

Senate Economics Legislation Committee

ANSWERS TO QUESTIONS ON NOTICE

Treasury Portfolio

Inquiry into Medicare Levy Amendment (National Disability Insurance Scheme Funding) Bill 2017
and 10 related bills [provisions]

Division/Agency: Treasury

Topic: Modelling of the Medicare Levy Increase

Reference: Hansard (29 September 2017)

Senator: Ketter, Chris

Question:

1. CHAIR: Just so that I have it clear in my head, can you give me a better outline of the shortfall of funds for the NDIS if the two nation-building funds—the Building Australia Fund and the Education Investment Fund—are not closed?

2. Senator KETTER: So you haven't received any instructions to evaluate the Labor proposal?

Mr Maher: No, we haven't received any instructions to compare it on the household basis. That's certainly right.

Mr Brennan: We could take that on notice. I'm not aware of any such request, but it would be safer for us to take it on notice. I may be unaware of such a request.

3. Senator KETTER: Okay. Could you take on notice, then, the calculation of the impact, by quintile, of the government proposal versus the Labor proposal.

Mr Brennan: We'll see what we can do.

4. Senator KETTER: Can you tell me what would be the impact of your revenue projections for this measure if wage growth remains subdued—say, between two and 2½ per cent over the forward estimates?

Mr Brennan: We'd have to take that on notice and see what we can put together.

Answer:

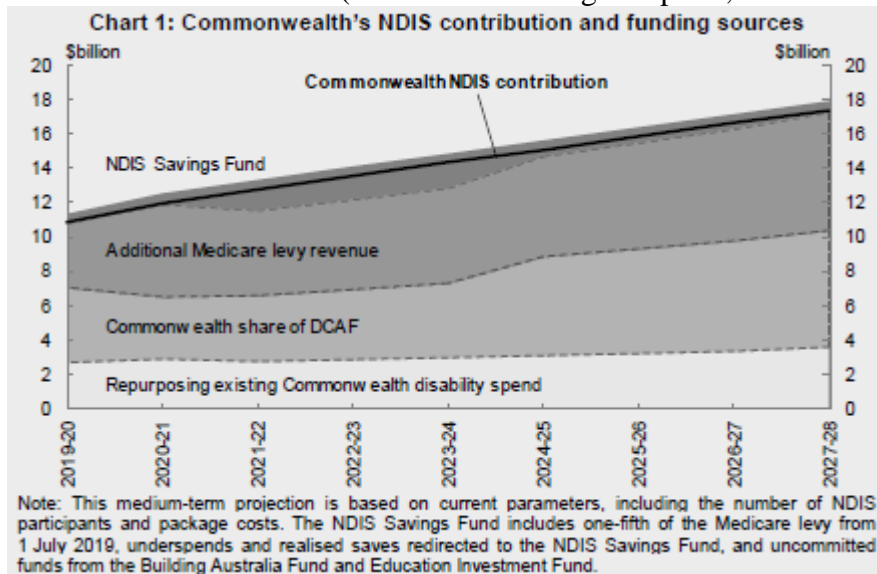
1. As stated in Budget Paper No 1 of the 2017-18 Budget, over the transition phase, the Commonwealth's contribution to the NDIS is covered by the Commonwealth's share of the DisabilityCare Australia Fund (DCAF) and repurposing existing Commonwealth disability-related funding. However, these sources of funding are not sufficient to cover the Commonwealth's NDIS contribution in full scheme, leading to a \$3.8 billion shortfall in 2019-20, accumulating to \$55.7 billion over the medium term.

The changes set out in the 2017-18 Budget mean that the Government's funding for the NDIS from 2019-20 will include:

- repurposed Commonwealth programs that have been redirected to the NDIS;
- the Commonwealth's share of debits from the DCAF; and
- debits from the NDIS Savings Fund, comprising:
 - one-fifth of the Medicare levy from 1 July 2019;
 - underspends and realised saves redirected to the NDIS Savings Fund; and
 - uncommitted funds from the Building Australia Fund (BAF) and Education Investment Fund (EIF).

The underspends and realised saves and the uncommitted funds from the BAF and the EIF, which will be contributed to the NDIS Savings Fund, are estimated to be \$10.2 billion over the period 2019-20 to 2027-28.¹

The below chart demonstrates the Commonwealth's NDIS contribution and funding sourced from 2019-20 to 2027-28 (sourced from Budget Paper 1, 2017-18 Budget, p3-10).



The uncommitted balances of the Building Australia Fund and the Education Investment Fund, will contribute in excess of \$7.2 billion to the National Disability Insurance Scheme Savings Fund Special Account when it is established.

Debits from the NDIS Savings Fund will be made from 2019-20, when required to meet the Commonwealth's contribution to the NDIS. Credits into the NDIS Savings Fund before 2019-20 will accumulate to meet the Commonwealth's future contribution. The total credits include a small provision in the NDIS Savings Fund that is in excess of the estimated Commonwealth contribution. These will be drawn upon as needed.

¹ Source: Data downloads available at <http://budget.gov.au/2017-18/content/downloads.htm>

2. Treasury has not been instructed to undertake or compare distributional impacts on a household basis.

3. This analysis is not available.

4. Budget Statement 8 in Budget Paper 1 contains analysis of the sensitivity of aggregate tax receipts to changes in the economic outlook. Further disaggregated analysis and information on the sensitivity analysis is not available.