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Vocational Education and Training Funding Amendment Bill 2002

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I N F O R M A T I O N A N D R E S E A R C H S E R V I C E S

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No. 1 2002-03

Vocational Education and Training Funding Amendment
Bill 2002

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17 July 2002

Contents

Purpose	1
Background	2
Main Provisions	4
Endnotes.	4

Vocational Education and Training Funding Amendment Bill 2002

Date Introduced: 5 June 2002

House: House of Representatives

Portfolio: Education, Science and Training

Commencement: Royal Assent

Purpose

The Bill would amend the *Vocational Education and Training Funding Act 1992* to:

- supplement the funding appropriated in 2001 for vocational education and training (VET) provided to the Australian National Training Authority (ANTA) for distribution to the States and Territories in the year 2002, in line with real price movements and the Commonwealth's commitment under the 2001-2003 ANTA Agreement to maintain its level of base funding in real terms
- appropriate base funds for VET to be provided to ANTA for distribution to the States and Territories for the year 2003 and funds for the *Australians Working Together* policy and the VET-related elements of the *Recognising and Improving the Capacity of People with a Disability* initiative
- increase the amount of growth funding appropriated for 2002 to allow for indexation, and
- appropriate an initial amount of growth funding for 2003 within the limit agreed to in the 2001-2003 ANTA Agreement.

The following table disaggregates base, supplementation, and growth funds and where appropriate, funds for the *Australians Working Together* and *Recognising and Improving the Capacity of People with a Disability* related measures appropriated for the 2001 and 2002 calendar years. It also includes estimates of expenditure for 2003, some of which would be covered by similar legislation in 2003. The 2003 supplementation figure is an estimate at this stage and is therefore not covered by this Bill nor is the total estimate for growth funds.

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Vocational Education and Training Funding Act Estimates:

Calendar Year (as at 2002-03 Budget)

	2001 \$m	2002 ¹ \$m	2003 \$m
Base	931.415	952.745	975.368
Supplementation	21.330	22.623	20.883 ²
Australians Working Together Measures	NA	3.412	12.381
DSP Measure*	NA	NA	4.545
ANTA Growth**	50.00	76.725	104.448 ³
TOTAL	1,002.745	1,055.506	1,117.626

*The Disabled Support Pension measure delivers new vocational training opportunities for people with a disability under the Government's 2002/03 Budget initiative "Recognising and Improving the Capacity of People with a Disability".

**The ANTA Agreement, which includes growth funding, is for the period 2001 to 2003. The forward estimates include continuation of the funding for growth for 2003 in real terms in subsequent years.

Source: Department of Education, Science and Training

1. The Base, Supplementation and Australians Working Together Measures sum to \$978.78 million which is allocated by this Bill.
2. Supplementation figure for 2003 is an estimate and not provided for in this current Bill.
3. This estimate of expenditure on growth is higher than the 2003 growth funds provided for in this current Bill.

Background

Commonwealth role in the provision and support of vocational education and training (VET)

Commonwealth funds make up approximately one third of public expenditure on the VET system in Australia. A significant part of this expenditure is in the way of Commonwealth grants to the States and Territories for the provision and support of VET. Under the *Vocational Education and Training Funding Act 1992* funds for capital and recurrent

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purposes are passed to ANTA for allocation among the States and Territories. The funds are distributed under the terms of the *Australian National Training Authority Act 1992* which established ANTA, and which provides the funding framework known as the ANTA Agreement. Under the ANTA Agreement funding decisions are made consistent with a national strategic plan based on agreed national objectives and priorities. The functions of ANTA include allocating and remitting funds to State and Territory training authorities on the basis of guidelines determined by the Ministerial Council, and administering any National Programs, within the guidelines approved by the Ministerial Council.

Funding arrangements under the ANTA Agreements—1993–96 to 2001–2003

The *Vocational Education and Training Funding Act 1992* gave effect to the first ANTA Agreement between the Commonwealth and the States and Territories, the 1993–95 ANTA Agreement. Under this agreement the Commonwealth maintained its then current financial support for VET; provided an injection of \$100 million in recurrent funding¹; and an additional \$70 million per annum of growth funding. These arrangements were extended to 1996 and 1997 by the then Labor government.

In its 1996–97 Budget the incoming Coalition government introduced an efficiency dividend on Commonwealth own-purpose outlays which resulted in a 5 per cent reduction in funding provided to ANTA. In addition, the 5 per cent real growth on base recurrent funding was discontinued. In its 1997–98 Budget, the Coalition government reduced annual funding to the States and Territories appropriated under the *Vocational Education and Training Funding Act 1992*, to provide ‘an incentive to the States to achieve efficiency gains in their VET operations’.² This reduction, which took effect from 1 January 1998 and was to be carried into subsequent years, was estimated to be approximately \$20 million in the 1998 calendar year. The new base funding levels and the principle of growth through efficiencies formed the basis of the ANTA Agreement for 1998–2000. The terms of the Agreement were that the Commonwealth maintained its 1998 funding in real terms (\$904.144 million in 1998) for the three years, thereby locking in the reduction in annual funding announced in its 1997–98 Budget. The States and Territories agreed to maintain their level of activities, and to the principle of growth through efficiencies.

Owing to the failure to reach agreement on a new ANTA Agreement in 2000, Commonwealth allocations for 2000 and 2001 continued on the same basis as the 1998–2000 funding arrangements. After a protracted series of negotiations between the Commonwealth and the States/Territories over appropriate funding levels and much debate on funding for growth,³ an agreement was finally struck. By June 2001 the Commonwealth's offer which was announced in the context of the 2001–02 Budget, had been accepted by all the States/Territories. The new 2001–2003 Agreement provided for the Commonwealth's maintaining its then base funding of approximately \$950 million in real terms, and for annual growth funding of \$50 million, \$76 million and \$104 million in the

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years 2001 to 2003 respectively. This growth funding is contingent on the States/Territories meeting the Commonwealth's offer on a 'dollar for dollar' basis.

Main Provisions

The effect of **item 1** of **Schedule 1** is to amend the amounts payable to ANTA under section 9 of the *Vocational Education and Training Funding Act 1992* in the following manner:

- increasing the amount of base funding payable for 2002 from \$956.158 million to \$978.781 million, and
- providing a base funding appropriation of \$992.295 million for the year 2003.

The effect of **item 2** of **Schedule 1** is to amend the amounts payable under subsection 9AB(2) of the *Vocational Education and Training Funding Act 1992* to ANTA for allocation to States/Territories by

- increasing the amount of funding payable for 2002 from \$75.000 million to \$76.725 million, and
- providing funding of \$101.725 million for 2003.

Endnotes

- 1 This was announced in *One Nation* economic statement in February 1992.
- 2 *Budget Paper* No. 2, 1997–98, p. 40.
- 3 For more detail see Carol Kempner, 'Vocational Education and Training Funding Amendment Bill 2001', *Bills Digest* no. 160, 2000–01, Department of the Parliamentary Library, 2001.

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