



## Policy costing request—during the caretaker period for a general election

Request details	
Name of policy request:	Government-funded paid parental leave and child care subsidy
Person requesting costing:	Senator Duncan Spender
Parliamentary party:	Liberal Democrat Party
Date of request to cost the policy:	15 April 2019
<i>Note: This policy costing request and the response to this request will be made publicly available.</i>	
Has a costing of this policy been requested under Section 29 of the Charter of Budget Honesty (ie from The Treasury or the Department of Finance)?	No
Details of the public release of this policy (Date, by whom and a reference to that release):	14 April 2019 at 9:13pm <a href="http://twitter.com/SenatorSpender/status/1117642117981954048">http://twitter.com/SenatorSpender/status/1117642117981954048</a>
Description of policy	
Summary of policy (as applicable, please attach copies of relevant policy documents):	<p>Option 1: Abolish government-funded paid parental leave and the child care subsidy, taking into account the party's tax policy of a \$40,000 tax free threshold and a 20% flat tax rate thereafter, and the party's welfare and savings account polices, which restrict eligibility for welfare payments.</p> <p>Option 2: As above, but maintain the existing child care subsidy entitlement where the parent/guardian with the lowest taxable income has table income at or below \$85,000, and reduce the existing child care subsidy entitlement by 2 per cent for every additional \$1,000, so that no subsidy is paid where the parent/guardian with the lowest table income has table income at or below \$135,000. Remove qualification and child-to-carer ratio requirements on providers.</p> <p>Option 3: as per Option 2, but remove child care subsidy with respect to a child under 18 weeks old.</p>
What is the purpose or intention of the policy?	To reduce transfers from the childless to those with children
Key assumptions that have been made in the policy	
Is the policy part of a package? If yes, list the components and interactions with proposed or existing policies.	Please take into account previously costed tax policy, welfare policy and savings account policy.

<p>Where relevant, is funding for the policy to be demand driven or a capped amount? If a capped amount, are the costs of administering the policy to be included within the capped amount or additional to the capped amount?</p>	<p>Demand driven.</p>
<p>Will third parties (for instance the states/territories) have a role in funding or delivering the policy? If yes, is the Australian Government contribution capped, with additional costs to be met by third parties, or is another funding formula envisaged?</p>	<p>No</p>
<p>Are there associated savings, offsets or expenses? If yes, please provide details.</p>	<p>The policy is expected to generate net savings, after accounting for any increased payments of other welfare (although family income and the party's welfare and savings account polices would be expected to limit eligibility to other welfare – please advise) and any reduced tax (although any reduction in tax revenue would be expected to be limited given the party's tax policy – please advise).</p>
<p>Does the policy relate to a previous budget measure? If yes, which measure?</p>	<p>No.</p>
<p>If the proposal would change an existing measure, are savings expected from the departmental costs of implementing the program?</p>	<p>n.a.</p>
<p>Will the funding/program cost require indexation? If yes, list factors to be used.</p>	<p>Yes. Please index option 2 consistent with other child care subsidy thresholds.</p>

Expected impacts of the proposal				
If applicable, what are the estimated costs each year? If available, please provide details in the table below. Are these provided on an underlying cash balance or fiscal balance basis?				
Estimated financial implications (outturn prices) <sup>(a)</sup>				
	2018–19	2019–20	2020–21	2021–22
Underlying cash balance (\$m)				
Fiscal balance (\$m)				
<p>(a) A positive number for the fiscal balance indicates an increase in revenue or a decrease in expenses or net capital investment in accrual terms. A negative number for the fiscal balance indicates a decrease in revenue or an increase in expenses or net capital investment in accrual terms. A positive number for the underlying cash balance indicates an increase in receipts or a decrease in payments or net capital investment in cash terms. A negative number for the underlying cash balance indicates a decrease in receipts or an increase in payments or net capital investment in cash terms.</p>				
What assumptions have been made in deriving the expected financial impact in the party costing (please provide information on the data sources used to develop the policy)?	<p>Please advise of the estimated budget impact.</p> <p>Please outline assumptions about any change in the number of children born.</p> <p>Please outline assumptions about any change in paid employment, disaggregated into the impact from the change to paid parental leave (which is expected to induce more paid employment) and the impact from the various changes to child care subsidy (with the net impacts presumably dependent upon the balance of substitution and income effects). Please also disaggregate this effect by individual and family income. If a change in other welfare payments received is assumed, please disaggregate this effect by family income.</p> <p>Please outline assumptions about any change in child care costs, particularly under option 1.</p>			
Has the policy been costed by a third party? If yes, can you provide a copy of this costing and its assumptions?	No.			
What is the expected community impact of the policy? How many people will be affected by the policy? What is the likely take up? What is the basis for these impact assessments/assumptions?	<p>No.</p> <p>Please advise on the number and proportion of people affected under option 2, disaggregated if possible by the number of children in the household.</p> <p>Please advise of the additional people affected under option 3, disaggregated if possible by individual and family income and by the number of children in the household.</p>			

Administration of policy	
Who will administer the policy (for example, Australian Government entity, the states, non-government organisation, etc)?	Australian Government
Please specify whether any special administrative arrangements are proposed for the policy and whether these are expected to involve additional transactions/processing (by service delivery agencies).	No.
Intended date of implementation:	1 July 2019
Intended duration of policy:	Ongoing
Are there transitional arrangements associated with policy implementation?	n.a.
List major data sources utilised to develop policy (for example, ABS catalogue number 3201.0).	n.a
Are there any other assumptions that need to be considered?	n.a.
<p><b>NOTE:</b></p> <p><i>Please note that:</i></p> <p><i>The costing will be on the basis of information provided in this costing request.</i></p> <p><i>The PBO is not bound to accept the assumptions provided by the requestor. If there is a material difference in the assumptions used by the PBO, the PBO will consult with the requestor in advance of the costing being completed.</i></p>	