



Australian Government
Department of Education

**Submission to the Senate Inquiry into the
Family Assistance Legislation Amendment
(Child Care Measures) Bill (No.2) 2014**

24 July 2014

Overview of the Bill

Background to the Bill

1. The Family Assistance Legislation Amendment (Child Care Measures) Bill 2014 (the Child Care Measures Bill) proposed amendments to the *A New Tax System (Family Assistance) Act 1999* (the Family Assistance Act) to:
 - continue to pause the Child Care Rebate limit at \$7,500 per child, per financial year, for a further three income years to 30 June 2017 (the Child Care Rebate measure)
 - maintain the Child Care Benefit income thresholds at the amounts applicable as at 30 June 2014 for a further three years from 1 July 2014 (the Child Care Benefit measure).
2. On 5 June 2014 the Hon Sussan Ley MP, Assistant Minister for Education, introduced the Child Care Measures Bill into the House of Representatives.
3. The Child Care Measures Bill was passed by the Parliament 23 June 2014 and received Royal Assent on 30 June 2014. Before being passed by the Parliament, the Child Care Measures Bill was amended in the Senate, and agreed by the House of Representatives, to remove the Child Care Benefit measure.
4. On 25 June 2014 the Assistant Minister for Education introduced the Family Assistance Legislation Amendment (Child Care Measures) Bill (No.2) 2014 (the Child Care Measures Bill No.2) to implement the Child Care Benefit measure.
5. As the Child Care Measures Bill No.2 was not passed by the Parliament before 1 July 2014, the Child Care Benefit income thresholds were indexed with effect from 7 July 2014 (refer [Attachment A](#)).

Child Care Benefit measure

6. The Child Care Benefit measure in the Child Care Measures No.2 Bill is a 2014-15 Budget measure and is one element of the Government's broader measure to 'Maintain eligibility thresholds for Australian Government payments for three years' which is estimated to achieve savings of \$1.5 billion over four years. Further details of this measure, including the Departments with affected programmes, are provided in the *Budget Measure Budget Paper No.2 2014-15* at page 204.
7. The Child Care Benefit is a means-tested payment that provides financial assistance to help families with child care costs. The Child Care Benefit upper and lower income thresholds are used to calculate the rate of a family's Child Care Benefit. The lower and upper Child Care Benefit income thresholds are currently \$42,997 and \$100,268 respectively and are indexed each year on 1 July in line with Consumer Price Index (CPI) increases. The summary of rate changes from July 2014 at Attachment A outlines the current Child Care Benefit rates, the income thresholds and the income limits.

8. Specifically, the Child Care Measures Bill No.2 amends Schedule 4 of the Family Assistance Act to maintain the Child Care Benefit income thresholds at the amounts applicable at 30 June 2014 for three income years, starting from 1 July 2014, with the first indexation of this amount recommencing on 1 July 2017.

9. The Child Care Benefit standard hourly rate, the weekly rate and the multiple child loadings related to the Child Care Benefit will continue to be indexed by the CPI on 1 July each year. These amounts are not affected by the Child Care Benefit measure in the Child Care Benefit Measures Bill No.2.

Rationale and timing for the Bill

10. The Australian Government is committed to a broad agenda to repair the Budget, and strengthen the economy and the Child Care Benefit measure contained in this Bill is a necessary part of that.

11. The Child Care Benefit measure in the Child Care Measures Bill No.2 is a limited and targeted savings measure that will achieve savings to help address short term fiscal concerns. In particular this measure does not pre-empt the outcomes of the Productivity Commission Inquiry into Child Care and Early Childhood Learning (the Productivity Commission Inquiry) which is a once in a generation opportunity to reform child care and early learning. The Government will use the Productivity Commission Inquiry process and outcomes to ensure better child care policies into the future.

12. Child care subsidies are one of the fastest growing areas of Australian Government outlay, driven principally by increased numbers of children in care, increased hours in care and rises in fees. Overall the Government will increase child care assistance to \$28.5 billion over the next four years. This includes \$13.6 billion to reduce child care fees under the Child Care Benefit and \$14.9 billion to assist working families with out-of-pocket child care expenses under the Child Care Rebate.

Financial impact of the Child Care Benefit measure

13. The amount of Child Care Benefit a family receives depends on the family's income, the number of children in care, the hours and type of care used as well as a parent's work, training or study commitments. Families that receive less Child Care Benefit as a result of this measure may be able to claim Child Care Rebate that covers up to fifty per cent of out-of-pocket child care costs for working families.

14. The Child Care Benefit measure is estimated to deliver net savings of \$230.4 million over four years as outlined in Table 1 below:

Table 1: Child Care Benefit savings (\$m)

	2014-15	2015-16	2016-17	2017-18	Total
Net annual change	\$32.9	\$49.2	\$71.4	\$76.9	\$230.40

Source: 2014-15 Budget papers

15. If the Child Care Benefit income thresholds are maintained, it is estimated around 500,000 families will receive less Child Care Benefit in 2014-15. However, almost the same number of families would have had an increase in the amount of the Child Care Rebate that they receive.

16. Families with incomes below the lower income threshold for Child Care Benefit (currently \$42,997) will not be impacted by the Child Care Benefit measure. These families will continue to receive the maximum rate of Child Care Benefit.

17. The upper income threshold for Child Care Benefit (currently \$100,268) referred to in the legislation is a mechanism for the complex way in which Child Care Benefit is calculated and tapered, depending on a family's income, the number of children in care, the type of care and hours used.

