying cash balance	-0.1	-26.8	-26.8	-6.8	**-60.4**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing the proposal, it has been assumed that:

- the length of the new AIMS research vessel would be 45 meters, which is approximately 1.3 times of the length of the existing AIMS research vessel, *RV Solander*
- the new AIMS research vessel would be built over two financial years with payments spread evenly over these two years.

Methodology

There would be three sources contributing to the departmental expenditure estimates of AIMS[1]: tender and project management costs over 2016-17 to 2018-19; new research vessel build costs over 2017-18 to 2018-19; and annual operating and sustaining capital costs from 2019-20 onwards.

The build cost for the new research vessel was derived based on the estimated current replacement cost of the *RV Solander* indexed by the Consumer Price Index and increased for the proportional difference in the length of the vessels. The build cost was then evenly allocated over two years.

The annual operating costs from 2019-20 were calculated based on the annual operating costs of *RV Solander* and increased for the proportional difference in the length between these two vessels.

The sustaining capital costs from 2019-20 were estimated by applying the appropriate indexation rate to the average annual sustaining capital costs for the *RV Solander* and increased for the proportional difference in the length between these two vessels.

Departmental expenditure estimates from the tender and program management were based on other like programs and estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Data sources

For *RV Solander*, the Department of Industry, Innovation and Science provided:

- replacement cost as at 31 March 2015
- annual operating costs and sustaining capital costs from 2016-17
- the cost estimate to build a 45 metre research vessel.

The Department of Finance provided indexation and efficiency dividend parameters.

1 Note that AIMS only receives departmental appropriations.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Early Stage Venture Capital Limited Partnerships**
Summary of proposal:	The proposal would make the following changes to Early Stage Venture Capital Limited Partnerships (ESVCLPs): • Re-introduce the 2013-14 Budget measure, *A Plan for Australian jobs – Venture Australia – Enhancing Tax Arrangements* which did not proceed. • Remove the restriction that limits investors to contributing no more than 30 per cent of an ESVCLP's committed capital for: – sophisticated investors (that have net assets of at least $2.5 million or have a gross income for each of the last two financial years of at least $250,000) – widely held companies (that is, companies listed on approved stock exchanges). This proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would not be expected to have material financial implications on the fiscal or underlying cash balances over the 2016-17 Budget forward estimates period.

This proposal would also not be expected to have material financial implications beyond the 2016-17 Budget forward estimates period.

Departmental expenses are not expected to be significant and have not been included in this costing.

This costing is considered to be of low reliability due to limited available data on ESVCLPs.

Table 1: Financial implications (outturn prices)

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	..	..	..	..
Underlying cash balance	-	..	..	..	..

.. Not zero but rounded to zero.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has assumed that this proposal would be able to be legislated in a manner that does not breach international tax rules.

Methodology

The estimated financial implications for this proposal were informed by consideration of Australian Bureau of Statistics data on the value and number of investments in venture capital and later stage private equity.

Estimated financial implications are expected to be less than the $10 million rounding applied to this costing.

Data sources

Australian Bureau of Statistics 2016, *Venture Capital and Later Stage Private Equity, Australia, 2014-15, cat no. 5678.0, ABS, Canberra*.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Future Research Excellence**
Summary of proposal:	The proposal would reverse the 2015-16 Budget measure, *Sustainable Research Excellence – adjustment*, offset by reversing the financial impact of the 2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO) measure, *National Innovation and Science Agenda – improving university business collaboration* for the years 2016-17 to 2018-19 only. The proposal would have effect from 2016-17.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The *Sustainable Research Excellence – adjustment* measure was announced in the 2015-16 Budget and reduced funding for the Sustainable Research Excellence (SRE) program. The SRE program provides block grants to eligible higher education providers (HEPs) to assist these institutions to meet the indirect cost of research activities that would not be entirely met by the various competitive grant programs.

The *National Innovation and Science Agenda – improving university-business collaboration* measure was announced in the 2015-16 MYEFO and provided $127.3 million over three years from 2016-17 to provide greater incentives for researchers to engage with industry.

See Attachment A for the relevant measure descriptions.

This proposal would be expected to decrease the fiscal and underlying cash balances by $172.7 million over the 2016-17 Budget forward estimates period. The impact is entirely due to a net increase in administered expenses.

The detailed financial implications are included at Attachment B.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-125.0	13.1	-23.3	-37.5	**-172.7**
Underlying cash balance	-125.0	13.1	-23.3	-37.5	**-172.7**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

This proposal would have no impact on departmental expenses as the relevant budget measures only affected administered expenses.

This proposal would have no impact beyond the 2016-17 Budget forward estimates period as it terminates by 2019-20.

The costing is considered to be of high reliability as it is based on specified amounts from budget papers.

Methodology

The impact of the proposal was the combined effect of the impact of the *Sustainable Research Excellence – adjustment* measure over 2016-17 to 2018-19, as published in the 2015-16 Budget measure[1] and applying the offset from reversing the impact of the *National Innovation and Science Agenda — improving university-business collaboration* measure over 2016-17 to 2018-19.

Data sources

Department of Education and Training 2015, *2015-16 Portfolio Budget Statements*.

Commonwealth of Australia 2015, *2015-16 Mid-Year and Economic and Fiscal Outlook*, Commonwealth of Australia, Canberra.

1 Note: $37.5 million would be provided in 2019-2020.

Attachment A: Future Research Excellence—relevant Budget measures

Sustainable Research Excellence — adjustment

Expense ($m)

	2014-15	2015-16	2016-17	2017-18	2018-19
Department of Education and Training	-	-	-150.0	-37.5	-75.0

The Government will adjust the growth in funding available under the *Sustainable Research Excellence* (SRE) programme. SRE programme funding will continue to increase each year and is expected to be more than $300 million in 2020.

The savings from this measure will be redirected by the Government to fund the *National Collaborative Research Infrastructure Strategy*. See also the related expense measure titled *National Collaborative Research Infrastructure Strategy – continuation*.

Source: 2015-16 Budget paper 2, page 80.

National Innovation and Science Agenda — improving university-business collaboration

Expense ($m)

	2014-15	2015-16	2016-17	2017-18	2018-19
Department of Education and Training	-	-	25.0	50.6	51.7

The Government will provide $127.3 million over three years from 2016-17 to provide greater incentives for university researchers to engage with industry. The new arrangements will also consolidate the six existing *Research Block Grant* schemes into two simpler schemes from 1 January 2017:

Source: 2015-16 MYEFO, page 161.

Attachment B: Future Research Excellence—financial implications

Table B1: Future Research Excellence—Financial implications[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Sustainable Research Excellence – adjustment	*-150.0*	*-37.5*	*-75.0*	*-37.5*	***-300.0***
National Innovation and Science Agenda – improving university-business collaboration	*25.0*	*50.6*	*51.7*	-	***127.3***
Net impact	**-125.0**	**13.1**	**-23.3**	**-37.5**	**-172.7**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Graduate Startup Entrepreneurial Visa**
Summary of proposal:	The proposal would establish a new visa category – the Graduate Startup Entrepreneurial Visa (GEV) which would allow graduates with a credible and genuine business idea to stay in Australia for one year after graduation to establish a start-up business. Although there would be no upfront funding requirement, gradates would require endorsement from a participating higher education institution. Graduates would be able to apply to extend this visa for a second year provided they have a new endorsement letter from their higher education institution confirming they have made satisfactory progress in developing their business. There would be a limit of 2,000 GEVs per year (excluding extensions). Graduates would not be able to apply for settlement under this category. The visa would allow graduates time to raise capital in Australia and switch to the proposed Startup Entrepreneurial Visa at a later stage. Applicants may apply for settlement in Australia after five years if they meet the eligibility requirements. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $3.5 million over the 2016-17 Budget forward estimates period. This reflects an increase in departmental expenses of $6.0 million partially offset by an increase in revenue of $2.4 million.

This proposal would be expected to have an ongoing impact beyond the 2016-17 Budget forward estimates period at a level similar to the 2019-20 impact. A breakdown of the financial implications of this proposal over the 2016-17 Budget and forward estimates period is provided at Attachment A.

The impact of the proposal over the 2016-17 Budget forward estimates period is considered to be of medium reliability. While estimates are based on a capped number of visas, there is some uncertainty over assumptions related to visa application fees.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-1.0	-2.4	-0.1	**-3.5**
Underlying cash balance	-	-1.0	-2.4	-0.1	**-3.5**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

In costing this proposal it has been assumed that:

- there would be sufficient demand for the capped number of visas to be fully allocated
- visa application fees would be equivalent to the majority of temporary work visas ($380 as of 1 July 2015)
- visa application fees would be indexed biennially by 5 per cent, consistent with the increase applied on 1 July 2015
- any costs associated with applicants who subsequently successfully apply for another visa type would already be captured in the expense or revenue impacts for those existing streams.

Methodology

Departmental

Departmental costs (including capital costs) were based on similar measures that established or expanded additional visa categories. Costs in 2017-18 and 2018-19 include funding related to information technology systems changes.

Revenue

The specified capped amount of visa applications were multiplied by the appropriate visa application fee.

Data sources

The Department of Finance provided indexation and efficiency dividend parameters.

Visa Application Charges from 1 July 2015 Fact Sheet https://www.border.gov.au/ReportsandPublications/Documents/budget/VAC-increases-fact-sheet.pdf#search=vac%20increases.

Attachment A: Graduate Startup Entrepreneurial Visa—financial implications

Table A1: Graduate Startup Entrepreneurial Visa—Financial implications (outturn prices)[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impacts on the fiscal and underlying cash balances					
Revenue	-	*0.8*	*0.8*	*0.8*	***2.4***
Departmental	-	*-1.8*	*-3.2*	*-1.0*	***-6.0***
Total	**-**	**-1.0**	**-2.4**	**-0.1**	**-3.5**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
(c) Includes funding for information technology system changes in 2017-18 and 2018-19.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**RV Investigator**
Summary of proposal:	The proposal would provide the Commonwealth Scientific Industrial Research Organisation (CSIRO) with additional funding for the Marine National Facility, RV Investigator, to operate at sea for 300 days a year. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $69.3 million over the 2016-17 Budget forward estimates period. This is entirely due to an increase in departmental expenses.

This proposal would have an ongoing financial impact beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of medium reliability due to the uncertainty of the average daily operating cost of the RV Investigator.

Table 1: Financial implications (outturn prices)(a)(b)

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-17.4	-17.2	-17.3	-17.4	**-69.3**
Underlying cash balance	-17.4	-17.2	-17.3	-17.4	**-69.3**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

This costing assumes that the daily running costs of the RV Investigator would remain unchanged.

Methodology

The financial impact was calculated by multiplying the average daily operating cost by the increased number of operating days, adjusted to account for the net effect of indexation parameters and the efficiency dividend.

Data sources

The Department of Industry, Innovation and Science provided annual operating costs and planned operating days of the *RV Investigator* over 2016-17 to 2019-20.

The Department of Finance provided indexation and efficiency dividend parameters.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Smart Investment Fund**
Summary of proposal:	The proposal would establish a $500 million Smart Investment Fund (the Fund), modelled on the Innovation Investment Fund in the 2013-14 Budget measure, *A Plan for Australian Jobs — Venture Australia — extension and enhancement* (the IIF measure). The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease the fiscal balance by $7.2 million, decrease the underlying cash balance by $7.1 million and decrease the headline cash balance by $48.5 million over the 2016-17 Budget forward estimates period. In fiscal balance terms, this reflects an increase in administered expenses of $0.9 million, an increase in departmental expenses of $5.2 million and an increase in public debt interest (PDI) costs of $1.1 million over this period.

This proposal would be expected to have an impact that increases significantly beyond the 2016-17 Budget forward estimates period, as capital payments from the Fund would occur over a 15 year period.

Detailed financial implications of this proposal for the period 2016-17 to 2026-27 are provided at Attachment A.

The Methodology section provides information on how the impacts on each budget balance were calculated. As the proposal affects financial asset transactions, the PDI impact of the proposal has been included in this costing.

This costing is considered to be of medium reliability due the uncertainty regarding returns on investment over the medium term.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-2.1	-1.8	-3.2	**-7.2**
Underlying cash balance	-	-2.1	-1.8	-3.2	**-7.1**
Headline cash balance	-	-2.1	-16.1	-30.3	**-48.5**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
– Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions regarding this proposal:

- The Commonwealth would not receive any returns from the investments and would not seek to divest ownership of any investments made from the Fund and return these funds to the budget over the 2016-17 Budget forward estimates period and the medium term.
- The $500 million would be distributed over 15 years from 2018-19 proportionately to the 15 year profile of the IIF measure.[1]

Methodology

The impact of the proposal on administered and departmental expenses was calculated by proportionally increasing cost components of the IIF measure (indexed appropriately), accounting for the fixed costs.

The impact on the fiscal and underlying cash balances for each year is the change in administered and departmental expenditure plus PDI costs. The impact on the headline cash balance for each year is the change in administered and departmental expenditure, fund investments plus PDI costs.

Estimates have been rounded to the nearest $100,000.

Data sources

The Department of Industry, Innovation and Science provided the costing model relating to the 2013-14 Budget measure, *A Plan for Australian Jobs — Venture Australia — extension and enhancement*.

The Department of Finance provided indexation and efficiency dividend parameters.

1 Note under the IIF measure, capital investment commenced in year two of the program.

Attachment A: Smart Investment Fund—financial implications

Table A1: Smart Investment Fund—Fiscal balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Administered	-	*-0.3*	*-0.2*	*-0.4*	***-0.9***	*-0.2*	*-0.4*	*-0.2*	*-0.3*	*-0.3*	*-0.3*	*-0.3*	***-2.8***
Departmental	-	*-1.8*	*-1.4*	*-2.0*	***-5.2***	*-1.5*	*-2.1*	*-1.6*	*-1.6*	*-1.4*	*-1.4*	*-1.4*	***-16.1***
Public Debt Interest	-	..	*-0.2*	*-0.8*	***-1.1***	*-2.4*	*-4.8*	*-8.2*	*-12.2*	*-16.6*	*-21.2*	*-26.1*	***-92.7***
Total fiscal impact	**-**	**-2.1**	**-1.8**	**-3.2**	**-7.2**	**-4.1**	**-7.3**	**-10.0**	**-14.1**	**-18.3**	**-22.9**	**-27.8**	**-111.6**

(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 negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.

