

Bills Digest  
No. 22 2003–04

Vocational Education and Training Funding  
Amendment Bill 2003

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No. 22 2003–04

Vocational Education and Training Funding Amendment  
Bill 2003

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# Vocational Education and Training Funding Amendment Bill 2003

**Date Introduced:** 26 June 2003

**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 2002 for vocational education and training (VET) provided to the Australian National Training Authority (ANTA) for distribution to the States and Territories in the year 2003, in line with real price movements, and
- appropriate funds for VET to be provided to ANTA for distribution to the States and Territories for the year 2004.

Consistent with the Commonwealth's commitments under the 2001–2003 ANTA Agreement and the Commonwealth's offer for a proposed 2004–06 ANTA Agreement, these appropriations provide for maintaining the Commonwealth's level of base funding in real terms and for growth funding. They also include funds for the *Australians Working Together* policy and the VET-related elements of the *Recognising and Improving the Capacity of People with a Disability (RICP)* initiative.

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**Vocational Education and Training Funding Act Estimates: Calendar Year (as at 2003–04 Budget)**

	<b>2003</b>	<b>2004</b>	<b>2005</b>	<b>2006</b>
Base	975.368	997.501	1,020.049	1,042.720
Supplementation	22.133	22.548	22.671	23.560
Australians Working Together	12.381	26.655	31.842	32.207
RICP Measure	4.545	8.781	9.975	10.025
ANTA Growth	104.025	106.325	108.525	110.699
<b>Total</b>	<b>1,118.452</b>	<b>1,161.810</b>	<b>1,193.062</b>	<b>1,219.211</b>

*The estimates in this Table accord with the Offer of the Minister for Education, Science and Training to the States and Territories for the proposed new ANTA Agreement for the period 2004 to 2006, announced on 9 May 2003.*

**Source:** Department of Education Science and Training

## **Background**

### **Commonwealth role in the provision and support of VET**

Commonwealth funds make up approximately one third of public expenditure on the VET system in Australia. A significant part of this expenditure is covered by this legislation. It provides for Commonwealth grants to the States and Territories to support them in their role as providers and administrators of VET. These grants for capital and recurrent purposes are passed to the Australian National Training Authority (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.

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The remaining Commonwealth funds for VET which are not covered by this legislation, include funding for specific Commonwealth programmes such as New Apprenticeships and school based vocational education and training.

### 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 funding; 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'.<sup>1</sup> 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 1998–2000 ANTA Agreement. 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 of the parties 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. Following much debate on growth estimates and appropriate levels of funding to support growth the Commonwealth and the States/Territories had reached an agreement by June 2001.<sup>2</sup> The Commonwealth's offer which had been announced in the context of the 2001–02 Budget, was finally accepted by all the States/Territories. The 2001–2003 Agreement provided for the Commonwealth 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 years 2001 to 2003 respectively. This growth funding was contingent on the States/Territories meeting the Commonwealth's offer on a 'dollar for dollar' basis.

### Proposal for the 2004–06 ANTA Agreement

In the 2003–04 Budget context the Minister announced that he had written to State and Territory Ministers with the Commonwealth's offer for a new ANTA Agreement. The

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offer is for \$3.6 billion for the proposed three year agreement – 2004–06. The terms include maintaining levels of Commonwealth base funding i.e. at current prices approximately \$1.1 billion, maintaining levels of Commonwealth growth funding at 2003 levels i.e. approximately \$100 million per annum with an estimated \$25.5 million in indexation, and a requirement for States/Territories to match this growth funding. It also includes funding of \$119 million for key priority areas, namely to assist mature aged workers and people with a disability. The proposal requests that States/Territories also match this funding.

On June 13 it was reported that at an initial meeting of State and Territory training ministers the Commonwealth's offer was rejected. The issue of growth funding appears to be once again in contention with the States and Territories reportedly wanting growth funding of about 5 per cent rather than the 2.0–2.5 per cent on offer.<sup>3</sup> The Australian Education Union has also argued for growth funding of a similar order.<sup>4</sup> The Australian Labor Party in its education policy released on 23 July 2003 has promised that ‘on top of any new places that may result from the new ANTA Agreement’ it will fund ‘20,000 new full and part-time TAFE places every year by 2008’<sup>5</sup>.

## 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 2003 from \$992.295 million to \$1,014.427 million, and
- providing a base funding appropriation of \$1,032.797 million for the year 2004.

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 growth funding payable for 2003 from \$101.725 million to \$104.025 million, and
- providing growth funding of \$104.025 million for 2004.

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## Endnotes

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- 1 *Budget Paper* No. 2, 1997–98, p. 40.
- 2 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.
- 3 AAP news story, *States and territories reject federal training funding offer, 13 June 2003, 1:28pm*.
- 4 Kronemann, Michaela, *National TAFE Funding 2003 Background Paper*, Australian Education Union, 2003 <http://www.aefederal.org.au/Tafe/TAFEBground2003.pdf>.
- 5 *Aim higher: learning, training and better jobs for more Australians*, ALP, July 2003 [http://parlinfoweb.parl.net/parlinfo/view\\_document.aspx?id=485&table=partypol](http://parlinfoweb.parl.net/parlinfo/view_document.aspx?id=485&table=partypol)

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