18. The amount of Child Care Benefit a family receives tapers to zero as their income increases to the relevant maximum income limit. For example, a working family with three children in child care for 50 hours per week with an income for up to \$173,065 is currently eligible to receive some Child Care Benefit, as well as up to \$7,500 Child Care Rebate per child per year.

Other inquiries into child care and fee assistance

20. There have been a number of inquiries conducted, or currently underway, into the child care sector and fee assistance to families. The Child Care Benefit measure in this Bill does not pre-empt these inquiries.

The Productivity Commission Inquiry into Child Care and Early Childhood Learning

21. The comprehensive Productivity Commission Inquiry released a consultation draft report on 22 July 2014 and is expected to provide a final report to the Government, in October 2014. The Australian Government's objectives in commissioning the Productivity Commission Inquiry are to examine and identify future options for a child care and early childhood learning system that:

- Supports workforce participation, particularly for women;
- Addresses children's learning and development needs, including the transition to schooling;
- Is more flexible to suit the needs of families, including families with non-standard work hours, disadvantaged children, and regional families;
- Is based on appropriate and fiscally sustainable funding arrangements; and
- That better support flexible, affordable and accessible quality child care and early childhood learning.

The Senate Education and Employment Legislation Committee into the Family Assistance Legislation Amendment (Child Care Measures) Bill 2014

22. The provisions of the Child Care Measures Bill were referred to the Committee pursuant to a resolution of the Senate on 15 May 2014. The Senate resolution pertained to all time critical bills introduced between 15 May and 5 June 2014.

23. The Committee tabled their report on 16 June 2014, recommending that the Bill be passed.

The Education and Employment References Committee Inquiry into "The immediate future of the child care sector in Australia", and

The Education and Employment References Committee Inquiry into 'The delivery of quality and affordable early childhood education and care services'

24. These two inquiries were referred by the Senate to the Education and Employment References Committee in December 2013. The Committee released their final reports on these inquiries on 16 July 2014.

25. In considering these inquiries simultaneously the Committee received submissions and conducted joint hearings in the course of the above inquiries. The Department of Education appeared before the Committee on 22 May 2014 and answered a number of questions in relation to both the Child Care Benefit measure, and the continuation of the Child Care Rebate limit.

26. The Department of Education has provided submissions to each of the above inquiries and these are available at the following links:

- Productivity Commission Inquiry:
http://pc.gov.au/data/assets/pdf_file/0005/133466/sub147-childcare.pdf
- The Senate Education and Employment Legislation Committee into the Family Assistance Legislation Amendment (Child Care Measures) Bill 2014:
<http://www.aph.gov.au/DocumentStore.ashx?id=69ad2a87-7c1a-43bb-a6b8-b08792ca3753&subId=253351>
- The Education and Employment References Committee Inquiry into 'The immediate future of the child care sector in Australia':
<http://www.aph.gov.au/DocumentStore.ashx?id=56bf374-5d50-4e28-a381-4ae99744e871&subId=206482>
- The Education and Employment References Committee Inquiry into 'The delivery of quality and affordable early childhood education and care services':
<http://www.aph.gov.au/DocumentStore.ashx?id=e84c6ebb-8d59-4f3b-8d0b-68231b6fdf07&subId=206412>



Child Care Benefit—summary of rate changes from July 2014

Child Care Benefit (effective from the first Monday in July 2014)	Old Amount	July 2014	Increase	Unit
Hourly Maximum Rates				
1 Child	\$ 3.99	\$4.10	\$ 0.11	ph
2 Children	\$ 4.16	\$4.28	\$ 0.12	ph
3 Children	\$ 4.33	\$4.45	\$ 0.12	ph
4 Children	\$ 4.33	\$4.45	\$ 0.12	ph
add for each additional child in care	\$ 4.33	\$4.45	\$ 0.12	ph
Weekly Maximum Rates				
1 Child	\$ 199.50	\$ 205.00	\$ 5.50	pw
2 Children	\$ 416.92	\$ 428.40	\$ 11.48	pw
3 Children	\$ 650.57	\$ 668.48	\$ 17.91	pw
4 Children	\$ 867.42	\$ 891.30	\$ 23.88	pw
add for each additional child in care	\$ 216.85	\$ 222.82	\$ 5.97	pw
Registered Care Rate				
Hourly	\$ 0.666	\$ 0.684	\$ 0.018	ph
Weekly (based on 50 hours pw)	\$ 33.30	\$ 34.20	\$ 0.900	pw
Income Thresholds				
Lower Income Threshold	\$ 41,902	\$ 42,997	\$ 1,095	pa
Upper Income Threshold	\$ 97,632	\$ 100,268	\$ 2,636	pa
Multiple Child Loadings				
Multiple for 2 children	\$ 17.92	\$ 18.40	\$ 0.48	pw
Multiple for 3 children	\$ 52.07	\$ 53.48	\$ 1.41	pw
Income Limits				
1 Child	\$ 145,642	\$ 149,597	\$ 3,955	pa
2 Children	\$ 150,914	\$ 155,013	\$ 4,099	pa
3 Children	\$ 170,404	\$ 175,041	\$ 4,637	pa
4 Children	\$ 202,623	\$ 208,146	\$ 5,523	pa
add for each additional child in care	\$ 32,219	\$ 33,106	\$ 887	pa

Note: This table provides the Child Care Benefit rates with effect from 1 July 2013 and also outlines the respective indexed increases from the 2012-13 financial year. The Child Care Benefit Budget measure will maintain only the lower and upper Income Thresholds at the 2013-14 rates for three years. As the respective income limits are derived from both the income thresholds and the hourly rates these will also increase albeit by a lower amount because the Income Thresholds will be maintained.