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

.. Not zero but rounded to zero.

\- Indicates nil.

Table A2: Smart Investment Fund—Underlying cash balance(a)(b)

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Administered	-	*-0.3*	*-0.2*	*-0.4*	***-0.9***	*-0.2*	*-0.4*	*-0.2*	*-0.3*	*-0.3*	*-0.3*	*-0.3*	***-2.8***
Departmental	-	*-1.8*	*-1.4*	*-2.0*	***-5.2***	*-1.5*	*-2.1*	*-1.6*	*-1.6*	*-1.4*	*-1.4*	*-1.4*	***-16.1***
Public Debt Interest	-	..	*-0.2*	*-0.8*	***-1.0***	*-2.3*	*-4.7*	*-8.0*	*-11.9*	*-16.3*	*-20.9*	*-25.7*	***-90.8***
Total underlying cash impact	**-**	**-2.1**	**-1.8**	**-3.2**	**-7.1**	**-4.0**	**-7.2**	**-9.8**	**-13.8**	**-18.0**	**-22.6**	**-27.4**	**-109.7**

(a) 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.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A3: Smart Investment Fund—Headline cash balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Administered	-	*-0.3*	*-0.2*	*-0.4*	*-0.9*	*-0.2*	*-0.4*	*-0.2*	*-0.3*	*-0.3*	*-0.3*	*-0.3*	***-2.8***
Departmental	-	*-1.8*	*-1.4*	*-2.0*	*-5.2*	*-1.5*	*-2.1*	*-1.6*	*-1.6*	*-1.4*	*-1.4*	*-1.4*	***-16.1***
Fund investments	-	-	*-14.3*	*-27.1*	*-41.4*	*-41.4*	*-48.6*	*-60.0*	*-57.1*	*-57.1*	*-54.3*	*-51.4*	***-411.4***
Public Debt Interest	-	..	*-0.2*	*-0.8*	*-1.0*	*-2.3*	*-4.7*	*-8.0*	*-11.9*	*-16.3*	*-20.9*	*-25.7*	***-90.8***
Total headline cash impact	**-**	**-2.1**	**-16.1**	**-30.3**	**-48.5**	**-45.4**	**-55.8**	**-69.8**	**-70.9**	**-75.1**	**-76.9**	**-78.8**	**-521.1**

(a) A positive number for the headline cash balance indicates an increase in cash flows. A negative number for the headline cash balance indicates a decrease in cash flows.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Start-up and Entrepreneur Visas**
Summary of proposal:	The proposal would introduce a Startup Entrepreneurial Visa (SEV) that would be provided to 2,000 applicants annually. In order to access the SEV, applicants would be required to demonstrate that they have access to $200,000 which they would invest in a start-up venture in Australia. A lower funding threshold of $50,000 would apply if the funding is provided by a venture capital firm registered with the Australian Private Equity and Venture Capital Association Limited or by start-up accelerators and incubators. The SEV would be granted for a maximum of three years. Visas may be extended for another year or converted to permanent residency after two years if all eligibility requirements are met. The proposal would have effect from 1 July 2017
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $3.5 million over the 2016-17 Budget forward estimates period. This impact is due to an increase in departmental expenses of $6.0 million partially offset by an increase in revenue of $2.4 million.[1]

Detailed financial implications are provided at Attachment A.

The proposal would be expected to have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of medium reliability. While estimates are based on a capped number of SEVs, the costing includes assumptions in relation to SEV demand and application fees.

1 Figures do not sum to total impact due to rounding.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-1.0	-2.4	-0.1	**-3.5**
Underlying cash balance	-	-1.0	-2.4	-0.1	**-3.5**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

The Parliamentary Budget Office has made the following assumptions regarding this proposal:

- There would be sufficient demand for the capped number of visas to be fully allocated.
- Visa application fees would be equivalent to the majority of temporary work visas.
- Visa application fees would be indexed biennially by 5 per cent, consistent with the increase applied on 1 July 2015.
- Any costs associated with applicants who subsequently successfully apply for another visa type would already be captured in the expense or revenue impacts for those existing streams.

Methodology

Departmental expenses

Departmental costs (including capital costs) are based on similar measures that established or expanded additional visa categories. Costs in 2017-18 and 2018-19 include funding related to information technology systems changes.

Revenue

The specified capped amount of visa applications was multiplied by the appropriate visa application fee.

Data sources

The Department of Finance provided indexation and efficiency dividend parameters.

Department of Immigration and Border Protection fact sheet – *Visa Application Charges from 1 July 2015*.

Attachment A: Start-up and Entrepreneur Visas—financial implications

Table A1: Start-up and Entrepreneur Visa—Financial implications (outturn prices)[a][b]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Revenue	-	*0.8*	*0.8*	*0.8*	***2.4***
Departmental	-	*-1.8*	*-3.2*	*-1.0*	***-6.0***
Total	**-**	**-1.0**	**-2.4**	**-0.1**	**-3.5**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Startup Year**
Summary of proposal:	The proposal would extend the current Higher Education Loan Program (HELP) to support 2,000 students per year to undertake postgraduate studies in accelerators or entrepreneurship education facilities run by successful entrepreneurs linked to universities (entrepreneurial studies). The student contribution for these studies would be capped at the Band 3 student contribution cap ($10,440 in 2016). These studies would not be eligible for funding under the Commonwealth Grants Scheme (CGS). The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal balance by $13 million, decrease the underlying cash balance by $10 million and decrease the headline cash balance by $64 million over the 2016-17 Budget forward estimates period.

The proposal would have an ongoing financial impact that extends beyond the 2016-17 Budget forward estimates period. The disaggregated financial impacts of the proposal over the period 2016-17 and 2026-27 are included at Attachment A.

The proposal would not be expected to result in additional departmental expenditure because the administration of HELP, Austudy and Youth Allowance would remain largely unchanged.

The Methodology section outlines how impacts on each budget balance are estimated. As the proposal involves the transaction of financial assets in the form of additional HELP loan issuance, the Public Debt Interest (PDI) impact of the proposal has been included in the overall financial impacts of the proposal.

This costing is considered to be of medium reliability due to uncertainty in the repayment profile of the additional HELP loans taken out by students undertaking entrepreneurial studies.

Table 1: Financial implications (outturn prices)(a)(b)

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-1.0	-3.0	-4.0	-5.0	**-13.0**
Underlying cash balance	-1.0	-2.0	-3.0	-4.0	**-10.0**
Headline cash balance	-5.0	-14.0	-20.0	-24.0	**-64.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing the proposal, the following assumptions have been made:

- The entrepreneurship studies funded under this proposal would not affect demand for other higher education studies currently funded by the Government through CGS and HELP.
- Universities would offer these studies at the capped amount of the Band 3 student contribution level.
- Based on the experience of current university students, approximately 10 per cent of the students would pay their fees upfront.
- Approximately 10 per cent of the students undertaking these entrepreneurship studies would also access Austudy or Youth Allowance for the duration of their study.[1]
- All students would undertake the entrepreneurship studies on a full-time basis over a year.
- The number of capped places taken up would be in the following profile:
  - 1,000 places in the first year
  - 1,500 places in the second year
  - 2,000 places in the third and subsequent years.

Methodology

The proposal would be expected to increase the number of recipients accessing Austudy or Youth Allowance. The value of additional allowance payments was estimated by multiplying:

- the proportion of students in postgraduate studies accessing Austudy or Youth Allowance
- the number of students undertaking entrepreneurship studies
- the average rate of Austudy and Youth Allowance.

1 The proportion was derived from the allowance recipients microdata provided by the Department of Social Services and higher education statistics provided by the Department of Education and Training.

The value of additional HELP loans was estimated by multiplying the number of additional students by the Band 3 student contribution cap, taking into account that 10 per cent of the students would pay the fee upfront. The additional HELP loans have the following impacts on budget balances:

Fiscal balance impact – components

- Concessional loan discount (CLD) expenses due to additional HELP loans being issued have a negative impact on the fiscal balance.
- CLD unwinding revenue in later years offsets the increased CLD expenses and has a positive impact on the fiscal balance. Over the life of an individual loan, the CLD unwinding revenue is equal to the CLD expenses and results in a nil impact on the fiscal balance.[2]
- Interest revenue from students undertaking entrepreneurial studies has a positive impact on the fiscal balance.
- Increased writedowns of bad debts due to borrowings by students undertaking entrepreneurial studies have a negative impact on the fiscal balance.
- Increased PDI expenses have a negative impact on the fiscal balance.

Underlying cash balance impact – components

- Interest receipts from students undertaking entrepreneurial studies (interest was estimated as a fixed proportion of repayments) have a positive impact on the underlying cash balance.
- Increased PDI payments have a negative impact on the underlying cash balance.

Headline cash balance impact – components

- Loans to students undertaking entrepreneurial studies have a negative impact on the headline cash balance.
- Principal repayments by students undertaking entrepreneurial studies have a positive impact on the headline cash balance.
- Interest receipts from students undertaking entrepreneurial studies (interest was estimated as a fixed proportion of repayments) have a positive impact on the headline cash balance.
- Increased PDI payments have a negative impact on the headline cash balance.

The total of the financial impacts from the additional HELP loans issued and allowance payments represent the financial impacts of the proposal.

All estimates have been rounded to the nearest $1 million.

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2 Given this costing is over a defined time period with more loans being issued each year, the net impact of the CLD expense and the revenue from the unwinding of CLD would not be zero. Were the analysis to be undertaken for a single loan and that loan were to be established and fully repaid during the analysis period then these two lines would net to zero.

Data sources

- The Department of Education and Training provided:
  - Higher Education Statistics 2014
  - HELP forward estimates model.
- The Department of Social Services provided:
  - Allowance recipients microdata
  - Austudy forward estimates model
  - Youth Allowance forward estimates model.

Attachment A: Startup Year—financial implications

Table A1: Startup Year—Fiscal balance[a][b]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on fiscal balance													
Income support payments													
Austudy	..	-1.0	-1.0	-1.0	**-3.0**	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	**-11.0**
Youth Allowance	..	-1.0	-1.0	-2.0	**-4.0**	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	**-17.0**
HELP													
CLD expense	..	-1.0	-2.0	-2.0	**-5.0**	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	**-19.0**
CLD unwinding revenue	-	-	..	..	**..**	..	1.0	1.0	1.0	1.0	1.0	2.0	**8.0**
Net CLD	..	-1.0	-2.0	-2.0	**-5.0**	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	**-11.0**
Interest revenue accrued	-	..	..	1.0	**1.0**	1.0	1.0	2.0	2.0	3.0	3.0	4.0	**18.0**
Loan writedowns	-	..	..	..	**..**	..	..	..	..	..	..	..	**..**
PDI													
Expenses	..	..	-1.0	-1.0	**-2.0**	-3.0	-4.0	-6.0	-8.0	-10.0	-12.0	-15.0	**-60.0**
Total	**-1.0**	**-3.0**	**-4.0**	**-5.0**	**-13.0**	**-6.0**	**-7.0**	**-8.0**	**-9.0**	**-11.0**	**-13.0**	**-14.0**	**-81.0**

(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.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A2: Startup Year—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on underlying cash balance													
Income support payments													
Austudy	..	-1.0	-1.0	-1.0	**-3.0**	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	**-11.0**
Youth Allowance	..	-1.0	-1.0	-2.0	**-4.0**	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	**-17.0**
HELP													
Interest received	-	-	..	..	**..**	..	..	..	..	..	..	1.0	**2.0**
PDI													
Payments	..	..	-1.0	-1.0	**-2.0**	-2.0	-4.0	-6.0	-8.0	-10.0	-12.0	-14.0	**-59.0**
Total	**-1.0**	**-2.0**	**-3.0**	**-4.0**	**-10.0**	**-5.0**	**-7.0**	**-9.0**	**-11.0**	**-13.0**	**-15.0**	**-17.0**	**-85.0**

(a) 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.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A3: Startup Year—Headline cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Impact on headline cash balance													
Income support payments													
Austudy	..	-1.0	-1.0	-1.0	**-3.0**	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	-1.0	**-11.0**
Youth Allowance	..	-1.0	-1.0	-2.0	**-4.0**	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	-2.0	**-17.0**
HELP													
Loans issued	-5.0	-12.0	-17.0	-20.0	**-54.0**	-21.0	-21.0	-22.0	-22.0	-23.0	-23.0	-24.0	**-211.0**
Repayments and interest received	-	-	..	..	**..**	..	..	..	1.0	1.0	2.0	2.0	**7.0**
PDI													
Payments	..	..	-1.0	-1.0	**-2.0**	-2.0	-4.0	-6.0	-8.0	-10.0	-12.0	-14.0	**-59.0**
Total	**-5.0**	**-14.0**	**-20.0**	**-24.0**	**-64.0**	**-26.0**	**-28.0**	**-30.0**	**-32.0**	**-35.0**	**-37.0**	**-39.0**	**-290.0**

(a) A positive number in headline cash balance indicates an increase in cashflow. A negative number in headline cash balance indicates a decrease in cashflow.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Domestic Gas National Interest Test
Summary of proposal:	The proposal would establish a Domestic Gas Review Board. The Board would consist of five members, with members remunerated in a manner consistent with comparable boards, which would be decided by the Remuneration Tribunal. The Board would be supported by a secretariat in the Treasury. The Secretariat would be made up of one Executive Level 2 and two Australian Public Service Level 6 staff. The policy would begin on 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease the fiscal and underlying cash balances by $2.4 million over the 2016-17 Budget forward estimates period. This is entirely due to an increase in departmental expenses.

This proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of high reliability as it is based on applying Remuneration Tribunal board member remuneration rates and standard average departmental costing rates to Australian Public Service positions as specified in the proposal.

The Parliamentary Budget Office (PBO) has not undertaken any analysis of whether or not the prescribed staffing resources would be adequate to achieve the responsibilities outlined.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-0.8	-0.8	-0.8	**-2.4**
Underlying cash balance	-	-0.8	-0.8	-0.8	**-2.4**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

The number of board members is as specified. The Board would consist of a Chair, a Deputy, and three members. Remuneration levels are consistent with members of comparable boards as specified.

The number and classification of average staffing level (ASL) is as specified.

