



Australian Government
Department of Education

Deputy Secretary
Jackie Wilson

Ms Julia Agostino
Committee Secretary
Senate Standing Committee on Education and Employment
Parliament House
CANBERRA ACT 2600

Dear Ms Agostino

**Provisions of schedules 6 and 9 of the Social Services and Other Legislation Amendment Bill
2013**

As you are aware, during the Department of Education's appearance before the Committee's hearing on 9 December 2013, the department took several questions on notice in relation to the impact on families of the proposed extension of the Child Care Rebate (CCR) \$7500 limit for a further three years to 30 June 2017.

Please find attached the Department's responses to those questions.

Yours sincerely

A handwritten signature in black ink that reads "Wilson".

Jackie Wilson

10 December 2013

Senate Standing Committee on Education and Employment consideration of the Social Services and Other Legislation Amendment Bill 2013

Responses to questions on notice from the Department of Education in relation to the proposed extension of the Child Care Rebate limit

Question: Senator Lines requested a breakdown of the estimated 100 000 families that will be affected by this measure in 2014-15.

Response: Table 1 below provides the requested breakdown.

Table 1: Estimated income distribution of families impacted by the measure in 2014-15

Family Income	Number of families
Under \$50,000	1,035
\$50,001-\$100,000	5,701
\$100,001-\$150,000	34,370
\$150,001-\$200,000	36,406
\$200,001-\$250,000	12,973
\$250,001-\$300,000	5,689
Over \$300,000	3,905
Total	100,079

Source: Department of Education, Employment and Workplace Relations - Budget 2013-14

Question: Both Senator Lines and Senator Hanson-Young asked several questions about the methodology and assumptions in the Department's modelling that was used to estimate the impact on families and the savings from the proposed extension of the Child Care Rebate limit.

Response: The following is a summary of the methodology and assumptions used in the Department's modelling.

The Legislative Outyears Customisable Model of Child Care (LOCMOCC) is a micro-simulation model that is based on unit record data of child care attendance records. LOCMOCC models expenditure for Child Care Benefit (CCB) and Child Care Rebate (CCR). Based on a range of inputs, the model forecasts expenditure for future years. The various model parameters, methodology and assumptions are agreed with the Department of Finance and the Treasury.

LOCMOCC is based on a unit record level dataset of family/child information, a set of policy parameters including the CCR limit, and growth parameters for the out years.

The parameters and estimated growth factors raised by the Committee that were used at the 2013-14 Budget are provided in Table 2. Data and factors are updated periodically as part of the normal budgetary cycle.

Table 2: Estimated parameter and growth factors (all care types) used for Budget 2013-14

Parameter/growth factor includes	2013-14	2014-15	2015-16	2016-17
Child Care Rebate limit	\$7,500	\$7,500	\$7,500	\$7,500
Growth of children in care	0.9%	0.8%	0.8%	0.9%
Growth in fees	8.6%	9.0%	7.5%	7.8%

Source: Department of Education, Employment and Workplace Relations - Budget 2013-14

Note: LOCMOCC does not provide estimates for vacation care.

Question: Senator Lines indicated that she was particularly interested in the modelling and estimated impact in relation to Long Day Care services and asked whether the model could produce outcomes just in relation to Long Day Care?

Response: LOCMOCC produces forward estimates by service type, which includes Long Day Care, but excludes Vacation Care. The parameters and growth factors used for Long Day Care are provided in Table 3.

As families may use multiple service types, with the Child Care Rebate paid in respect of all service types contributing to whether or not they reach the limit, it would not be appropriate to model the impact on families only in relation to Long Day Care.

Table 3: Estimated parameter and growth factors for Long Day Care used for Budget 2013-14

Parameter/growth factor includes	2013-14	2014-15	2015-16	2016-17
Child Care Rebate limit	\$7,500	\$7,500	\$7,500	\$7,500
Growth of children in care	0.5%	0.2%	0.5%	0.8%
Growth in fees	8.9%	8.9%	7.6%	8.1%

Source: Department of Education, Employment and Workplace Relations - Budget 2013-14

Question: The Department advised that the average impact on families affected by this measure is estimated to be around \$5 per week in 2014-15. Senator Lines and Senator Hanson-Young asked how this amount had been calculated?

Response: The average estimated impact on families affected by this measure of around \$5 per week is calculated using LOCMOCC. As this is an average impact across all families affected, using all service types, the actual impact on families will depend on each family's individual circumstances and some families will be affected by more or less than \$5 per week.