The impact of the additional specified ASL on departmental expenditure was derived by applying the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Data sources

The Department of Finance provided indexation and efficiency dividend parameters.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Doubling funding for the AIP Authority and appointing an AIP Board**
Summary of proposal:	The proposal would: • double the funding for the Australian Industry Participation Authority (AIPA) • establish an Australian Industry Participation Advisory Board (the Advisory Board), as per the provisions of the Australian Jobs Act 2013, consisting of a chair and five members. The proposal would take effect from 1 July 2017. The funding increase would be provided on an ongoing basis. The Advisory Board would exist on an ongoing basis.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $6.6 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

The proposal would have an ongoing impact beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of high reliability as estimates are based on current AIPA expenditure estimates and similar activity costs.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-2.1	-2.3	-2.3	**-6.6**
Underlying cash balance	-	-2.1	-2.3	-2.3	**-6.6**

(a) A negative number for the fiscal balance indicates an increase in expenses or net capital investment in accrual terms. A negative number for the underlying cash balance indicates an increase in expenses or net capital investment in cash terms.
(b) Figures may not sum to totals due to rounding.
– Indicates nil

Key assumptions

It has been assumed that the Advisory Board would be remunerated at a similar level to the Education Investment Fund Advisory Board.

Methodology

The impact of doubling the funding for AIPA was calculated based on the current estimates for AIPA, accounting for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

The impact of establishing an Advisory Board was derived by applying Education Investment Fund Advisory Board remuneration factors to the specified positions of a chair and five members. Costs were projected by applying the appropriate indexation parameters.

Data sources

- The Department of Finance provided indexation and efficiency dividend parameters.
- The Department of Industry, Innovation and Science advised that the 2015-16 Mid-Year Economic and Fiscal Outlook measure, *Administration of the Australian Job Act 2013 – continuation* provides current expenditure estimates for AIPA.
- Remuneration Tribunal, *Determination 2015/20 - Remuneration and Allowances for Holders of Part-Time Public Office*.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**National Automotive Supplier Advocate**
Summary of proposal:	The proposal would appoint a National Automotive Supplier Advocate (the Advocate) who would work with small and medium sized enterprises throughout the automotive manufacturing supply chains, helping them break into new domestic and global supply chains and win manufacturing contracts. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $3.4 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

The proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of medium reliability as the estimates are based on previous programs with similar administrative complexity and structure.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-0.8	-0.8	-0.9	-0.9	**-3.4**
Underlying cash balance	-0.8	-0.8	-0.9	-0.9	**-3.4**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

It has been assumed that the Advocate would:

- be provided with remuneration on the basis of the number of days worked (assumed to be 75 days a year)
- have a travel budget of approximately $51,000 in 2016-17, with appropriate indexation applied thereafter
- be supported by one and half full time staff within the Department of Industry, Innovation and Science
- have a budget of $500,000 per year for partnership projects.

Methodology

The impact of the proposal was derived by summing the costs of the Advocate's remuneration and travel, project funding and administration costs for the Department of Industry, Innovation and Science, accounting for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Data sources

The Department of Finance provided indexation and efficiency dividend parameters.

Economics Legislation Committee - Answers to Questions on Notice, Industry, Innovation, Science, Research and Tertiary Education Portfolio - Budget Estimates Hearing 2012-13 - 28 and 29 May 2012 – Question No. BI-54.

Economics Legislation Committee - Answers to Questions on Notice, Industry, Innovation, Science, Research and Tertiary Education Portfolio - Budget Estimates Hearing 2013-14 - 3 and 4 June 2013 – Question No. BI-109.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	National Steel Supplier Advocate
Summary of proposal:	The proposal would appoint a National Steel Supplier Advocate (the Advocate), with funding based on the previous Steel Supplier Advocate. The Advocate would work with Australian steel manufacturers, particularly small and medium sized enterprise (SME) fabricators, to help them win major contracts. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $2.6 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in departmental expenses.

The proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of medium reliability. While it is based on funding for the previous Steel Supplier Advocate, the estimates are contingent on the assumptions regarding the number of days that the Advocate would work each year and other associated expenses.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-0.8	-0.9	-0.9	-2.6
Underlying cash balance	-	-0.8	-0.9	-0.9	-2.6

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Key assumptions

It has been assumed that the Advocate would:

- be provided with remuneration on the basis of the number of days worked (assumed to be 75 days a year)
- have a travel budget of approximately $52,000 in 2017 18, with appropriate indexation applied thereafter
- be supported by one and half full time staff within the Department of Industry, Innovation and Science
- have a budget of $500,000 per year for partnership projects.

Methodology

The impact of the proposal was derived by summing the costs of the Advocate's remuneration and travel, project funding and administration costs for the Department of Industry, Innovation and Science, accounting for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Data sources

The Department of Finance provided indexation and efficiency dividend parameters.

Economics Legislation Committee - Answers to Questions on Notice, Industry, Innovation, Science, Research and Tertiary Education Portfolio - Budget Estimates Hearing 2012-13 – 28 and 29 May 2012 – Question No. BI-54.

Economics Legislation Committee - Answers to Questions on Notice, Industry, Innovation, Science, Research and Tertiary Education Portfolio - Budget Estimates Hearing 2013-14 – 3 and 4 June 2013 – Question No. BI-109.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**New Jobs Tax Cut, Working Futures, and, Uncommitted wage subsidy funding**
Summary of proposal:	This proposal has three components: • New Jobs Tax Cut • Working Futures • Uncommitted wage subsidy funding. Component 1 - New Jobs Tax Cut This component would allow small businesses to claim an additional tax deduction of 40 per cent of wage costs, capped at $20,000 per employee, for up to five new employees (in their first year of employment). The scheme would be limited to small businesses with turnover of less than $2 million that have been operating for a minimum of two years. To qualify, new employees would need to be: • a jobseeker under the age of 25 or over the age of 55 who has been unemployed for a period of three months or more, or • a recipient of Parenting Payment Single (PPS), or • a carer. In order to qualify for the deduction a new employee would need to be a net addition to the company's average full-time equivalent (FTE) staffing level for the previous year. The Australian Taxation Office (ATO) would be given $2 million spread evenly over the 2016-17 Budget forward estimates period to ensure that small businesses were in compliance with the new regulations. This component would have effect from 1 July 2016. Component 2 - Working Futures This component would establish a work placement program that would support 20,000 people per year aged between 15 and 24.

	The program would provide job seekers with: • a six-week work-readiness course focusing on essential employment skills as well as personal presentation, interview techniques and job hunting • a six-month work placement with an employer, paid at an award equivalent training wage • a fully-funded Certificate III in a subject of their choice. An evaluation of the Working Futures program would be undertaken in 2019-20. This component would have effect from 1 July 2017 with some departmental expenses occurring in 2016-17. Component 3 - Uncommitted wage subsidy funding This component would return all uncommitted wage subsidy funding in the 2016-17 Budget Youth Employment Package measures to the budget, with the objective of offsetting the cost of the first two components over the forward estimates period.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $1.0 million over the 2016-17 Budget forward estimates period. This reflects a net decrease in revenue of $174.0 million, a net decrease in administered expenditure of $170.7 million and a net decrease in departmental expenditure of $2.3 million over this period.

- The New Jobs Tax Cut component of the proposal would be expected to decrease both the fiscal and underlying cash balances by $257.0 million over the 2016-17 Budget forward estimates period. This impact reflects a decrease in revenue of $250.0 million and an increase in departmental expenditure of $7.0 million over this period.
- The Working Futures component of the proposal would be expected to decrease both the fiscal and underlying cash balances by $1,121.0 million over the 2016-17 Budget forward estimates period. This impact reflects an increase in revenue of $76.0 million, an increase in administered expenses of $1,167.0 million and an increase in departmental expenditure of $30.0 million over this period.
- The return of uncommitted wage subsidy funding from the 2016-17 Budget Youth Employment Package would be expected to increase both the fiscal and underlying cash balances by $1,377.0 million over the 2016 17 Budget forward estimates period. This impact reflects a net decrease in administered expenditure of $1,337.7 million and a decrease in departmental expenditure of $39.3 million over this period.

Detailed financial implications of the impact of the proposals are provided at Attachment A.

These proposals would have an ongoing financial impact beyond the 2016-17 Budget forward estimates period broadly equivalent to its 2019-20 level, noting that an evaluation of the program would be undertaken in 2019-20.

The costing of the New Jobs Tax Cut proposal is considered to be of low reliability because the level of take-up of the proposal is highly uncertain and a number of assumptions are used.

The costing of the Working Futures proposal is considered to be of medium reliability due to the uncertainty surrounding the mix of industries and occupations in which program participants are assumed to be placed, which would affect their wage rate and training costs.

The costing of the return of uncommitted wage subsidy funding from the 2016 17 Budget *Youth Employment Package* is considered to be of high reliability, as it based on the amounts set out in the 2016-17 Budget and the level of committed funding has been provided by the Department of Employment.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	194.5	-5.7	-79.1	-109.7	**-1.0**
Underlying cash balance	194.5	-5.7	-79.1	-109.7	**-1.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

Component 1 – New Jobs Tax Cut

- The increase in employment by small companies over the recent past continues into the future.
- There is no minimum period of employment under the scheme. Employers can claim the deduction if they hire an additional full-time or part-time employee and if the employee is hired on an ongoing or non-ongoing basis.
- The deduction cap is not indexed over time.
- The costing does not take into account any impact on the overall level of employment in the economy as a result of this proposal.
- The assumed take-up rate of the proposal includes an assessment of the number of new (additional) employees that would be able to be utilised by small businesses ($2 million per annum turnover).
- The deduction would be able to be claimed at the end of each financial year.

Component 2 – Working Futures

- All of the placements arise from new vacancies and do not displace existing workers or prospective jobseekers.

- All participants represent a subset of the existing population of the jobactive caseload, rather than new entrants to the service.
- All of the capped places available under each option would be taken up evenly over the financial year.
- In the absence of this proposal, all participants would be in receipt of unemployment benefits.
- The average fee for the Certificate III level training courses would be approximately $5,300 in 2017 18 (based on data from myskills.gov.au after indexation). The Commonwealth would meet this amount in full, including components that would otherwise be paid by students and government subsidies (ie state subsidy for vocational education and training).
  - The average course fee would grow by the Consumer Price Index each year.

Methodology

Component 1 – New Jobs Tax Cut

The PBO micro-simulated company unit record data on wage and salary expenses to estimate the number of FTE employees employed by companies that have been operating for more than two years with turnover of less than $2 million. The change in employees over time was multiplied by the estimated proportion of new employees that would meet the criteria for the program.

An additional percentage of the salaries and wages of these eligible employees (up to the deduction cap) was added to each eligible company's deductions. The change in taxable income as a result of the additional deduction was multiplied by the small company tax rate to estimate the impact of the proposal.

Revenue estimates in this costing have been rounded to the nearest $10 million.

The departmental expenditure estimates are based on the cost of administering measures with similar administrative complexity.

Departmental expenditure estimates have been rounded to the nearest $500,000.

Funds from underutilised existing wage subsidy programs are re-allocated to offset the net impact of this proposal.

Component 2 – Working Futures

The financial implication of the proposal is the sum of the following:

- The cost of the six-week work-readiness course was estimated based on the unit cost of similar training provided under the 2016-17 Budget measure, *Youth Employment Package – Youth Jobs PaTH (Prepare – Trial – Hire)*.

- The trainee wage costs of program participants were estimated by multiplying the average trainee wage by the capped number of placements. The average trainee wage was estimated based on the 2011-12 unit record tax file of taxpayers who identified themselves as a trainee. The wage costs estimate also takes into account participants exiting the placements early at their own volition.
- The costs of Certificate III training were estimated by multiplying the unit cost by the capped number of placements.
- The change in *jobactive* outcome fees were estimated as the *jobactive* placement fees payable for all participants. This is because all participants would be paid an award-based training wage and have their unemployment benefit suspended during their placements; consequently *jobactive* providers would be eligible for the relevant outcome fees.
- The savings in unemployment benefit payments were estimated by multiplying the number of participants by the average unemployment benefit payment, taking into account the age of program participants and those who exit their placements early.
- The increase in income tax collected, estimated as a result of wages paid by the Government and subsequently by employers for participants who remain employed for up to a further six months, is included as part of the financial implications of the proposal.
- The increase in Government superannuation contributions for participants was estimated by multiplying the total wage paid by the Government by the relevant superannuation guarantee rate.
  - Superannuation contributions tax on these additional contributions is included. The impact of rebates and payments resulting from the Low Income Superannuation Tax Offset (LISTO) is also included in the results.
- Superannuation earnings tax (from earnings as a result of new contributions to superannuation) is calculated based on an assumed aggregate earning rate of superannuation funds.

All estimates have been rounded to the nearest $1 million.

Component 3 – Uncommitted wage subsidy funding

The savings that would arise from reversing the specified measures were derived from costings models and budget data provided by the relevant departments, taking into account funding that is already committed.

Data sources

The Australian Bureau of Statistics provided:

- Average Weekly Earnings, November 2015, Cat. No. 6302.0
- Labour Mobility, Australia, February 2013, Cat. No. 6209.0
- Labour Force, May 2016, Cat. No. 6202.0.

The Australian Taxation Office provided:

- 2011-12 unit record tax file
- Company tax return data for 2008-09 to 2013-14.

The Department of Employment provided:

- jobactive costing model
- Job retention rate of employees with the assistance of wage subsidies
- Wage subsidy commitments
- Costing models for the 2016-17 Budget measure, Youth Employment Package – Youth Jobs PaTH (Prepare – Trial – Hire).

The Department of Finance provided:

- Central Budget Management System outputs.

The Department of Human Services provided:

- Costing models for the 2016 17 Budget measure, Youth Employment Package – Youth Jobs PaTH (Prepare – Trial – Hire).

The Department of Social Servicesprovided:

- 2016-17 Portfolio Budget Statements – expenditure and recipient numbers
- Average payment rates of Newstart Allowance and Youth Allowance (Other)
- Costing models for the 2016 17 Budget measure, Youth Employment Package – Youth Jobs PaTH (Prepare – Trial – Hire).

The Commonwealth Treasury provided:

- LISTO costing model.

Attachment A: New Jobs Tax Cut, Working Futures, and Uncommitted wage subsidy funding —financial implications

Table A1: New Jobs Tax Cut, Working Futures, and Uncommitted wage subsidy funding—Financial implications (outturn prices)[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Revenue					
Total revenue	**-**	**-38.0**	**-63.0**	**-73.0**	**-174.0**
Expenses					
Administered	*179.4*	*41.3*	*-14.8*	*-35.1*	***170.7***
Departmental	*15.1*	*-9.0*	*-1.3*	*-1.6*	***2.3***
Total expenses	**194.5**	**32.3**	**-16.1**	**-36.7**	**173.0**
Total	**194.5**	**-5.7**	**-79.1**	**-109.7**	**-1.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

\- Indicates nil.

Table A2: Component 1 – New Jobs Tax Cut—Financial implications (outturn prices)[a][b]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Revenue					
Company tax	-	-60.0	-90.0	-100.0	**-250.0**
Expenses					
Departmental – implementation	*-2.0*	*-1.0*	*-1.0*	*-1.0*	***-5.0***
Departmental - compliance	*-0.5*	*-0.5*	*-0.5*	*-0.5*	***-2.0***
Total expenses	**-2.5**	**-1.5**	**-1.5**	**-1.5**	**-7.0**
Total	**-2.5**	**-61.5**	**-91.5**	**-101.5**	**-257.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Table A3: Component 2 – Working Futures—Financial implications (outturn prices)[a][b]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Revenue					
Total Revenue[c]	-	*22.0*	*27.0*	*27.0*	***76.0***
Expenses					
Administered[d]	-	*-338.0*	*-407.0*	*-422.0*	***-1,167.0***
Departmental	..	*-15.0*	*-7.0*	*-7.0*	***-30.0***
Total expenses	**..**	***-353.0***	***-414.0***	***-429.0***	***-1,197.0***
Total	**..**	**-331.0**	**-387.0**	**-402.0**	**-1,121.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
(c) Revenue items include personal income tax, superannuation contributions and earnings tax and rebates paid under LISTO.
(d) Administered expense items include the trainee wage and superannuation contributions paid by the Government, Certificate III training fees, work readiness training and outcome fees paid to jobactive providers and LISTO.
.. Not zero but rounded to zero.
- Indicates nil.

Table A4: Component 3 - Uncommitted wage subsidy funding—Financial implications (outturn prices) [(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered expenses					
Measures reversed	*263.2*	*379.3*	*392.2*	*386.9*	***1,421.5***
Committed funding	*-83.8*	-	-	-	***-83.8***
Total administered	***179.4***	***379.3***	***392.2***	***386.9***	***1,337.7***
Departmental expenses					
Measures reversed	*17.6*	*7.5*	*7.2*	*6.9*	***39.3***
Total	**197.0**	**386.8**	**399.4**	**393.8**	**1,377.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Retain the Seafarer Tax Offset**
Summary of proposal:	This proposal would reverse the Government's intended (but not legislated) policy to abolish the seafarer tax offset.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $16 million over the 2016-17 Budget forward estimates period. This impact entirely reflects an increase in administered expenses.

The proposal would be expected to have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of high reliability as it is based on the reversal of a published Budget measure.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-4.0	-4.0	-4.0	-4.0	**-16.0**
Underlying cash balance	-4.0	-4.0	-4.0	-4.0	**-16.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The costing is based on the estimates published in the 2014-15 Budget measure to abolish the seafarer tax offset.

Data sources

2014-15 Budget Paper No. 2, page 212

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Small Business Ombudsman – Access to Justice**
Summary of proposal:	The proposal would provide funding over the forward estimates for three Australian Public Service (APS) positions (one Executive Level 2, one Executive Level 1 and one Australian Public Service Level 6 employee) in the Office of the Australian Small Business and Family Enterprise Ombudsman. These officials would examine applications from small businesses who claim they are subject to grievances under the *Competition and Consumer Act 2010*. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would decrease the fiscal and underlying cash balances by $1.5 million over the 2016-17 Budget forward estimates. This is entirely due to an increase in departmental expenditure.

This proposal would have an ongoing impact beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of high reliability as it is based on applying standard average departmental costing rates to specified APS positions.

No analysis has been undertaken to determine the adequacy of the prescribed staffing levels to achieve the objective of the proposal.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-0.5	-0.5	-0.5	**-1.5**
Underlying cash balance	-	-0.5	-0.5	-0.5	**-1.5**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The departmental expenditure estimates are based on the prescribed staffing levels and estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Data sources

The Department of Finance provided indexation and efficiency dividend parameters.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Maintaining the Fair Entitlements Guarantee
Summary of proposal:	The proposal would reverse the 16 week limit on redundancy pay under the Fair Entitlements Guarantee (FEG) scheme announced in the 2014 15 Budget measure, *Fair Entitlements Guarantee—aligning redundancy payments to national employment standards*. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $105.1 million over the 2016-17 Budget forward estimates period. This impact is entirely due to an increase in administered expenses.

This proposal would have an ongoing financial impact beyond the 2016-17 Budget forward estimates period. This proposal would not be expected to have any impact on departmental costs as no departmental funding was provided in the original 2014-15 Budget measure.

This costing is considered to be of medium reliability as assumptions have been made about the redundancy pay of claimants.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-23.3	-26.1	-27.2	-28.4	**-105.1**
Underlying cash balance	-23.3	-26.1	-27.2	-28.4	**-105.1**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

- The number of claimants receiving redundancy pay would continue to increase at the same average rate that occurred between 2011-12 and 2013-14.

- The average proportion of claimants receiving redundancy pay in excess of the national employment standard between 2011-12 and 2013-14 would remain constant.

Methodology

- The estimated level of payments to claimants who would be entitled to redundancy pay over 16 weeks in the absence of the FEG limit was compared with the estimated level of payments with the 16 week FEG limit. The difference is the impact of the proposal.

Data sources

- 2014-15 Budget model underlying the measure, *Fair Entitlements Guarantee – aligning redundancy payments to national employment standards* provided by the Department of Employment.
- Parliamentary Budget Office 2016, *Unlegislated measures carried forward in the budget estimates — June 2016 update,* PBO, Canberra.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	National Affordable Housing Strategy
Summary of proposal:	The proposal would: • re-establish the National Housing Supply Council (NHSC) • provide a one-off establishment grant of $3 million to Homes4homes. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The proposal would be expected to decrease both the fiscal and underlying cash balances by $11.1 million over the 2016-17 Budget forward estimates period. This impact reflects an increase in administered expenses of $3.0 million and an increase in departmental expenses of $8.1 million.

The proposal would be expected to have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

Detailed financial implications are provided at Attachment A.

This costing is considered to be of high reliability as the estimates are based on the previous NHSC expenditure and a fixed amount of funding for Homes4homes.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-	-5.6	-2.7	-2.7	**-11.1**
Underlying cash balance	-	-5.6	-2.7	-2.7	**-11.1**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Methodology

The impact of the proposal to re-establish the NHSC was calculated by growing the previous NHSC expenditure estimates by applying the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Estimates have been rounded to the nearest $100,000.

Data sources

The Department of Finance provided parameters as at the 2016 Pre-election Economic and Fiscal Outlook.

2008-09 Budget measure, *National Housing Supply Council*.

Department of Families, Housing, Community Services and Indigenous Affairs 2008, *Portfolio Additional Estimates Statements 2007-08: Families, Housing, Community Services and Indigenous Affairs Portfolio*, FaHCSIA, Canberra.

Attachment A: National Affordable Housing Strategy—financial implications

Table A1: National Affordable Housing Strategy—Financial implications (outturn prices)[a][b]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Administered					
Homes4homes grant	-	*-3.0*	-	-	***-3.0***
Departmental					
Re-establish the NHSC	-	*-2.6*	*-2.7*	*-2.7*	***-8.1***
Total	**-**	**-5.6**	**-2.7**	**-2.7**	**-11.1**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with applying the One-Week Ordinary Waiting Period to all Working Age Payments**
Summary of proposal:	The proposal would not proceed with the 2014-15 Budget measure, *Apply the One-Week Ordinary Waiting Period to all Working Age Payments*. The proposal would have effect from 1 October 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $247.0 million over the 2016-17 Budget forward estimates period. This impact reflects an increase in administered expenses of $256 million and a decrease in departmental expenses of $9 million over the forward estimates period. A breakdown of the financial implications over the 2016-17 Budget forward estimates period is provided at Attachment A.

This proposal would have an ongoing impact beyond the 2016-17 Budget forward estimates period.

The estimates of the financial implications are considered to be of low reliability as the estimates and projections of the number of recipients affected by the measure are somewhat uncertain.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-46.0	-64.0	-67.0	-69.0	**-247.0**
Underlying cash balance	-46.0	-64.0	-67.0	-69.0	**-247.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

Financial implications reflect a reversal of the 2014-15 Budget measure, adjusted to reflect indexation and demographic parameters as at the 2016-17 Budget and an assumed implementation date of 1 October 2016.

Data sources

The Department of Social Services provided the expenditure breakdown of the 2014-15 Budget measure, *Apply the One-Week Ordinary Waiting Period to all Working Age Payments* as at the 2016-17 Budget.

Attachment A: Not proceeding with applying the One-Week Period to all Working Age Payments—financial implications

Table A1: Not proceeding with applying the One-Week Ordinary Waiting Period to all Working Age Payments—Financial implications[a][b]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	*-50.0*	*-66.0*	*-69.0*	*-71.0*	***-256.0***
Departmental	*4.0*	*2.0*	*2.0*	*2.0*	***9.0***
Total	**-46.0**	**-64.0**	**-67.0**	**-69.0**	**-247.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with changes to pension portability**
Summary of proposal:	The proposal would not proceed with the 2015-16 Budget measure, *Australian Working Life Residence – tightening proportionality requirements*. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $207.6 million over the 2016-17 Budget forward estimates period. This reflects an increase in administered expenses of $219.6 million and a decrease in departmental expenses of $12.0 million over this period. A breakdown of the financial implications over the 2016-17 Budget forward estimates period is provided at Attachment A.

This proposal would be expected to have ongoing financial implications beyond the 2016-17 Budget forward estimates period.

This costing is considered to be of medium reliability as the number of recipients affected by the measure is uncertain.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	0.6	-64.9	-69.3	-73.9	**-207.6**
Underlying cash balance	0.6	-64.9	-69.3	-73.9	**-207.6**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications are based on the 2015-16 Budget measure estimates, adjusted for changes in recipient population and pension payment rates from that time.

The number of pension recipients travelling overseas for different lengths of time was assumed to decrease under this proposal, reflecting a one-off behavioural change from the start of the proposal.

Data sources

2015-16 Budget Paper No. 2., p150.

The Department of Social Services provided payment recipient population growth parameters.

Attachment A: Not proceeding with changes to pension portability—financial implications

Table A1: Not proceeding with changes to pension portability—Financial implications (outturn prices)[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	-	*-69.6*	*-73.0*	*-77.0*	***-219.6***
Departmental	*0.6*	*4.7*	*3.7*	*3.1*	***12.0***
Total	**0.6**	**-64.9**	**-69.3**	**-73.9**	**-207.6**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with the Divorce Tax**
Summary of proposal:	The proposal would reverse the *Family Law (Fees) Amendment (2015 Measures No. 1) Regulation 2015* (the Regulation) which increased court fees with effect from 13 July 2015, as follows: • the full divorce fee in the Federal Circuit Court of Australia from \$845 to \$1,200 • the full divorce fee in the Family Court of Australia from \$1,195 to \$1,200 • the fees for consent orders from \$155 to \$240 • the fees for issuing subpoenas from \$55 to \$125 • all other existing family law fee categories to the amounts specified in the Regulation. The Regulation also established a new fee category for the filing of amended applications of \$125. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by \$69 million over the 2016-17 Budget forward estimates period. This impact entirely reflects a decrease in revenue.

This proposal would be expected to have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period.

Detailed financial implications of this proposal are provided at <u>Attachment A</u>.

Departmental expenses are not expected to be significant and have not been included in this costing.

This costing is considered to be of high reliability as the revenue impact of the Regulation over the 2016-17 Budget forward estimates period reflects the estimates associated with the 2015-16 Budget measure, *Streamlining and improving the sustainability of Courts*.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-16.4	-16.6	-17.9	-18.1	**-69.0**
Underlying cash balance	-16.4	-16.6	-17.9	-18.1	**-69.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The Parliamentary Budget Office has assumed that there would be no behavioural response to the proposal.

Methodology

The revenue impact of the Regulation was estimated by multiplying the number of estimated filings over the estimation period by the increase in court fees over the same period.

Estimates of court fees are rounded to the nearest $100,000.

Data sources

The Attorney-General's Department provided the costing model for the 2015-16 Budget measure, *Streamlining and improving the sustainability of Courts*.

Attachment A: Not proceeding with the Divorce Tax—financial implications

Table A1: Not proceeding with the Divorce Tax—Fiscal balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Reverse increase in full divorce fee – Federal Circuit Court	*-11.9*	*-12.1*	*-13.0*	*-13.2*	***-50.2***
Reverse increase in full divorce fee – Family Court of Australia	..	..	..	..	**..**
Reverse increase in fee for issuing consent orders	*-1.1*	*-1.1*	*-1.2*	*-1.2*	***-4.6***
Reverse increase in fee for issuing subpoenas	*-1.2*	*-1.2*	*-1.3*	*-1.3*	***-5.0***
Reverse increase in all other family law fees	*-1.3*	*-1.3*	*-1.4*	*-1.4*	***-5.4***
Abolish new fee category for amended applications	*-0.9*	*-0.9*	*-1.0*	*-1.0*	***-3.8***
Total	**-16.4**	**-16.6**	**-17.9**	**-18.1**	**-69.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with the four week waiting period for income support for young people**
Summary of proposal:	The proposal would abolish the four-week waiting period component of the 2015-16 Budget measure, *Growing Jobs and Small Business – Youth Employment Strategy – revised waiting period for youth income support*. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $233.3 million over the 2016-17 Budget forward estimates period. This impact reflects an increase in administered expenses of $243.0 million and a decrease in departmental expenses of $9.7 million over this period. A breakdown of the costing over the 2016-17 Budget forward estimates period is provided at Attachment A.

This proposal would have an ongoing impact beyond the 2016-17 Budget forward estimates period. The annual ongoing impact would be consistent with the trend exhibited across the forward estimates.

This costing is considered to be of high reliability as estimates are based on the financial implications of the measure updated for relevant indexation and demographic parameters.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-42.7	-60.9	-64.0	-65.7	**-233.3**
Underlying cash balance	-42.7	-60.9	-64.0	-65.7	**-233.3**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications were derived by reversing the estimated financial implications of the 2015-16 Budget measure updated for growth in underlying parameters.

Data sources

Department of Finance provided

- 2015-16 Budget data
- 2016-17 Budget data
- indexation and efficiency dividend parameters.

Department of Social Services provided costing models underpinning the 2015-16 Budget measure, *Growing Jobs and Small Business – Youth Employment Strategy – revised waiting period for youth income support*.

Attachment A: Not proceeding with the four week waiting period for income support for young people—financial implications

Table A1: Not proceeding with the four week waiting period for income support for young people—Financial implications[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	*-45.9*	*-63.6*	*-65.9*	*-67.6*	***-243.0***
Departmental	*3.1*	*2.7*	*1.9*	*1.9*	***9.7***
Total	**-42.7**	**-60.9**	**-64.0**	**-65.7**	**-233.3**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with the Government's changes to Paid Parental Leave**
Summary of proposal:	The proposal would reverse the *Removing Double Dipping from Parental Leave Pay* measure as first outlined in the 2015-16 Budget and modified in the 2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO). The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal balance by $1,249 million and decrease the underlying cash balance by $1,238 million over the 2016-17 Budget forward estimates period. The fiscal balance implications reflect an increase in expenses of $2,049 million and an increase in revenue of $800 million over this period.

This proposal would have ongoing financial impacts that extend beyond the 2016-17 Budget forward estimates period. A breakdown of the financial implications for the period 2016-17 to 2026-27 is at Attachment A.

The underlying cash balance implications of this proposal differs from the fiscal balance implications because there would be a delay between the recognition of expenses incurred by the Department of Social Services and the payment of these expenses.

This costing is considered to be of medium reliability. Estimates are sensitive to changes in economic and demographic factors.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-206.0	-344.0	-364.0	-344.0	**-1,249.0**
Underlying cash balance	-196.0	-344.0	-364.0	-344.0	**-1,238.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications are based on the 2015-16 Budget measure, the 2015-16 MYEFO measure and estimates variations included in the 2016-17 Budget that affected the measure.

Administered financial implications have been rounded to the nearest $10 million. Departmental financial implications have been rounded to the nearest $1 million.

Data sources

Commonwealth of Australia 2015, *2015-16 Budget Paper No. 2*, Commonwealth of Australia, Canberra, p. 168.

Commonwealth of Australia 2015, *2015-16 Mid-Year Economic and Fiscal Outlook*, Commonwealth of Australia, Canberra, p. 216.

Attachment A: Not proceeding with the Government's changes to Paid Parental Leave—financial implications

Table A1: Not proceeding with the Government's changes to Paid Parental Leave—Fiscal balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Revenue													
Administered	*150.0*	*200.0*	*200.0*	*250.0*	***800.0***	*250.0*	*250.0*	*250.0*	*250.0*	*300.0*	*300.0*	*300.0*	***2,700.0***
Total – revenue	150.0	200.0	200.0	250.0	**800.0**	250.0	250.0	250.0	250.0	300.0	300.0	300.0	**2,700.0**
Expenses													
Administered	*-340.0*	*-540.0*	*-560.0*	*-590.0*	***-2,020.0***	*-630.0*	*-680.0*	*-730.0*	*-780.0*	*-840.0*	*-900.0*	*-960.0*	***-7,540.0***
Departmental	*-16.0*	*-4.0*	*-4.0*	*-4.0*	***-29.0***	*-4.0*	*-4.0*	*-3.0*	*-3.0*	*-3.0*	*-3.0*	*-3.0*	***-52.0***
Total – expenses	-356.0	-544.0	-564.0	-594.0	**-2,049.0**	-634.0	-684.0	-733.0	-783.0	-843.0	-903.0	-963.0	**-7,592.0**
Total	**-206.0**	**-344.0**	**-364.0**	**-344.0**	**-1,249.0**	**-384.0**	**-434.0**	**-483.0**	**-533.0**	**-543.0**	**-603.0**	**-663.0**	**-4,892.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.

Table A2: Not proceeding with the Government's changes to Paid Parental Leave—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Receipts													
Administered	*150.0*	*200.0*	*200.0*	*250.0*	***800.0***	*250.0*	*250.0*	*250.0*	*250.0*	*300.0*	*300.0*	*300.0*	***2,700.0***
Total – receipts	150.0	200.0	200.0	250.0	**800.0**	250.0	250.0	250.0	250.0	300.0	300.0	300.0	**2,700.0**
Payments													
Administered	*-330.0*	*-540.0*	*-560.0*	*-590.0*	***-2,010.0***	*-630.0*	*-680.0*	*-730.0*	*-780.0*	*-840.0*	*-900.0*	*-960.0*	***-7,530.0***
Departmental	*-16.0*	*-4.0*	*-4.0*	*-4.0*	***-28.0***	*-4.0*	*-4.0*	*-3.0*	*-3.0*	*-3.0*	*-3.0*	*-3.0*	***-51.0***
Total – payments	-346.0	-544.0	-564.0	-594.0	**-2,038.0**	-634.0	-684.0	-733.0	-783.0	-843.0	-903.0	-963.0	**-7,581.0**
Total	**-196.0**	**-344.0**	**-364.0**	**-344.0**	**-1,238.0**	**-384.0**	**-434.0**	**-483.0**	**-533.0**	**-543.0**	**-603.0**	**-663.0**	**-4,881.0**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with the increasing the age of eligibility for Newstart Allowance and Sickness Allowance**
Summary of proposal:	The proposal would reverse the increase in the age of eligibility for Newstart Allowance (NSA) and Sickness Allowance (SA) announced in the 2014-15 Budget measure, *Increasing the age of eligibility for Newstart Allowance and Sickness Allowance*. The proposal would have effect from 1 October 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $672.0 million over the 2016-17 Budget forward estimates period. This impact reflects an increase in administered expenses of $823.0 million and a decrease in departmental expenses of $151.0 million over this period. A detailed breakdown of the financial implications over the 2016-17 Budget forward estimates period is at Attachment A.

This proposal would have ongoing financial implications that extend beyond the 2016-17 Budget forward estimates period.

This proposal would be expected to decrease departmental expenses for the Department of Human Services. This primarily reflects a lower cost of administering NSA and SA compared to Youth Allowance.

This costing is considered to be of medium reliability as it is based on a number of assumptions, such as the number of people eligible for payments in any given year.

Table 1: Financial implications (outturn prices)[a][b]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-131.0	-161.0	-184.0	-195.0	**-672.0**
Underlying cash balance	-131.0	-161.0	-184.0	-195.0	**-672.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications for this proposal are based on the 2014-15 Budget measure's estimates adjusted to include estimates variations up to the 2016-17 Budget.

Data sources

Commonwealth of Australia 2014, *2014-15 Budget Paper No. 2*, Commonwealth of Australia, Canberra, p. 203.

The Department of Finance provided indexation parameters.

Attachment A: Not proceeding with the increasing the age of eligibility for Newstart Allowance and Sickness Allowance—financial implications

Table A1: Not proceeding with the increasing the age of eligibility for Newstart Allowance and Sickness Allowance—Financial implications[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Fiscal and underlying cash balances					
Administered	*-160.0*	*-202.0*	*-225.0*	*-236.0*	***-823.0***
Departmental	*29.0*	*41.0*	*41.0*	*41.0*	***151.0***
Total	**-131.0**	**-161.0**	**-184.0**	**-195.0**	**-672.0**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Reversing cuts to Family Payments**
Summary of proposal:	This proposal would reverse the following components of the 2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO) measure, *Family Payment Reform - a new families package*: • Eligible single parents with a youngest child aged between 13 and 16 inclusive receiving a new maximum rate of Family Tax Benefit Part B (FTB-B) of $1,000.10 per year. • Phasing out of the Family Tax Benefit (FTB) supplements. • Increasing maximum rate of Family Tax Benefit Part A (FTB-A) by $10.08 per fortnight. • Increasing the maximum rate for under 18 year old Youth Allowance recipients living at home, under 18 year old rates of ABSTUDY, Special Benefit and Disability Support Pension (DSP) by $10.44 per fortnight.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal is expected to decrease the fiscal balance by $6,899 million and decrease the underlying cash balance by $4,169 million over the 2016-17 Budget forward estimates period. The fiscal balance financial implications reflect an increase in administered expenses of $6,990 million and a decrease in departmental expenses of $91 million over this period.

A breakdown of the financial implications over the 2016-17 Budget forward estimates period is at Attachment A. This proposal would have ongoing financial implications that extend beyond the 2016-17 Budget forward estimates period.

The underlying cash and fiscal balance implications differ because a proportion of FTB payments are made after the end of the financial year in which they are incurred.

This costing is considered to be of low to medium reliability. Estimates are sensitive to changes in economic and demographic factors.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-406.0	-1,857.0	-2,312.0	-2,322.0	**-6,899.0**
Underlying cash balance	9.0	-722.0	-1,202.0	-2,252.0	**-4,169.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications of this proposal are based on the 2015-16 MYEFO measure updated for 2016-17 Budget parameters and variations, and include the effect of interactions between the different payments and the flow-on effects to health related savings.

Administered estimates have been rounded to the nearest $5 million. Departmental estimates have been rounded to the nearest $1 million.

Data sources

- Department of Social Services provided expenditure estimates and models for the administered expenditure components of the *Family Payment Reform - a new families package* measure over the period 2015-16 to 2018-19.
- Department of Human Services provided expenditure estimates and models for the departmental expenditure components of the *Family Payment Reform - a new families package* measure over the period 2015-16 to 2018-19.
- The Department of Finance provided indexation and efficiency dividend parameters.

Attachment A: Reversing cuts to Family Payments—financial implications

Table A1: Reversing cuts to Family Payments—Fiscal balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Limit FTB-B for single parents with youngest child aged 13-16 and remove if youngest child aged over 16					
Administered	-	*-360*	*-355*	*-360*	***-1,070***
Departmental	*4*	*1*	*-1*	*-1*	***2***
Total	***4***	***-359***	***-356***	***-361***	***-1,068***
Phase out the FTB supplements					
Administered	*-415*	*-1,515*	*-2,635*	*-2,650*	***-7,220***
Departmental	*5*	*18*	*29*	*39*	***90***
Total	***-410***	***-1,497***	***-2,606***	***-2,611***	***-7,130***
Increase maximum rate of FTB-A by $10.08 from 1 July 2018					
Administered	-	-	*645*	*645*	***1,290***
Departmental	-	*-1*	..	-	***-1***
Total	**-**	***-1***	***645***	***645***	***1,289***
Increase rates for income support recipients aged under 18 by $10.44 from 1 July 2018					
Administered	-	-	*5*	*5*	***10***
Departmental	-	-	-	-	**-**
Total	**-**	**-**	***5***	***5***	***10***
Total	**-406**	**-1,857**	**-2,312**	**-2,322**	**-6,899**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A2: Reversing cuts to Family Payments—Underlying cash balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Limit FTB-B for single parents with youngest child aged 13-16 and remove if youngest child aged over 16					
Administered	-	-325	-360	-360	**-1,045**
Departmental	4	1	-1	-1	**2**
Total	**4**	**-324**	**-361**	**-361**	**-1,043**
Phase out the FTB supplements					
Administered	..	-415	-1,480	-2,580	**-4,475**
Departmental	5	18	29	39	**90**
Total	**5**	**-397**	**-1,451**	**-2,541**	**-4,385**
Increase maximum rate of FTB-A by $10.08 from 1 July 2018					
Administered	-	-	605	645	**1,250**
Departmental	-	-1	..	-	**-1**
Total	**-**	**-1**	**605**	**645**	**1,249**
Increase rates for income support recipients aged under 18 by $10.44 from 1 July 2018					
Administered	-	-	5	5	**10**
Departmental	-	-	-	-	**-**
Total	**-**	**-**	**5**	**5**	**10**
Total	**9**	**-722**	**-1,202**	**-2,252**	**-4,169**

(a) A positive number indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number 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.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Young Carer Bursary Program**
Summary of proposal:	This proposal would triple the grant funding to the Young Carer Bursary Program and continue the program for a further three years beyond the 2017 academic year. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $9.5 million over the 2016-17 Budget forward estimates period. This entirely reflects an increase in administered expenses of $9.5 million.

This proposal would be expected to have an impact of $1.5 million in 2020-21 with funding for the proposal terminating on 31 December 2020.

The financial implications for the proposal are considered to be of high reliability as estimates reflect the provision of specified funding to a specified number of recipients.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-1.0	-2.5	-3.0	-3.0	**-9.5**
Underlying cash balance	-1.0	-2.5	-3.0	-3.0	**-9.5**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

The program is assumed to be fully taken-up.

The program would be administered by Carers Australia.

Methodology

The financial impact of this proposal was estimated by multiplying the number of additional places by the funding amount per place. This allows for existing funding in 2016-17 and 2017-18.

Data sources

https://www.dss.gov.au/our-responsibilities/disability-and-carers/programmes-services/for-carers/young-carer-bursary-programme (accessed 11 July 2016).

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Not proceeding with the abolition of the Pensioner Education Supplement
Summary of proposal:	The proposal would reverse the unlegislated measure to abolish the Pensioner Education Supplement. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal is expected to decrease both the fiscal and underlying cash balances by $298.0 million over the 2016-17 Budget forward estimates period. This reflects an increase in administered expenses of $281 million and an increase in departmental expenses of $17.0 million over this period. A breakdown of the financial implications of this costing over the 2016-17 Budget forward estimates period is at Attachment A.

The proposal would have ongoing financial implications that extend beyond the forward estimates period.

This costing is considered to be of low to medium reliability. Estimates are sensitive to changes in economic and demographic factors.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-42.0	-84.0	-85.0	-86.0	**-298.0**
Underlying cash balance	-42.0	-84.0	-85.0	-86.0	**-298.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The administered and departmental financial implications were based on the 2014-15 Budget measure estimates adjusted for parameter changes since that time.

Administered and departmental expenses in 2016-17 were assumed to be half of the full year estimates.

All estimates have been rounded to the nearest $1 million per year.

Data sources

Department of Social Services provided the 2016-17 Budget Pension Education Supplement customer and expenditure estimates.

Department of Human Services (DHS) provided unit prices for the DHS funding model as at the 2016-17 Budget.

Attachment A: Not proceeding with the abolition of the Pensioner Education Supplement —financial implications

Table A1: Not proceeding with the abolition of the Pensioner Education Supplement—Financial implications[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal and underlying cash balances					
Administered	*-40.0*	*-79.0*	*-80.0*	*-81.0*	***-281.0***
Departmental	*-2.0*	*-5.0*	*-5.0*	*-5.0*	***-17.0***
Total	**-42.0**	**-84.0**	**-85.0**	**-86.0**	**-298.0**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with the abolition of the Education Entry Payment**
Summary of proposal:	The proposal would reverse the unlegislated measure to abolish the Education Entry Payment. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal is expected to decrease the fiscal and underlying cash balances by $67 million over the 2016-17 Budget forward estimates period. The financial implications reflect an increase in administered expenses of $66 million and an increase in departmental expenses of $1 million over this period. A breakdown of the financial implications for the 2016-17 Budget forward estimates period is at Attachment A.

The proposal would have ongoing financial implications that extend beyond the forward estimates period.

This costing is considered to be of low to medium reliability. Estimates are sensitive to changes in economic and demographic factors.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-10.0	-19.0	-19.0	-19.0	**-67.0**
Underlying cash balance	-10.0	-19.0	-19.0	-19.0	**-67.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The administered and departmental financial implications were based on the 2014-15 Budget measure estimates adjusted for parameter changes since that time.

Administered and departmental expenses in 2016-17 were assumed to be half of the full year estimates.

All estimates have been rounded to the nearest $1 million per year.

Data sources

Department of Finance provided the 2016-17 Budget Education Entry Payment estimates.

Department of the Treasury provided the 2016-17 Budget population estimates.

Attachment A: Not proceeding with the abolition of the Education Entry Payment—financial implications

Table A1: Not proceeding with the abolition of the Education Entry Payment—Financial implications[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Administered	*-9.0*	*-19.0*	*-19.0*	*-19.0*	***-66.0***
Departmental	*-1.0*	-	-	-	***-1.0***
Total	**-10.0**	**-19.0**	**-19.0**	**-19.0**	**-67.0**

(a) A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with the freeze eligibility thresholds for Australian Government payments**
Summary of proposal:	The proposal would reverse unlegislated measures that will freeze eligibility thresholds of Australian Government payments for three years. The estimates reflect an implementation date for this proposal of 1 July 2016 for child care payments, 1 January 2017 for student payments, and 1 July 2017 for working age payments.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal balance by $225.0 million and decrease the underlying cash balance by $221.0 million over the 2016-17 Budget forward estimates period. On a fiscal balance basis, this impact reflects an increase in administered expenses of $230.0 million and a decrease in departmental expenses of $5.0 million over this period.

This proposal would be expected to have an ongoing impact that extends beyond the forward estimates period.

The underlying cash and fiscal balance financial implications differ because a proportion of child care payments are made after the end of the financial year in which they are accrued.

The proposal would have financial implications for a number of payments. A breakdown of the components of the costing is at Attachment A.

This costing is considered to be of medium reliability as it is based on budget data provided by the Department of Finance updated by the Parliamentary Budget Office to reflect current implementation dates.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-43.0	-89.0	-41.0	-55.0	**-225.0**
Underlying cash balance	-42.0	-85.0	-41.0	-55.0	**-221.0**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The financial implications are based on the 2014-15 Budget measure, *Maintain eligibility thresholds for Australian Government payments for three years* adjusted to include estimates variations up until the 2016-17 Budget. The estimates reflect implementation dates for this proposal of 1 July 2016 for child care payments, 1 January 2017 for student payments, and 1 July 2017 for working age payments.

Data sources

The Department of Finance provided extracts from the Central Budget Management System and indexation parameters.

The Department of Social Services provided payment population projections.

Attachment A: Not proceeding with the freeze eligibility thresholds for Australian Government payments — financial implications

Table A1: Not proceeding with the freeze eligibility thresholds for Australian Government payments —Fiscal balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Newstart Allowance	-	*-4.0*	*-8.0*	*-12.0*	***-23.0***
Sickness Allowance	-	..	..	..	**..**
Parenting Payment Partnered	-	..	*-1.0*	*-1.0*	***-2.0***
Parenting Payment Single	-	*-2.0*	*-5.0*	*-8.0*	***-15.0***
Partner Allowance	-	..	..	..	**..**
Austudy	*-1.0*	*-3.0*	*-4.0*	*-5.0*	***-13.0***
Youth Allowance (Student)	*-5.0*	*-15.0*	*-23.0*	*-29.0*	***-71.0***
Abstudy	..	..	*-1.0*	*-1.0*	***-2.0***
Child Care Benefit	*-71.0*	*-113.0*	-	-	***-184.0***
Child Care Rebate	*33.0*	*46.0*	-	-	***80.0***
Departmental	*1.0*	*2.0*	*1.0*	*1.0*	***5.0***
Total	**-43.0**	**-89.0**	**-41.0**	**-55.0**	**-225.0**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A2: Not proceeding with the freeze eligibility thresholds for Australian Government payments—Underlying cash balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Newstart Allowance	-	*-4.0*	*-8.0*	*-12.0*	***-23.0***
Sickness Allowance	-	..	..	..	**..**
Parenting Payment Partnered	-	..	*-1.0*	*-1.0*	***-2.0***
Parenting Payment Single	-	*-2.0*	*-5.0*	*-8.0*	***-15.0***
Partner Allowance	-	..	..	..	**..**
Austudy	*-1.0*	*-3.0*	*-4.0*	*-5.0*	***-13.0***
Youth Allowance (Student)	*-5.0*	*-15.0*	*-23.0*	*-29.0*	***-71.0***
Abstudy	..	..	*-1.0*	*-1.0*	***-2.0***
Child Care Benefit	*-70.0*	*-101.0*	-	-	***-171.0***
Child Care Rebate	*33.0*	*39.0*	-	-	***72.0***
Departmental	*1.0*	*2.0*	*1.0*	*1.0*	***4.0***
Total	**-42.0**	**-85.0**	**-41.0**	**-55.0**	**-221.0**

(a) A positive number indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number 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.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not raising the Pension Qualifying Age to 70**
Summary of proposal:	The proposal would not proceed with raising the Age Pension qualifying age to 70 years of age.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would not have financial implications over the 2016-17 Budget forward estimates period.

The proposal would involve a net increase in expenses from 2025-26. The net increased cost in 2025-26 is estimated to be $930.0 million and $1,200.0 million in 2026-27. A detailed breakdown of the components of the costing to 2026-27 is at Attachment A.

From 2026-27 the estimated financial impact is estimated to grow by between $50 million and $100 million per annum until 2035-36, after which time the cost would grow in line with growth in indexation and demographic factors.

This costing is considered to be of low to medium reliability. Estimates are sensitive to changes in economic and demographic factors.

Administered and departmental expenses have been rounded to the nearest $10 million.

Methodology

This proposal would have a number of revenue and expense components that have been taken into consideration. The following discusses the methodology for calculating each component.

Age Pension payments

Age Pension payments were calculated by multiplying the decreased number of Age Pension recipients by the projected average pension payment rate each year.

The number of Age Pension recipients affected was determined based on the different qualification age for the Age Pension when compared to existing policy using the Australian Bureau of Statistics projected populations.

The projected average Age Pension rates over the medium term were sourced from the Department of Social Services.

Newstart Allowance (NSA) and Disability Support Pension (DSP)

NSA and DSP implications were calculated by multiplying the estimated increase in the number of NSA or DSP recipients (driven by the change in Age Pension recipients) by the average payment rates for those payments.

The projected average payment rates over the medium term were sourced from the Department of the Treasury.

The costing includes NSA and DSP tax revenue impacts.

Commonwealth Seniors Health Card (CSHC)

The CSHC impact was estimated based on the expected reduction in CSHC recipient numbers due to the qualifying age change. The estimated change in recipients was then multiplied by the per person average cost of CSHC concessions under the Pharmaceutical Benefits Scheme (PBS) and the Medical Benefit Scheme Bulk Billing Incentives.

Data sources

Department of the Treasury provided 2016-17 Budget NSA and DSP medium term estimates.

Department of Social Services provided 2016-17 Age Pension medium term estimates.

Department of Finance provided 2016-17 Budget indexation parameters.

Australian Bureau of Statistics 2013, *Population Projections, Australia, 2012 (base) to 2101, cat. no. 3222.0*, Canberra.

Department of Health provided 2014-15 patient co-payments data.

Department of Health provided Rural and Regional Health Australia statistics.

Department of Human Services provided Medicare Benefits Schedule statistics.

Attachment A: Not raising the Pension Qualifying Age to 70—financial implications

Table A1: Not raising the Pension Qualifying Age to 70—Financial Implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	**Total to 2026–27**
Impact on fiscal and underlying cash balances													
Revenue	-	-	-	-	**-**	-	-	-	-	-	*-190.0*	*-250.0*	***-440.0***
Expense													
Administered	-	-	-	-	-	-	-	-	-	-	*-760.0*	*-980.0*	***-1,740.0***
Departmental	-	-	-	-	-	-	-	-	-	-	*20.0*	*30.0*	***50.0***
Expense - total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-740.0**	**-950.0**	**-1,700.0**
Total	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**-930.0**	**-1,200.0**	**-2,130.0**

(a) A positive number indicates an increase in revenue or a decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Better Support for Australians with Diabetes**
Summary of proposal:	The proposal contains the following two components: Component 1 - Continuous glucose monitors (CGM) This component would provide funding over four years to fully subsidise the CGM technology for: • all children and young adults up to the age of 21 • people aged 21 and over who have severe hypoglycaemia (low blood glucose) and who, for health or other reasons, have limited awareness of the warning signs of impending hypoglycaemia • pregnant women. Component 2 - Insulin pumps (IP) This component would provide funding over four years to expand the IP program from the existing 68 insulin pumps a year to 200 insulin pumps distributed annually. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $95.9 million over the 2016-17 Budget forward estimates period. This impact is due to an increase in departmental expenses of $3.3 million and an increase in administered expenses of $92.6 million.

The proposal would have an ongoing impact beyond the 2016-17 Budget forward estimates period. A breakdown of the financial implications for each component is provided at Attachment A.

The financial implications are considered to be of medium reliability due to the uncertainty of the size and uptake of the eligible population.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-12.6	-26.2	-27.8	-29.5	**-95.9**
Underlying cash balance	-12.6	-26.2	-27.8	-29.5	**-95.9**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

It has been assumed that Component 1 would be partially offset by decreases in the use of blood glucose test strips.

Methodology

For Component 1, the total CGM cost was derived by multiplying the eligible population receiving a subsidy by the unit cost of CGM. Departmental estimates were calculated based on similar programs and estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

For Component 2, the unit cost per insulin pump was derived by dividing total funding for insulin pump subsidies by the number of insulin pumps for the existing program. The total cost of this component was then calculated by applying the unit cost of an insulin pump to the specified increased number of insulin pumps.

Data sources

The Australian Institute of Health and Welfare (AIHW): Prevalence of Type 1 Diabetes in Australian Children, 2008.

The Department of Health provided the Insulin Pump Program costing model.

The Department of Finance provided indexation parameters.

Attachment A: Better Support for Australians with Diabetes—financial implications

Table A1: Better Support for Australians with Diabetes—Financial implications[a][b]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal and underlying cash balances					
Continuous glucose monitors					
Administered	*-11.6*	*-24.1*	*-25.8*	*-27.5*	***-89.0***
Departmental	*-0.5*	*-1.0*	*-1.0*	*-1.0*	***-3.3***
Insulin pumps					
Administered	*-0.5*	*-1.0*	*-1.0*	*-1.0*	***-3.6***
Departmental	-	-	-	-	**-**
Total	**-12.6**	**-26.2**	**-27.8**	**-29.5**	**-95.9**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.

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

\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with PBS co-payment increase**
Summary of proposal:	The proposal would reverse the 2014-15 Budget measure, *Increase in Pharmaceutical Benefits Scheme co-payments and safety net thresholds*. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The 2014-15 Budget measure, Increase in *Pharmaceutical Benefits Scheme co-payments and safety net thresholds* (the measure) was to commence on 1 January 2015, however it is subject to the passage of legislation and as this legislation is yet to be passed the earliest date on which the measure could be implemented is 1 January 2017.

This proposal, to reverse the measure, would be expected to decrease the fiscal balance by $993.9 million and decrease the underlying cash balance by $980.4 million over the 2016-17 Budget forward estimates period.

The proposal would not have an impact on departmental expenses as there would no longer be any administrative changes.

The proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period. A breakdown of the impact over the 2016-17 Budget forward estimates period is provided at Attachment A.

The proposal has a different impact on the fiscal and underlying cash balances due to a lag between when services are provided and when payments are made under the Pharmaceutical Benefits Schedule.

This costing is considered to be of medium reliability as, while the estimates are based on estimates for the measure as at the 2014-15 Budget, assumptions have been applied to account for a revised start date for the measure.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-142.6	-275.4	-280.5	-295.5	**-993.9**
Underlying cash balance	-136.3	-269.2	-280.0	-294.8	**-980.4**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Methodology

The impact of the proposal was derived by reversing the impact of the updated estimates of the measure to take account of changes to underlying parameters since the measure was published in the 2014-15 Budget.

Data sources

Department of Veterans' Affairs provided costing models related to the 2014-15 Budget measure, Increase in Pharmaceutical Benefits Scheme co-payments and safety net thresholds.

Parliamentary Budget Office 2016, *Unlegislated measures carried forward in the budget estimates – June 2016 update*, PBO, Canberra.

Attachment A: Not proceeding with PBS co-payment increase—financial implications

Table A1: Not proceeding with PBS co-payment increase—Fiscal balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Department of Health	*-139.1*	*-268.4*	*-273.8*	*-289.1*	***-970.4***
Department of Veterans' Affairs	*-3.5*	*-6.9*	*-6.7*	*-6.4*	***-23.6***
Total	**-142.6**	**-275.4**	**-280.5**	**-295.5**	**-993.9**

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

Table A2: Not proceeding with PBS co-payment increase—Underlying cash balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Department of Health	*-133.0*	*-262.5*	*-273.3*	*-288.4*	***-957.1***
Department of Veterans' Affairs	*-3.4*	*-6.8*	*-6.7*	*-6.4*	***-23.3***
Total	**-136.3**	**-269.2**	**-280.0**	**-294.8**	**-980.4**

(a) 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.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Pathology and Radiology
Summary of proposal:	The proposal would reverse the 2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO) measure, *Medicare Benefits Schedule – changes to diagnostic imaging and pathology services bulk-billing incentives*. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

Changes to diagnostic imaging and pathology services bulk-billing incentives were announced in the 2015-16 MYEFO. These changes included:

- removing bulk-billing incentives for pathology services
- aligning bulk-billing incentives for diagnostic imaging services with those that apply to general practitioner services
- reducing the bulk-billing incentive for Magnetic Resonance Imaging (MRI) services from 15 per cent to 10 per cent of the Medicare Benefits Schedule fee, aligning it with other diagnostic imaging services.

These changes were scheduled to take effect from 1 July 2016. Bulk-billing incentives for diagnostic imaging services would continue to apply for patients with concession cards and children under 16 years of age.

This proposal would be expected to decrease the fiscal balance by $896.1 million and the underlying cash balance by $884.2 million over the 2016-17 Budget forward estimates period. This impact is the net effect of an increase in administrated expenses for the Department of Health and a decrease in departmental expenses for the Department of Human Services (DHS).

The proposal would be expected to decrease the departmental expenses for DHS due to a reversal of the increase in patient-billed services and decrease in bulk billed services reflected in the 2015-16 MYEFO measure. As the reversal of the measure would occur after the implementation of the changes there would be no savings associated with upfront costs.

The proposal has different impacts on the fiscal and underlying cash balances due to a lag between when services are provided and when payments are made under the Medicare Benefits Schedule.

The proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period. A breakdown of the impact over the 2016-17 Budget forward estimates period is provided at Attachment A.

The financial implications are considered to be of high reliability as the estimates are based on the 2015-16 MYEFO measure.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-207.9	-218.2	-228.9	-241.1	**-896.1**
Underlying cash balance	-197.4	-217.9	-228.5	-240.5	**-884.2**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing this proposal it has been assumed that the number of bulk-billed and patient billed services would be at the same level as before the introduction of the 2015-16 MYEFO measure.

Methodology

The 2015-16 MYEFO measure was updated by applying the annual growth rates of number of services underpinning the Parliamentary Budget Office report, *Report no. 04/2015: Medicare Benefits Schedule: Spending trends and projections*. The impact of the proposal was then derived by reversing the impact of the measure.

Data sources

DHS provided the 2015-16 MYEFO measure, *Medicare Benefits Schedule – changes to diagnostic imaging and pathology services bulk-billing incentives* costing model over 2015-16 to 2019-20.

Parliamentary Budget Office 2015, *Report no. 04/2015: Medicare Benefits Schedule: Spending trends and projections*, PBO, Canberra.

Attachment A: Pathology and Radiology—financial implications

Table A1: Pathology and Radiology—Fiscal balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered – Department of Health	*-215.8*	*-225.2*	*-234.6*	*-247.0*	***-922.6***
Departmental – DHS	*7.9*	*7.0*	*5.7*	*6.0*	***26.6***
Total	**-207.9**	**-218.2**	**-228.9**	**-241.1**	**-896.1**

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

Table A2: Pathology and Radiology—Underlying cash balance[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered – Department of Health	*-205.3*	*-224.9*	*-234.2*	*-246.4*	***-910.8***
Departmental – DHS	*7.9*	*7.0*	*5.7*	*6.0*	***26.6***
Total	**-197.4**	**-217.9**	**-228.5**	**-240.5**	**-884.2**

(a) 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.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Resume indexation of the Medicare Benefits Schedule
Summary of proposal:	The proposal would resume the indexation of the Medicare Benefits Schedule (MBS) for all services provided by general practitioners (GPs), medical specialists, allied health and other health practitioners. The proposal would have the effect of reversing:[25] • the component of the 2014-15 Mid-Year Economic and Fiscal Outlook (MYEFO) measure, *A strong and sustainable Medicare*, which kept MBS fees for all services provided by GPs, medical specialists, allied health and other health practitioners at their current levels until 30 June 2018 • the 2016-17 Budget measure, *Medicare Benefits Schedule - pause indexation*, which will extend the freezing of MBS fees for all services provided by GPs, medical specialists, allied health and other health practitioners at their current levels until 30 June 2020. The proposal would have effect from 1 January 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal balance by $2,470 million and the underlying cash balance by $2,425 million over the 2016-17 Budget forward estimates period. In underlying cash terms, this impact reflects an increase in administered expenditures of $2,470 million and a small increase in departmental funding for the Department of Human Services (DHS).

[25] Note the proposal would not impact on the 2014-15 Budget measure, *Pausing indexation of some Medicare Benefits Schedule fees and the Medicare Levy Surcharge and Private Health Insurance Rebate thresholds* as the related pause in indexation would be completed before the commencement of the proposed policy.

This proposal would have an impact that extends beyond the 2016-17 Budget forward estimates and a breakdown of the financial impacts over the period 2016-17 to 2026-27 is included at Attachment A.

This proposal has a different impact on the underlying cash and fiscal balances due to a lag between when services are provided and when payments are made under the MBS.

This proposal is not expected to require significant additional departmental expenses for the Department of Health or the Department of Veterans' Affairs (DVA). However, the costing includes a small amount of departmental funding for DHS for the first year of the proposal related to administrative changes.

The financial implications are considered to be of medium reliability as the estimates are based on projections of the growth in the number and prices of MBS services.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-145	-445	-760	-1,115	**-2,470**
Underlying cash balance	-140	-440	-750	-1,100	**-2,425**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In undertaking this costing it has been assumed that in order to implement the start date of 1 January 2017, the timing of applying indexation would be changed for this instance to 1 January 2017, and indexation would resume being applied on 1 July each year thereafter (including on 1 July 2017).

Methodology

The forward estimates impact of the freeze on the MBS fee indexation component of the 2014-15 MYEFO measure was updated to reflect parameter changes.

The impacts of the 2014-15 MYEFO measure and the 2016-17 Budget measure were projected for the Department of Health and DVA by growing the last year of estimates by the combined impact of the projected change in price, population (veteran population for DVA) and trends in service numbers.

The impact of lifting the freeze under this proposal on administered expenditures was then derived by reversing the savings to the budget from the sum of the measures, less the savings that would remain.

Administered expenditures have been rounded to the nearest $5 million and departmental expenditures have been rounded to the nearest $1 million.

Data sources

The Department of Finance provided indexation and efficiency dividend parameters and extracts from the Central Budget Management System for the 2016-17 Budget.

The Department of Health provided the 2014-15 MYEFO measure, *A strong and sustainable Medicare* estimates over 2014-15 to 2018-19.

The Department of Veterans' Affairs provided the 2014-15 MYEFO measure, *A strong and sustainable Medicare* estimates over 2014-15 to 2018-19.

The Department of Human Services provided the 2014-15 MYEFO measure, *A strong and sustainable Medicare* estimates over 2014-15 to 2017-18.

The Department of Finance provided the 2014-15 MYEFO and 2016-17 Budget estimates and indexation rates.

The Department of the Treasury provided Consumer Price Index projections and the Intergenerational Report population projections.

Historical Medicare data was obtained from the Department of Health's website.

Attachment A: Resume indexation of the Medicare Benefits Schedule—financial implications

Table A1: Resume indexation of the Medicare Benefits Schedule—Fiscal balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Administered	*-145*	*-445*	*-760*	*-1,115*	***-2,470***	*-1,180*	*-1,255*	*-1,330*	*-1,405*	*-1,490*	*-1,575*	*-1,660*	***-12,360***
Departmental	..	-	-	-	**..**	-	-	-	-	-	-	-	**..**
Total	**-145**	**-445**	**-760**	**-1,115**	**-2,470**	**-1,180**	**-1,255**	**-1,330**	**-1,405**	**-1,490**	**-1,575**	**-1,660**	**-12,360**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Table A2: Resume indexation of the Medicare Benefits Schedule—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20	2020–21	2021–22	2022–23	2023–24	2024–25	2025–26	2026–27	Total to 2026–27
Administered	*-140*	*-440*	*-750*	*-1,100*	***-2,425***	*-1,165*	*-1,240*	*-1,315*	*-1,390*	*-1,475*	*-1,560*	*-1,645*	***-12,215***
Departmental	..	-	-	-	**..**	-	-	-	-	-	-	-	**..**
Total	**-140**	**-440**	**-750**	**-1,100**	**-2,425**	**-1,165**	**-1,240**	**-1,315**	**-1,390**	**-1,475**	**-1,560**	**-1,645**	**-12,215**

(a) A positive number for the underlying cash balance indicates an increase in receipts or a decrease in outlays or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in outlays or net capital investment in cash terms.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Not proceeding with changes to the Medicare Safety Nets**
Summary of proposal:	The proposal would reverse the 2014-15 Budget measure, Simplifying Medicare safety net arrangements. The proposal would have effect from 1 July 2016.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

The 2014-15 Budget measure, *Simplifying Medicare safety net arrangements* was to commence on 1 January 2016, however it is subject to the passage of legislation.

This proposal would be expected to decrease the fiscal balance by $422.8 million and the underlying cash balance by $420.8 million over the 2016-17 Budget forward estimates period. This impact is the net effect of an increase in administrated expenses for the Department of Health and an increase in departmental expenses for the Department of Human Services, and a relatively small offset from a decrease in departmental expenses for the Department of Health.

The proposal would have an ongoing impact that extends beyond the 2016-17 Budget forward estimates period. A breakdown of the impact over the 2016-17 Budget forward estimates period is provided at Attachment A.

The proposal has a different impact on the fiscal and underlying cash balances due to a lag between when services are provided and when payments are made under the Medicare Benefits Schedule.

The financial implications are considered to be of a medium reliability as, while the estimates are based on the 2014-15 Budget measure, assumptions have been applied to account for a revised start date for the measure.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-67.2	-118.1	-118.1	-119.4	**-422.8**
Underlying cash balance	-65.5	-117.8	-118.1	-119.4	**-420.8**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing this proposal it has been assumed that:

- as 1 January 2016 has now past, the impacts have been updated for a 1 January 2017 implementation date (safety net calculations are undertaken on a calendar year basis)
- there would be no departmental impacts beyond the forward estimates as there would be no expenses once the measure was implemented.

Methodology

Financial implications reflect a reversal of the 2014-15 Budget measure, adjusted to reflect indexation and demographic parameters as at the 2016-17 Budget and an assumed implementation date of 1 January 2017.

Data sources

Parliamentary Budget Office 2016, *Unlegislated measures carried forward in the budget estimates – June 2016 update*, PBO, Canberra.

Attachment A: Not proceeding with changes to the Medicare Safety Nets—financial implications

Table A1: Not proceeding with changes to the Medicare Safety Nets—Fiscal balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered - Department of Health	*-57.8*	*-117.0*	*-118.5*	*-120.0*	***-413.3***
Departmental - Department of Health	*0.9*	*0.8*	*0.6*	*0.7*	***2.9***
Departmental - Department of Human Services	*-10.4*	*-1.8*	*-0.2*	-	***-12.4***
Total	**-67.2**	**-118.1**	**-118.1**	**-119.4**	**-422.8**

(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.
(b) Figures may not sum to totals due to rounding.
.. Not zero but rounded to zero.
- Indicates nil.

Table A2: Not proceeding with changes to the Medicare Safety Nets—Underlying cash balance[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Administered - Department of Health	-56.2	-116.8	-118.5	-120.0	**-411.5**
Departmental - Department of Health	0.9	0.8	0.6	0.7	**-2.9**
Departmental - Department of Human Services	-10.2	-1.8	-0.2	-	**-12.3**
Total	**-65.5**	**-117.8**	**-118.1**	**-119.4**	**-420.8**

(a) 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.
.. Not zero but rounded to zero.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	Strengthening Hospitals
Summary of proposal:	The proposal includes the following two components: Component 1 - Activity-based hospital funding This component would set the annual growth in Commonwealth funding to states and territories for public hospitals from 1 July 2017 to 50 per cent of the efficient growth in public hospital costs for three years. Beyond this period funding would be derived as per the base policy setting. Component 2 - National Elective Surgery Target and National Emergency Access Target This component would provide $325 million per annum over four years from 1 July 2016 to meet the National Elective Surgery Target and the National Emergency Access Target.[1] Departmental costs would be met from outside the funding cap for the program.
Party:	Australian Labor Party
Additional information requested:	On 5 July 2016 clarification was sought from the office of the Hon Tony Buke MP (the office) as to whether both components were ongoing.
Additional information received:	On 5 July 2016 the office advised that both policies would be for four years only from their respective start dates. With regards to Component 1, funding beyond the policy would be determined with state and territory governments.
Expiry date for the costing:	Release of the next economic and fiscal update

1 Australian Hospital Statistics – National emergency access and elective surgery targets: http://www.aihw.gov.au/publication-detail/?id=60129542734.

Costing overview

This proposal would be expected to decrease both the fiscal and underlying cash balances by $1,985.8 million over the 2016-17 Budget forward estimates period. This impact reflects an increase in administered expenditure of $1,984.0 million and in departmental expenditure of $1.8 million related to Component 2, for the assessment of performance against the targets and provision of funding.

Departmental expenses have not been included for Component 1 for the Department of Health or the Department of the Treasury as this component is not expected to impact significantly on administrative activities currently undertaken by these agencies.

A breakdown of the financial impact by component over the 2016-17 Budget forward estimates period is provided at Attachment A. The proposal would have an ongoing impact beyond the forward estimates period (relating to Component 1 only) with the decrease to the budget in 2020-21 expected to be $363 million growing by around 4.0 per cent per year thereafter to an impact of around $460 million in 2026-27.

The financial implications for Component 1 are considered to be of low reliability as the estimates are highly sensitive to:

- the growth in the National Efficient Price (NEP) and volume of units (National Weighted Activity Units) funded which determine the level of activity based funding
- the National Efficient Cost which determines the level of hospital block funding.

Since the Commonwealth funding of public hospitals has been linked to the efficient growth in the cost of hospital services from 2014-15, there have been material revisions to these cost drivers.

The costing for Component 2 is considered to be of high reliability as it is based on specified capped amounts and the application of administrative costs based on similar programs, in addition to the capped funding specified. No analysis has been undertaken to determine the adequacy of the prescribed funding amounts to achieve the objective of the proposal.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-325.5	-435.5	-551.5	-673.5	**-1,985.8**
Underlying cash balance	-325.5	-435.5	-551.5	-673.5	**-1,985.8**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing this proposal, it has been assumed that:

Component 1 - Activity-based hospital funding

- The amount provided for public health activities under the National Health Reform Agreement 2011 (2011 NHRA) would continue from 2017-18.
- For the base policy setting, Commonwealth funding beyond 2019-20 for public hospitals would be indexed by a combination of population growth and the Consumer Price Index, and would not include amounts provided for public health activities under the 2011 NHRA.

Methodology

Component 1 - Activity-based hospital funding

Base policy setting

Commonwealth public hospital funding estimates are drawn from the 2016-17 Budget.

Proposed policy settings: 50 per cent of the efficient growth in public hospital costs

From 1 July 2017 the estimates reflect the Commonwealth funding 50 per cent of the efficient growth in the cost of hospital services. These estimates were derived from the Department of Health's 2016-17 Budget hospital funding model (see Data sources).

The impact of this proposal is the difference between estimates under the base policy setting and those under the proposal.

Estimates have been rounded to the nearest $1 million.

Component 2 - National Elective Surgery Target and National Emergency Access Target

Administered expenditure estimates are as specified. The departmental expenditure estimates are in addition to capped amounts, as specified, and are based on other like initiatives and estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Data sources

- The Department of Finance provided indexation and efficiency dividend parameters.
- The Department of Health provided the 2016-17 Budget hospital funding model.
- 2016-17 Budget - Payments to support state health services.
- Administrator of the National Health Funding Pool: Total hospital funding http://www.publichospitalfunding.gov.au/reports/national
  - National Health Reform funding by funding type.
- Independent Hospital Pricing Authority, National Efficient Price Determination 2016-17 https://www.ihpa.gov.au/publications/national-efficient-price-determination-2016-17
  - NEP and growth in NEP

Attachment A: Strengthening Hospitals—financial implications

Table A1: Strengthening Hospitals—Financial implications (outturn prices) [(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on fiscal and underlying cash balances					
Component 1 – Activity-based hospital funding					
Administered	-	*-110.0*	*-226.0*	*-348.0*	***-684.0***
Component 2 – National Elective Surgery Target and National Emergency Access Target					
Administered	*-325.0*	*-325.0*	*-325.0*	*-325.0*	***-1,300.0***
Departmental	*-0.5*	*-0.5*	*-0.5*	*-0.5*	***-1.8***
Total	**-325.5**	**-435.5**	**-551.5**	**-673.5**	**-1,985.8**

(a) A positive number indicates an increase in revenue or decrease in expenses or net capital investment in accrual and cash terms. A negative number indicates a decrease in revenue or an increase in expenses or net capital investment in accrual and cash terms.
(b) Figures may not sum to totals due to rounding.
- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Measures addressing Family Violence - Court reform**
Summary of proposal:	This proposal includes the following five components: <u>Component 1 - Additional Family Court judges</u> This component would appoint three additional Federal Circuit Court judges – one in Brisbane, one in Wollongong, and one in Parramatta. <u>Component 2 - Statement to Parliament</u> Under this component: • the Department of the Prime Minister and Cabinet (PM&C) would produce an annual report on progress toward eliminating family and domestic violence • the Prime Minister would make an annual statement to the Parliament on progress toward eliminating family and domestic violence. <u>Component 3 - Tackling online victimisation</u> This component would introduce legislation to prohibit non-consensual sharing of intimate images and recordings ('revenge porn'). This legislation would create offences for: • sharing sexual images and films of a person without their consent where it would cause them distress or harm • making threats to another person to share private sexual images or films that they are depicted in, or another person that they care about is depicted in • engaging in the above offences for the purpose of obtaining a benefit. The penalty for the first two offences would be up to three years imprisonment and the penalty for the final offence would be five years imprisonment.

	<u>Component 4 - Support for women from culturally and linguistically diverse backgrounds, and for women on visas</u> This component would: • provide $3.8 million over three years, evenly distributed, to develop pilot programs that assist new migrants in gaining access to family and domestic violence services • create a new category of bridging visa for victims of domestic violence who are holders of the following visas: – prospective Marriage visas – secondary applicants to an open application for an onshore permanent visa – secondary visa holders of temporary work visas. While on the bridging visa, holders would be able to apply for permanent residency, apply for another temporary visa in their own right, or leave Australia. To be eligible for the bridging visa, the applicant would have to show that their relationship was genuine until it ceased. <u>Component 5 - Domestic violence representation</u> This component would establish mechanisms to mitigate harm that would arise from unrepresented litigants (who are alleged to have engaged in domestic violence) cross-examining their victims in Family Court proceedings. The *Family Law Act 1975* would be amended as follows: • To compel a judge to consider, when domestic violence is alleged, whether any vulnerable witness should be protected during court proceedings under a range of mechanisms (ie video conferencing) that are available under the *Family Law Act 1975* using existing resources and facilities. • If the judge believes that the available mechanisms under the *Family Law Act 1975* are insufficient to protect a vulnerable witness, empower the judge to direct that all unrepresented litigants in the matter be represented by Legal Aid. The courts this would apply to would be the Family Court, the Federal Circuit Court, and the Family Court of Western Australia (Family Law Courts). Component 3 of this proposal would have effect from 1 September 2016. All other components of this proposal would have effect from 1 July 2017.

Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would be expected to decrease the fiscal and underlying cash balances by $52.6 million over the 2016-17 Budget forward estimates period. This reflects an increase in administered expenses of $46.9 million and departmental expenses of $5.8 million.

Components 3 and 4 would not have an impact beyond the 2016-17 Budget forward estimates period as they have a fixed period of funding or reflect a one-off change to legislation. All other components would have an ongoing impact beyond the 2016-17 Budget forward estimates period with the annual budget impact in 2020-21 expected to be $17.2 million growing in line with applicable indexation parameters. A breakdown of the financial implications by component is provided at Attachment A.

Table 1: Financial implications (outturn prices)[(a)(b)]

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	Total
Fiscal balance	-0.3	-17.0	-17.5	-18.0	**-52.6**
Underlying cash balance	-0.3	-17.0	-17.5	-18.0	**-52.6**

(a) A positive number indicates an increase in the relevant budget balance, a negative number a decrease.
(b) Figures may not sum to totals due to rounding.

Key assumptions

In costing this proposal it has been assumed that:

- each judge employed under Component 1 would be provided with support staff
- the introduction of legislation under Component 3 would take place in 2016-17
- the prevalence of judges directing unrepresented litigants to be represented by Legal Aid under Component 5 would be 15 per cent of all domestic violence cases with unrepresented litigants.

Methodology

Component 1 - Additional Family Court judges

Base salary for the three new Federal Circuit Court judges was based on *Determination 2015/10: Judicial and Related Offices – Remuneration and Allowances*.

Component 2 - Statement to Parliament

The impact of this component on departmental expenditure was derived based on the expected additional administrative activities required to prepare the annual report for the statement to parliament.

Component 3 - Tackling online victimisation

The impact of this component on departmental expenditure was derived based on the expected additional administrative activities required in 2016-17 to prepare the legislative changes required for the new offences.

Component 4 - Support for women from culturally and linguistically diverse backgrounds, and for women on visas

Departmental expenditure estimates are accommodated within the capped funding amounts. These estimates are based on other like programs and the estimates account for the net effect of indexation parameters and the efficiency dividend, in accordance with the Department of Finance's costing practices.

Administered expenditure estimates are the remainder of the capped funding amounts after allowing for the estimated departmental expenditure.

Component 5 - Domestic violence representation

Legal Aid expenses were calculated by forecasting the number of domestic violence cases with unrepresented litigants from the 2012-13 levels provided by the Attorney General's Department, grown by the average growth rate of family law cases in the Federal Circuit Court[1] over the last five years. The total cost was calculated by using the assumed percentage of domestic violence cases with unrepresented litigants that would require the judge to direct all unrepresented litigants in the matter be represented by Legal Aid, multiplied by the unit cap price of Legal Aid which is grown by the Consumer Price Index.

Data sources

The Attorney-General's Department provided:

- the estimated number of self-representing litigants at cases involving allegations of domestic violence
- the unit cost of a legal aid grant in family law matters.

Department of Finance provided indexation and efficiency dividend parameters.

1 Note the Federal Circuit Court has the majority of domestic violence cases.

Remuneration Tribunal 2015, *Determination 2015/10: Judicial and Related Offices – Remuneration and Allowances*, available at: http://remtribunal.gov.au/media/documents/2016/2015-determinations/2015-10-principal-determination-judicial-and-related-offices-remuneration-and-allowances/2015-10-Judicial-and-Related-Det-1-July-2015.pdf.

Attorney-General's Department 2012, *Judicial Appointments: Ensuring a strong, independent and diverse judiciary through a transparent process*, available at: https://www.ag.gov.au/LegalSystem/Courts/Documents/JudicialApptsEnsuringastrongandindependentjudiciarythroughatransparentprocess.pdf.

Attachment A: Measures addressing Family Violence - Court reform—financial implications

Table A1: Measures addressing Family Violence – Court reform—Financial implications (outturn prices)[(a)(b)]

($)	2016–17	2017–18	2018–19	2019–20	Total to 2019–20
Impact on the fiscal and underlying cash balances					
Administered					
Component 4	-	*-1.2*	*-1.2*	*-1.2*	***-3.6***
Component 5	-	*-13.9*	*-14.4*	*-14.9*	***-43.2***
Total administered	-	-15.1	-15.6	-16.1	**-46.9**
Departmental					
Component 1	-	*-1.4*	*-1.4*	*-1.4*	***-4.2***
Component 2	-	*-0.4*	*-0.4*	*-0.4*	***-1.2***
Component 3	*-0.3*	-	-	-	***-0.3***
Component 4	-	*-0.1*	*-0.1*	*-0.1*	***-0.2***
Total departmental	-0.3	-1.8	-1.8	-1.8	**-5.8**
Total	-0.3	-17.0	-17.5	-18.0	-52.6

(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 negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in cash and accrual terms.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.

Parliament of Australia
Parliamentary Budget Office

Policy costing—2016 post-election report

Name of proposal:	**Efficiency Dividend and Efficiency Target for National Cultural and Collecting Institutions**
Summary of proposal:	Component 1 - Not proceeding with Efficiency Dividend and Efficiency Target for national cultural and collecting institutions This component would not proceed with the 2016-17 Budget measure, *Public Sector Transformation and the Efficiency Dividend* and the 2015-16 Mid-Year Economic and Fiscal Outlook (MYEFO) measure, *Communications and the Arts Portfolio – efficiencies*. Component 2 - Alternative equivalent savings to those reversed under Component 1 Following a review to be concluded by 1 January 2017, this component would introduce new measures in the 2017-18 Budget that would achieve the equivalent savings as those forecast for the two measures outlined in Component 1, without targeting staffing costs. The 2016-17 Budget measure included a commitment to re-invest $500 million from savings to assist agencies to manage the transformation to a more modern public sector. This component would also commit to re-investing $500 million, including for the improvement of service provision at the Australian Taxation Office and the Department of Human Services to reduce call waiting times and increase call centre staffing. The proposal would have effect from 1 July 2017.
Party:	Australian Labor Party
Expiry date for the costing:	Release of the next economic and fiscal update

Costing overview

This proposal would have a net zero impact on both the fiscal and underlying cash balances over the 2016-17 Budget forward estimates period. Further disaggregation of the impact of the proposal by component is provided at Attachment A.

The proposal would have an ongoing net zero impact beyond the forward estimates period.

The costing is considered to be of low reliability. There is uncertainty about the practicality of achieving all of the proposed savings. To achieve the same level of total savings from non-staffing expenditure alone would require the savings to be proportionately three times greater than the savings derived from an across-the-board efficiency dividend. This is because non-staffing expenditure comprises approximately one third of departmental expenditure that is subject to the wider efficiency dividend. In addition, significant elements of non-staffing expenditure are subject to contractual commitments and, depending on the areas targeted for savings, there could be implications for service delivery.

The PBO has not made any assessment of the level of contractually committed non-staffing departmental expenditure or the impact of the proposal on public sector service delivery.

Table 1: Financial implications (outturn prices)

Impact on ($m)	2016–17	2017–18	2018–19	2019–20	**Total**
Fiscal balance	-	-	-	-	**-**
Underlying cash balance	-	-	-	-	**-**

- Indicates nil.

Methodology

Component 1 - Not proceeding with Efficiency Dividend and Target

The impact was derived as the reversal of both the 2016-17 Budget measure, *Public Sector Transformation and the Efficiency Dividend*[1] and the 2015-16 MYEFO measure, *Communications and the Arts Portfolio – efficiencies.* [2]

Component 2 - Alternative equivalent savings

The impact was derived as the net result of reinstating savings equivalent to the two measures at Component 1 and the specified re-investment of $500 million.

Data sources

2016-17 Budget papers.

Extracts from the Central Budget Management System as at the 2015-16 MYEFO provided by the Department of Finance.

[1] 2016-17 Budget measure, *Public Sector Transformation and the Efficiency Dividend*, page 71

[2] 2015-16 MYEFO, *Communications and the Arts Portfolio – efficiencies*, page 152

Attachment A: Efficiency Dividend and Efficiency Target for national cultural and collecting institutions—financial implications

Table A1: Efficiency Dividend and Efficiency Target for national cultural and collecting institutions—Financial implications (outturn prices)[(a)(b)]

($m)	2016–17	2017–18	2018–19	2019–20	**Total to 2019–20**
Fiscal and underlying cash balances					
Component 1					
Administered expenses	-	-3.1	-1.6	-1.6	**-6.3**
Departmental expenses					
Efficiency dividend	-	*-419.9*	*-701.9*	*-836.0*	***-1,957.9***
$500 million re-investment		*110.0*	*180.0*	*210.0*	***500.0***
Total Component 1	**-**	**-313.1**	**-523.5**	**-627.6**	**-1,464.2**
Component 2					
Administered expenses	-	3.1	1.6	1.6	**6.3**
Departmental expenses					
Efficiency dividend	-	*419.9*	*701.9*	*836.0*	***1,957.9***
$500 million re-investment	-	*-110.0*	*-180.0*	*-210.0*	***-500.0***
Total Component 2	**-**	**313.1**	**523.5**	**627.6**	**1,464.2**
Total	**-**	**-**	**-**	**-**	**-**

(a) A positive sign indicates a decrease in outlays. A negative sign indicates an increase in outlays.
(b) Figures may not sum to totals due to rounding.
\- Indicates nil.